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

Town House,
ABERDEEN 30 April 2025

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, 8 MAY 2025 at 2.00 pm.**

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/TRANSPARENCY STATEMENTS

3.1 Members are requested to intimate any declarations of interest or transparency statements

DEPUTATIONS

4.1 There are no requests at this time

MINUTE OF PREVIOUS MEETING

- 5.1 Minute of Previous Meeting of 20 February 2025 (Pages 5 - 14)

COMMITTEE PLANNER

- 6.1 Committee Business Planner (Pages 15 - 18)

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 Corporate Risk Register, Cluster Assurance Maps and Inspections Planner - CORS/25/086 (Pages 19 - 76)
- 9.2 Risk Appetite Annual Review - CORS/25/087 (Pages 77 - 88)
- 9.3 ALEO Assurance Hub Workplan and Terms of Reference - CORS/25/088 (Pages 89 - 100)

Legal Obligations

- 9.4 Use of Investigatory Powers Quarter 1 Report - CORS/25/084 (Pages 101 - 108)

Scrutiny

- 9.5 Scottish Public Services Ombudsman Decisions and Inspector of Crematoria Complaint Decisions - CORS/25/085 (Pages 109 - 116)

Annual Reports and Accounts

- 9.6 Unaudited Annual Accounts for 2024/25 - CORS/25/089 (Pages 117 - 332)

Internal Audit

- 9.7 Internal Audit Progress Report - IA/25/006 (Pages 333 - 360)
- 9.8 Adoption, Fostering and Kinship - AC2513 (Pages 361 - 384)
- 9.9 Creditors Sub-System Payments - AC2506 (Pages 385 - 400)
- 9.10 Risk Management - AC2514 (Pages 401 - 418)
- 9.11 HSCP Commissioning - AC2512 (Pages 419 - 436)
- 9.12 Right to Work in the UK - AC2516 (Pages 437 - 454)
- 9.13 Freedom of Information and Subject Access Requests - AC2519 (Pages 455 - 470)

External Audit

- 9.14 External Audit Report - Annual Audit Plan for 2024/25 Audit - EA/25/001 (Pages 471 - 492)

EXEMPT/CONFIDENTIAL BUSINESS

- 10.1 There are no exempt items at this time

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

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AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 20 February 2025. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Ali (as substitute for Councillor Bonsell), Allard, Alphonse, Brooks (as substitute for Councillor Massey), Greig (as substitute for Councillor Bouse), McLellan and McRae.

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.

DECLARATIONS OF INTEREST/TRANSPARENCY STATEMENTS

1. Members were requested to intimate any declarations of interest or transparency statements in respect of the items on today's agenda, thereafter the following was intimated:-

- (1) Councillor Malik advised that he had a connection in relation to agenda item 9.1 (Use of Investigatory Powers Annual Report) by virtue of his family having a grocery business, however having applied the objective test, he did not consider that he had an interest and would not be withdrawing from the meeting.

MINUTE OF PREVIOUS MEETING OF 28 NOVEMBER 2024

2. The Committee had before it the minute of its meeting of 28 November 2024.

The Committee resolved:-

to approve the minute as a correct record.

COMMITTEE BUSINESS PLANNER

3. The Committee had before it the Committee Business Planner prepared by the Interim Chief Officer - Governance.

The Committee resolved:-

to note the content of the business planner.

USE OF INVESTIGATORY POWERS ANNUAL REPORT - CORS/25/016

4. With reference to article 8 of the minute of its previous meeting, the Committee had before it a report by the Executive Director of Corporate Services which (1) provided an overview of the Council's use of investigatory powers during 2024 which focussed on the Committee's role in respect of assurance; and (2) sought confirmation that the Use of Investigatory Powers Policy was fit for purpose.

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The report recommended:-

that the Committee -

- (a) note the overview of the council's use of investigatory powers during the calendar year 2024, as set out in this report; and
- (b) agrees that the Use of Investigatory Powers Policy remains fit for purpose.

In response to a question relating to whether information was published to show the businesses that had been found to be selling products illegally, Mr Forsyth, Solicitor, advised that the Council were prohibited from disclosing this information by the Enterprise Act 2002 unless certain very narrow exceptions applied.

The Committee resolved:-

to approve the recommendations contained in the report.

ELECTED MEMBER SCRUTINY - CORS/25/019

5. The Committee had before it a report by the Executive Director of Corporate Services which sought feedback on proposals for improving elected members scrutiny as recommended by Audit Scotland in their thematic Best Value report on strategic priorities, prior to these being presented to Council in April as part of the Scheme of Governance annual review.

The report recommended:-

that the Committee -

- (a) note the progress made by the elected member Governance Reference Group on developing scrutiny improvements and thank the internal and external auditors for their input to date;
- (b) provide feedback on the approach being proposed by the Group to enhance the Council's scrutiny approach as recommended by Audit Scotland; and
- (c) note that the Interim Chief Officer – Governance will, following feedback from this Committee, incorporate the proposals set out at paragraph 3.5 within the revised Scheme of Governance being presented to Council in April.

In response to a question relating to whether there was anything else that could be improved, the Chief Internal Auditor advised that he agreed with the recommendations contained in the report and that these would improve the current scrutiny route.

In response to a question relating to whether this Committee could look at issues where there was high public interest earlier in the process, the Interim Chief Officer – Governance advised that consideration on the wording of the current Term of Reference would form part of the Scheme of Governance Review.

In response to a question relating to scrutiny training and whether this would be a certification scheme, the Interim Chief Officer - Governance advised that it wouldn't be a

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certification scheme however it would enable members to look at different types of scrutiny based on the committees.

The Convener, seconded by Councillor Ali, moved:-
that the Committee:

1. Notes the report
2. Agrees point 1 of paragraph 3.5;
3. Agrees point 2 of paragraph 3.5;
4. Agrees point 3 of paragraph 3.5 and that officers are included in these training opportunities;
5. Agrees the following feedback on the proposals being submitted to Council in April:
 - a) Agrees that, to ensure members can scrutinise effectively, officers must trust Elected Members who are the ultimate decision makers, by ensuring that written Legal advice is provided to Elected Members where reasonably requested, and, where it is relevant to a decision to be taken by elected members, that the conduct of elected members is governed by the Councillors Code of Conduct and that there are fixed processes in place where anyone believes a councillor is in breach, therefore it is not appropriate for officials to pre-emptively police the actions of elected members outside of the code of conduct;
 - b) Agrees that providing Motions and Amendments for Council to all Elected Members one hour before the meeting is simply gerrymandering given often Council meetings mostly run on into other days;
 - c) Agrees that officers must reflect on the powers categories of exempt information open to them such as within Schedule 7a of the Local Government (Scotland) Act 1973 as amended when dealing with matters such as legal advice; and
 - d) Agrees that as Audit, Risk and Scrutiny Committee should be non-political thereby acting in the best interests of the Council, the best way to achieve cross party working is for the Governance Reference Group to be abolished with the responsibility being transferred to this Committee and that this should form part of the proposals to Council when it reviews the Scheme of Governance in April.

Councillor Allard, seconded by Councillor Greig, moved as an amendment:-
that the Committee approve the recommendations contained within the report.

On a division, there voted:- for the motion (4) – the Convener, Vice Convener and Councillors Ali and Brooks; for the amendment (5) – Councillors Allard, Alphonse, Greig, McLellan and McRae.

The Committee resolved:-

to adopt the terms of the amendment.

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SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS AND INSPECTOR OF CREMATIONS COMPLAINT DECISIONS - CORS/25/017

6. With reference to article 9 of the minute of its previous meeting, the Committee had before it a report by the Executive Director of Corporate Services which provided 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 were being handled appropriately.

The report recommended:-

that the Committee note the details of the report.

In response to questions relating to the lengthy delays in the response from the SPSO and what measures were in place to keep the complainant informed, the Customer Services Manager advised that these were exceptions where the SPSO had taken longer to respond. She further advised that all recommendations received had been actioned. In relation to the contact with the complainer, she advised that the Council had no contact with the complainer once it reached the ombudsman.

The Committee resolved:-

to approve the recommendation as contained in the report.

INTERNAL AUDIT CHARTER - IA/25/003

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

The report recommended:-

that the Committee approve the attached Internal Audit Charter. Minor changes, noted in red, have been suggested to the previous Internal Audit Charter to reflect ongoing developments of the Service and reflect the incoming new standards. It is anticipated that the Charter presented to Committee in 2026 will reflect further changes to fully comply with the new standards; the implications of which are still being worked through across the Public Sector.

The Committee resolved:-

to approve the Internal Audit Charter as appended to the report, including the minor changes, noted in red, which had been suggested to the previous Internal Audit Charter to reflect ongoing developments of the Service and the incoming new standards.

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INTERNAL AUDIT UPDATE REPORT - IA/25/001

8. With reference to article 13 of the minute of it's 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 have made with implementing recommendations agrees in Internal Audit Reports.

In response to questions relating to the outstanding audit recommendations for AC2503 – National Fraud Initiative and AC2201 – IT Infrastructure Resilience, the Chief Internal Auditor advised that for both audits, an extension to the completion date had been agreed to enable works to be completed.

In response to a question seeking assurance that the weaknesses found in Audit AC2511 – ELC Funded Provider Places were minor technical issues, the Chief Internal Auditor advised that they were minor and that there was a report on the agenda providing further information in this regard.

The Committee resolved:-

to approve the recommendations contained in the report.

RESETTLEMENT GOVERNANCE - AC2504

9. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Resettlement Governance which was undertaken to ensure that procedures regarding the Council's responsibilities in relation to the resettlement of refugees, specifically the financial costs, were operating effectively.

The report recommended:-

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

In response to a question relating to whether there was an increased risk to the Council, the Chief Internal Auditor advised that he was assured by the work of the service that the risk was not increasing. The Chief Officer – Housing advised that the service had learnt over recent years, that flexibility in terms of their response had enabled controls to be enhanced and that she didn't see this as an increase in risk.

The Committee resolved:-

to note the report and the attached internal audit report.

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IJB COUNTER FRAUD - AC2505

10. The Committee had before it a report by the Chief Internal Auditor which presented an audit on IJB Counter Fraud which was undertaken to provide assurance that the IJB's arrangements for the prevention of fraud, bribery and corruption were adequate and proportionate.

The report recommended:-

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

In response to a question relating to whether there was an increased risk due to different systems being used within the partnership of ACC and NHS Grampian and whether there were additional challenges for officers and Internal Audit to monitor the systems, the Chief Internal Auditor advised that there was an increased risk however reliance was put on both systems. The Chief Operating Officer advised that they were looking at how the different systems operated to learn best practice which would be shared with Aberdeenshire and Moray IJB's.

The Committee resolved:-

to note the report and the attached internal audit report.

Transparency Statements

During discussion of the following item of business, the Vice Convener intimated a transparency statement by virtue of his spouse being a doctor at ARI, however having applied the objective test, he did not consider that he had an interest and remained for the item; and Councillor McRae intimated a transparency statement by virtue of his employment with the Scottish Ambulance Service, however having applied the objective test, he did not consider that he had an interest and remained for the item.

IJB BUDGET SETTING AND MONITORING - AC2504

11. The Committee had before it a report by the Chief Internal Auditor which presented an audit on IJB Budget Setting and Monitoring which was undertaken to ensure appropriate arrangements were in place regarding IJB budget setting and budget monitoring.

The report recommended:-

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

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In response to a question relating to whether there were written procedures for budget setting and annual reporting, the Chief Operating Officer advised that there was a process in place that had been followed for a number of years and that the IJB had looked to adopt a budget protocol which sought to align with the processes of the Council, which had now been implemented.

In response to a question relating to whether the financial position for the IJB would have been different if there were stronger, more robust processes in place, the Chief Operating Officer advised that there was a process in place to monitor the budget with the quarterly performance reporting being submitted to the IJB, noting that it was prepared in liaison with Council and NHS colleagues.

In response to a question relating to the IJB transformation and where things were currently, the Chief Operating Officer advised that the reserves policy would be presented to the IJB Risk, Audit and Performance Committee. He stated that transformation was key for the sustainability of IJB's across the country and that a draft Transformation Strategic Plan would be presented to the IJB Budget meeting which would have a key focus on prevention to keep people well in the community, and that this would be integrated within the medium term financial framework.

In response to a question relating to the financial information provided by NHS Grampian and the need for material changes to be noted and explained for inclusion in future reports and whether NHS Grampian were providing the industry standard across different health boards, the Chief Operating Officer advised that decisions on funding were made throughout the year by the NHS, which was done centrally via the Health Boards to the IJB's. He stated that the audit recommendations provided scope to improve the information coming through to the IJB and that the Chief Finance Officer was confident this would be addressed going forward.

In response to a question relating to whether there would be a further risk due to the decisions made at the Aberdeenshire IJB, the Chief Operating Officer advised that there would be an impact and that they were looking at a whole system approach. He further stated that they were awaiting more detail from colleagues on the decisions of the Aberdeenshire IJB.

The Committee resolved:-

to note the report and the attached internal audit report.

COUNCILLORS INDUCTION AND DEVELOPMENT - AC2509

12. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Councillors Induction and Development which was undertaken to obtain assurance over the processes in place for onboarding and ongoing support and training of Councillors, including the role of Group Leaders.

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The report recommended:-

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

In response to a request for Mental Health training or guidance to be provided, the People Development Manager advised that they would be happy to take that suggestion on board. She further advised that they were working with the Improvement Service to tailor their Political Skills Self Assessment which enabled elected members to reflect on their own development needs including a follow up conversation with People and Organisational Development. The Political Skills Self Assessment was being tailored to the Councils development programme and would be rolled out to all elected members in due course.

In response to a question relating to training undertaken by elected members and what was deemed to be statutory or essential, the People Development Manager advised that statutory courses were deemed to be training required for the Council to undertake legislative duties for the organisation to remain compliant. She further stated that quarterly meetings were held to look at the compliance rates for courses identified as statutory which allowed for a follow up communication with Group Leaders and the individual Councillors. The Interim Chief Officer – Governance advised that for quasi-judicial committees, the training was not a statutory requirement, but rather classed as strongly recommended to undertake. He stated that training for Planning was currently strongly recommended to undertake and that this would be essential in the future.

In response to a question relating to PVG assessments and whether the recommendation for elected members should be that they were strongly recommended to be a member of the Scheme, the Service Lead - People & Organisational Development Services, advised that the Disclosure Scotland Act 2007 stated that only Councillors that were members of certain Council committees, were eligible to be part of the Scheme due to the regulated work with either children or vulnerable adults. The Chief Internal Auditor advised he was reassured by the work that had been undertaken in this area.

In response to a question relating to whether there was a risk if substitutes were attending Committees on behalf of other Councillors, Service Lead - People & Organisational Development Services, advised that the substitute role would not be considered as regular therefore there would be a lower risk.

In response to a question relating to whether all Councillors should have a PVG assessment due to them meeting with members of the public at surgeries and when attending meetings in their communities, Service Lead - People & Organisational Development Services, advised that this would not constitute to be regulated work with vulnerable adults or children.

In response to a question relating to whether the Conveners of Committees where the training was regarded as statutory but not completed could be notified so that they could

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ensure that the elected members were compliant, the People Development Manager advised that Group Leaders and Conveners would be advised accordingly.

In response to a request for clarification in relation to the definitions within the Scheme around what was considered to be regulated work, the Executive Director for Corporate Services advised that a briefing could be provided to all elected members in relation to the PVG Scheme which would include some of the examples raised during this meeting.

The Committee resolved:-

- (i) to note that a briefing on the PVG Scheme would be arranged and provided for all elected members ahead of the Council meeting in April; and
- (ii) to otherwise note the report and the attached internal audit report.

ELC FUNDED PROVIDER PLACES - AC2511

13. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Early Learning Childcare (ELC) Funded Provider Places which was undertaken to ensure ELC Commissioned places requirements were being delivered and that adequate control was exercised over expenditure.

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 which sought assurance that actions would be implemented in relation to the major areas of work to follow up on the recommendations within the audit report, the Chief Officer – Education and Lifelong Learning advised that systems had been set up to look at funded provider accounts to ensure they were financially stable and that contract renewals were sent out and the contracts register updated.

In response to a question relating to the dates for completing the audit recommendations and whether they would be achieved, the Chief Officer – Education and Lifelong Learning advised that all recommendations would be completed.

The Committee resolved:-

to note the report and the attached internal audit report.

TRUSTS AND COMMON GOOD FUND - AC2510

14. The Committee had before it a report by the Chief Internal Auditor which presented at audit on Trusts and Common Good Fund which was undertaken to consider whether appropriate governance and controls were being applied over the use of Trusts and Common Good Funds.

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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 relating to the approval of payments and whether these were via email or finance system, the Chief Officer – Finance advised that systems were used with manual interventions available if required.

In response to a question relating to the long time frame for completing the audit recommendations and the reason for this, the Chief Officer – Finance advised that following consultation with staff involved, those were the dates that were achievable.

The Committee resolved:-

to note the report and the attached internal audit report.

INTERNAL AUDIT PLAN 2025-28 - IA/25/002

15. The Committee had before it a report by the Chief Internal Auditor which sought approval of the Internal Audit Plan for 2025-2028.

The report recommended:-

that the Committee approve the attached Internal Audit Plan for 2025-2028.

In response to a question relating to the number of audits contained in the plan, the Interim Chief Officer – Governance advised that although resourcing the audits would be challenging they were critical to good governance and that the three year plan was helpful for the organisation.

In response to a question relating to whether management were confident that the audits could be completed, the Chief Executive advised that where the risk environment changed for the organisation, any changes to the Internal Audit plan would be reported to this Committee.

The Committee resolved:-

to approve the Internal Audit Plan 2025-2028.

- COUNCILLOR M.TAUQEER MALIK, 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	08 May 2025								
4	Use of Investigatory Powers Quarter 1 report CORS/25/084	to present the use of investigatory powers annual report.	a report is on the agenda	Jessica Anderson	Governance	Corporate Services	5.2		
5	SPSO Decisions, Inspector of Crematoria Complaint Decisions CORS/25/085	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.	a report is on the agenda	Lucy McKenzie	People and Citizens	Corporate Services	6.4		
6	Corporate Risk Register, Cluster Assurance Maps and Inspections Planner CORS/25/086	To present the Corporate Risk Register, Assurance Maps and Inspections Planner	a report is on the agenda	Ronnie McKean	Governance	Corporate Services	1.1		
7	Risk Appetite Annual Review CORS/25/087	To present the Council's updated Risk Appetite Statement	a report is on the agenda	Ronnie McKean	Governance	Corporate Services	1.1		
8	ALEO Assurance Hub Workplan and Terms of Reference CORS/25/088	To present ther ALEO Assurance Hub Workplan for 2025 including dates for reporting.	a report is on the agenda	Vikki Cuthbert	Governance	Corporate Services	1.3		
9	Unaudited Annual Accounts for 2024/25 CORS/25/089	To present the unaudited annual accounts for the 2024-25 and the Charities Accounts for 24-25	a report is on the agenda	Lesley Fullerton	Finance	Corporate Services	4.1		
10	Procurement Compliance	<u>ARSC 28 Nov 24 -</u> to note that the Chief Officer – Commercial and Procurement Services would submit a report to this Committee within 2 committee cycles providing an update on the improvements that have been implemented.		Craig Innes	Commercial & Procurement Services	Corporate Services		D	Report to be submitted in June. This to to allow for data from the new assurance reporting model to be captured and included in the rept to the Committee.
11	Internal Audit Update Report IA/25/006	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
12	Adoption, Fostering and Kinship AC2513	The objective of this audit is to obtain assurance that adequate procedures are in place to control the calculation, award, and payment of allowances for Fostering, Adoption and Kinship Care	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		

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13	Creditors Sub-System Payments AC2506	The objective of this audit is to provide assurance that there are adequate controls over payments originating from creditors sub-systems	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
14	Risk Management AC2514	The objective of this audit is to provide assurance over the Council's risk management arrangements at each level and ensure risk appetite is utilised across the delivery of operations	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
15	HSCP Commissioning AC2512	The objective of this audit is to review plans and progress with commissioning across the Health and Social Care Partnership.	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
16	Right to Work in the UK AC2516	The objective of this review is to ensure adequate arrangements are in place to ensure staff have the Right to Work in the UK. It is crucial that the Council conduct proper Right to Work in the UK checks, as failing to do so could lead to reputational damage, financial penalty and potential prosecution should the Council recruit an illegal worker	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
17	Freedom of Information and Subject Access Requests AC2519	The objective of this audit is to obtain assurance that the Council's procedures for dealing with FOI and SARs are appropriate.	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
18	External Audit Plan EA/25/001	To present the External Audit plan for the 2024-25 audit of the accounts	a report is on the agenda	Anne MacDonald	Governance	Corporate Services	3.1		
19	ETRO2 Lessons Learnt CRE/25/091	The purpose of this report is to detail the lessons learnt regarding advice given by officers on the Motion to Council on 11th October 2024 relating to Report CR&E/24/287 – City Centre Transport Measures.		Mark Reilly	Operations	City Regeneration & Environment	6.1	D	To allow the full report to be considered in public, this report will be delayed until the outcome from the statutory appeal is known, and legal matters have been concluded
20	26 June 2025								
21	Use of Investigatory Powers Quarter 2 report	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		

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22	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		
23	ALEO Assurance Hub Update Report	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		
24	External Audit Annual Report 2024/25	To present the External Audit annual report		Anne MacDonald	Governance	Corporate Services	3.1		
25	Audited Annual Accounts for 2024/25	To present the audited annual accounts for the 2024-25 and the Charities Accounts for 24-25		Lesley Fullerton	Finance	Corporate Services	4.1		
26	Internal Audit Annual Report 2024-25	To present the Internal Audit Annual Report for 2024-25		Jamie Dale	Governance	Corporate Services	2.1		
27	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		
28	Internal Audit Reports	Reports that have been finalised will be submitted to the Committee		Jamie Dale	Governance	Corporate Services	2.2		
29	11 September 2025								
30	Use of Investigatory Powers Quarter 3 report	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		
31	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		
32	Business Continuity Annual Report	To provide the annual assurance report on the Council's Business Continuity arrangements		Ronnie McKean	Governance	Corporate Services	1.2		

	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
33	Information Governance Management Annual Report 2024-25	to present the annual report for the Council's Information Governance		Caroline Anderson	Data Insights	Corporate Services	1.4		
34	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		
35	Internal Audit Reports	Reports that have been finalised will be submitted to the Committee		Jamie Dale	Governance	Corporate Services	2.2		
36	Accounts Commission Findings - s102 Report Council Tax Refunds - A Significant Fraud - CORS/25/031	<u>Reconvened Council 17/02/25</u> (v) refer the matter to the Audit, Risk and Scrutiny Committee, with the Chief Officer - Finance and Chief Internal Auditor providing a joint report on the implementation of the Commission findings and action plan no later than September 2025.		J Belford/ J Dale	Finance/ Governance	Corporate Services			
37	27 November 2025								
38	Use of Investigatory Powers Quarter 4 report	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		
39	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		
40	ALEO Assurance Hub Update Report	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		
41	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		
42	Internal Audit Reports	Reports that have been finalised will be submitted to the Committee		Jamie Dale	Governance	Corporate Services	2.2		
43	Annual Effectiveness Report	To present the committee's annual effective report for 2024-25		Karen Finch	Governance	Corporate Services	GD8.5		

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	8 th May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Corporate Risk Register, Cluster Assurance Maps, and Inspections Planner
REPORT NUMBER	CORS/25/086
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Vikki Cuthbert
REPORT AUTHOR	Ronnie McKean
TERMS OF REFERENCE	Remit 1.1

1. PURPOSE OF REPORT

- 1.1 To present the Corporate Risk Register, Cluster Assurance Maps and Inspections Planner and to provide assurance on the Council's overall system of risk management.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 note the Corporate Risk Register set out in Appendix A and the summary of movements in risk scores set out in table at section 3.8;
- 2.2 note the Cluster Assurance Maps provided at Appendix B; and
- 2.3 note the Inspections Planner provided at Appendix C.

3. CURRENT SITUATION

- 3.1 The Audit, Risk and Scrutiny Committee is responsible for overseeing the system of risk management on behalf of the Council and for receiving assurance that the Extended Corporate Management Team (ECMT) are effectively identifying and managing risks. Reviewing the strength and effectiveness of the system of risk management within the council and across the wider enterprise of our Arms Length Organisations, is a key role for the Committee. A proportionate approach to monitoring and reporting of ALEO risks is taken via the ALEO Assurance hub. It is the role of the Council's service Committees to scrutinise the Cluster Risk Registers that are relative to each Committee remit and to receive assurance of the controls in place and the Audit, Risk and Scrutiny Committee's role to scrutinise the Corporate Risk Register.
- 3.2 The Council's Corporate Risk Register (CRR) provides a high-level overview of the Council's operational risk environment and captures the risks which, at this

time, pose the most significant threat to the achievement of our organisational outcomes and which have the potential to cause failure of service delivery. Risks which will face us in the next 12 months are identified through broader horizon scanning, using resources such as the government publications, the National Risk Register, inspection and audit reports (of our own authority as well as others') and the Corporate Risk Registers of our peers in local government. The impact of financial uncertainty, geo-political events and risks being managed by UK and Scottish governments, all help to inform this risk profile for the council. At local authority level, the corporate level risks are very similar when compared amongst councils

- 3.3 The CRR is scrutinised by the Risk Board after being updated by risk managers and owners. The Chief Executive has designated the Chief Officer Governance, as lead for the organisations approach to risk management and therefore chairs the Risk Board. The Chief Officer has sufficient seniority to undertake this role, and through reporting to the Director of Corporate Services, can influence effective decision making.
- 3.4 The Risk Board reviews the Corporate Risk Register at each of its Risk and Compliance based meetings and in addition to these reviews, each Corporate level risk is selected for a "Deep Dive" review on an annual basis. This review places particular focus on the adequacy and effectiveness of the control actions in place and the progression towards risk mitigation and/or de-escalation.
- 3.5 The CRR was last reported to the Committee in February 2024. An updated version is attached to the report at Appendix A.
- 3.6 The CRR provides the organisation with the detailed information and assessment for each risk identified including:
 - **Current risk score** – this is current assessment of the risk by the risk owner and reflects the progress percentage of control actions required in order to achieve the target risk score.
 - **Target risk score** – this is the assessment of the risk by the risk owner after the application of the control actions.
 - **Control Actions** – these are the activities and items that will mitigate the effect of the risk event on the organisation.
 - **Risk score** – each risk is assessed using a 4x6 risk matrix as detailed below.

The 4 scale represents the impact of the risk and the 6 scale represents the likelihood of the risk event.

Impact	Score						
Very Serious	4	4	8	12	16	20	24
Serious	3	3	6	9	12	15	18
Material	2	2	4	6	8	10	12
Negligible	1	1	2	3	4	5	6

Score		1	2	3	4	5	6
Likelihood		Impossible	Almost Very Low	Low	Significant	High	Very High

- 3.7 The risks contained within the Corporate Risk Register are grouped below by risk category and show the Council's corresponding risk appetite for the category as set within the Council's Risk Appetite Statement (RAS) which are accurate at time of writing. A separate report contains proposals to amend the existing RAS. Clusters are working towards a target risk score which aligns with the risk appetite.

Risk Category	Risk Title	Target Risk Appetite	Aligned with RAS?
Strategic	Workforce Capacity and Organisational Resilience	Averse	Yes
Compliance	Civil Contingencies Compliance	Averse	Yes
	Health & Safety Compliance	Averse	Yes
Operational	Reinforced Autoclaved Aerated Concrete Panels and Planks (RAAC)	Cautious	Yes
	Cyber Security: External Threats	Cautious	Yes
	Cyber Security: Organisational Environment	Averse	No
	Cyber Security: Supply Chain	Cautious	Yes
	Pace of unplanned resettlement and asylum demand and risk of harm	Cautious	Yes
Financial	Financial Sustainability	Averse	Yes
Environment/Climate	Climate Change (Place)	Cautious	Yes

- 3.8 Committee is asked to note that the risks contained in the CRR are those which ECMT and the Risk Board consider the most significant at the time of writing. These must be read alongside the Assurance Maps for each risk, where the

completed control actions for these risks are documented – in each case, there are controls already in place, and those yet to be completed.

- 3.9 Risks are also monitored and managed through Cluster Risk Registers and may be escalated to the CRR if deemed necessary. The escalation of the risks associated with the discovery of RAAC materials within council houses from the Corporate Landlord Cluster Risk Register to the CRR where it remains, is a good example of the escalation of risks. When the Risk Board receives the required assurance that escalated risks are being managed, they will agree to de-escalate them back to Cluster level. This will generally be the case when the target risk score is achieved, and the residual risk is aligned with the Risk Appetite Statement.

- 3.10 Below is a comparison with the corporate risks reported to Committee in February 2024:

De-escalated to Cluster level:





1. Supply Chain – Commodity Risks – This risk was de-escalated to Cluster level as inflation had stabilised to a degree and less requests for price increases on contracts were coming through the system. Given the announcement on National Insurance increases and the impact that tariffs may have on the competitive landscape this risk will be closely monitored and regular assessments carried out on potential controls/mitigations and to assess scale of impact, all of which will support limiting the exposure for the Council. Assessment will also determine whether this risk should be escalated to the CRR.

Escalated to Corporate level:

1. The Cyber Security risk previously reported has been redesigned to better reflect the risks and potential impacts in this area and differing mitigations required.

Remaining on Corporate Risk Register:

Risk Title	Current Risk Score 2024	Current Risk Score 2025	Movement
Civil Contingencies	9	9	➡
Climate Change (Place)	12	12	➡
Cyber Security: External Threats	N/A	12	N/A
Cyber Security: Organisational Environment	N/A	12	N/A
Cyber Security: Supply Chain	N/A	12	N/A
Resettlement and Asylum	12	12	➡

Financial Sustainability	16	16	
Health and Safety Compliance	9	9	
RAAC	12	9	
Workforce Resilience	12	12	

Risk Overview

- 3.11 The movement in these risks is explained in some further detail below by risk owners:

Civil Contingencies

- 3.12 Additional control actions were progressed this year to further mitigate the impact of emergency incidents. In particular, it was identified that further work was needed on our volunteer pool to enable the Council to stand up a rest centre. Efforts will continue to build the pool however we are reassured that we have adequate cover. As a further additional control, the impact of budget options on emergency response is built into the budget setting process and the risks identified during incidents are logged and reviewed regularly to ensure that all reasonable actions are taken to mitigate these. More critically, the focus is on ensuring our Persons at Risk Database is upgraded before Winter 2025, and that the next draft of our corporate National Power Outage Plan will be available to be tested and exercised in 2026. These are significant pieces of work which need to be completed in order to reduce the risk score.

Climate Change (Place)

- 3.13 In the context of climate and nature emergency and in light of the pace and implications of evolving legislative requirements on climate change, this risk has continued to be kept under regular review, with control actions strengthened and updated. Although systems are in place, the risk rating reflects the inherent nature of current and future changes in climate; the assessment of local risks and vulnerabilities as a result of global climate change; as well as the implications for cascading place-based risks. Helping to mitigate risks, a range of control actions in relation to climate strategy, governance, decision making, engagement, capacity, monitoring are in place, and these are reflected in the Place Assurance Map. Control actions completed in the last year include the establishment of a stakeholder Net Zero and Adaptation Board; delivery of climate training; and the roll out of national tools and data mechanisms to support climate planning.

Cyber Security (External Threats / Organisational Environment / Supply Chain

- 3.14 The separation of the cyber risks has allowed greater focus on specific areas of risk and their impact. Within these the risk in this area remains higher than the risk appetite as the organisation continues to modernise its estate and remove technical debt. Recent global incidents have also demonstrated the

difficulty in providing complete assurance over supply chain due to the distributed nature of services. The current risk level accurately reflects the current position and the delivery programmes within digital will continue to address both likelihood and impact.

Resettlement and Asylum Demand

- 3.15 The risk in this area has remained high due to the on-going pressures of both increased and continuous levels of inward migration as a result of mandatory and planned programmes and it is anticipated that will continue to create a challenging and demanding environment for housing support, homelessness, education and health services. The mitigating control actions on-going and completed, are viewed as being sufficiently robust to offer safeguards to mitigate against the risks of the known programmes and it is anticipated that these in addition to regular monitoring of the risk will prevent any further escalation of the risk score. In addition, the adoption of the Resettlement Delivery Programme has increased oversight and scrutiny of our work in this area.

Financial Sustainability

- 3.16 Financial Sustainability has never been as important as it is now. The Council's finances are under pressure from new and enduring financial risks. The General Fund Revenue Budget and Capital Programme 2025/263 to 2029/30 [CORS/25/048], Budget Protocol and Budget Update report to Council [CORS/24/357] and the quarter 3 financial performance report to Finance and Resources Committee [CORS/25/036] drew attention to the key risks and the erosion of the Council's financial resilience..

It is even more important that the Council remain vigilant and pro-active in the management of these financial risks, ensuring that the Council is prepared to address what is continuing to be a very volatile and complex financial environment.

Health and Safety Compliance

- 3.17 Compliance with health and safety legislation is reliant upon sound governance i.e. a Health and Safety Policy and related procedures in combination with training for staff and communications to staff on their responsibilities, and compliance with this governance is key. The risk register reflects that the right governance arrangements are in place and that staff have the toolkits available to them to support compliance. Occasional lapses in reporting and gaps in controls are compliance issues for all organisations, particularly those with scale and complexity of a local authority, however we must grow our capability to identify these early and take corrective action. Methods for doing so, over and above compliance checks by the Corporate Health and Safety team, continue to be developed; these include the introduction of Compliance Dashboards for the highest risk health and safety areas. These will allow data on Cluster compliance with eg fire safety actions, health and safety audit actions, to be reviewed at Chief Officer level and monitored at Director level and corrective action taken where necessary. The target risk score will become more achievable with an increased focus on compliance.

Reinforced Autoclaved Aerated Concrete Panels and Planks (RAAC)

- 3.18 The Council response to RAAC continues to be overseen and directed by the Officer RAAC Board, who routinely review and mitigate risks. Considerable progress has been made in supporting tenants to relocate to new homes not impacted by RAAC. As of the end of March 2025, the 10 remaining tenants not yet signed for a new tenancy are in receipt of an offer. This movement is reflected in the slightly reduced risk score.

Work progresses to explore the alternative options for owners presented by community groups and the outcome will be presented to Committee in due course. In the meantime, owners continue to take advantage of the voluntary acquisition process.

RAAC panels have been fully removed from St Machar Academy, and mitigation measures are effective at both Northfield and Hazlehead Academies whilst work progresses on the delivery of new buildings. Surveys on the commercial estate will conclude over the next period. Appropriate next steps will be determined when the structural engineers report has been considered.

Mitigation actions are successfully reducing the level of risk, and it is anticipated that this risk will move to cluster level in due course.

Workforce Resilience

- 3.19 There are a number of both local and national issues which may impact on our workforce and our Industrial Relations at a local level. These include but are not limited to – national pay awards, budget pressure and a requirement for continuous improvement or response to changing external and statutory requirements leading to a need to redesign, potential changes to local terms and conditions, changing legislation at a national level. In response, we have relied heavily on our well-developed employee communication and voice channels to keep the workforce informed and engaged about any such changes locally or nationally, we are working closely with Chief Officers and their SMTs to effectively lead their services through challenging financial times and ensure they are equipped with the skills, resources and support they need. The recently approved Flexible Working Policy provides employees and their service managers with increased flexibility to adapt to new ways of working, the success in our absence improvement plans is evident in our latest reduced sickness absence figures. We continue to address the workforce risk as a pressing priority for People Services and Aberdeen City Council more widely.

3.20 Continued Improvement

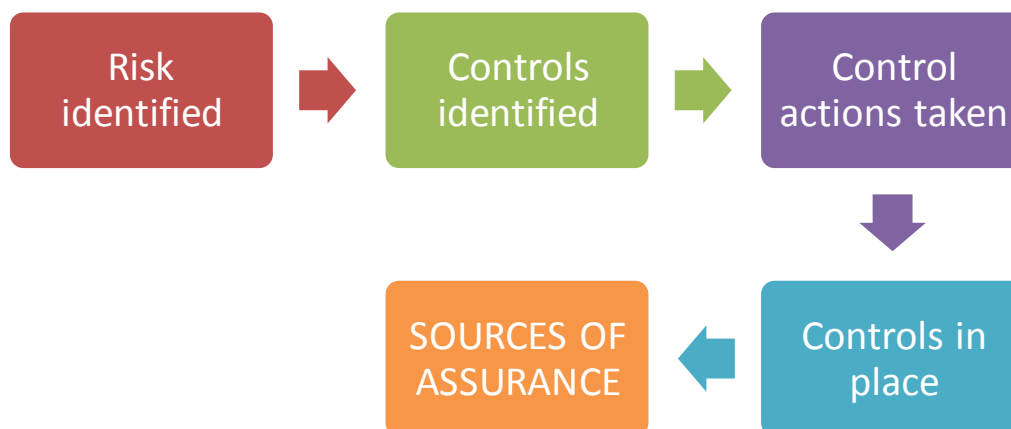
Development and improvement of the CRR and the associated processes has continued since the CRR was last reported to the Committee:

- The Council's Risk Appetite Statement (RAS) has been reviewed and updated and is before the Committee for approval today.

- Regular review and updates to “Managing Risk” pages published on the Council’s intranet pages. These pages contain information and links for officers and elected members on the Council’s RAS, Risk Management Policy, Guidance and Training.
- Review of the Council’s Risk Management Policy
- Risk owners and leads continue to review and update risk registers to improve monitoring and reporting across the organisation. These are mechanisms which reflect the day-to-day business of assessing and mitigating the risks and opportunities inherent in delivering public services.
- Work to complete the recommendations from the internal audit of the Council’s Risk Management arrangements.

Assurance Maps

- 3.21 The risk registers which are reviewed by the Council’s service Committees detail the risks identified within each of the relevant Functions and Clusters and provide detail of the risk, the potential impact and consequence of the risk materialising and the control actions and activities required to manage and mitigate the risk. Assurance Maps provide a visual representation of the sources of assurance associated with each Cluster so that the Committee can consider where these are sufficient. Sources of assurance are controls which are in place following the completion of control actions Presentation of each Cluster’s assurance map provides full sight of the defences we have in place as an organisation to manage the risks facing local government.



- 3.22 Each Assurance Map provides a breakdown of the sources of assurance within “three lines of defence”, the different levels at which risk is managed. Within a large and complex organisation like the Council, risk management takes place in many ways. The Assurance Map is a way of capturing the sources of assurance and categorising them, thus ensuring that any gaps in sources of assurance are identifiable and can be addressed:

First Line of Defence “Do-ers”	Second Line of Defence “Helpers”	Third Line of Defence “Checkers”
The control environment; business operations performing day to day risk management activity; owning	Oversight of risk management and ensuring compliance with standards, in our case including ARSC as well as CMT and	Internal and external audit, inspection and regulation, thereby offering independent assurance of the first and

and managing risk as part of business as usual; these are the business owners, referred to as the “do-ers” of risk management	management teams; setting the policies and procedures against which risk is managed by the do-ers, referred to as the “helpers” of risk management.	second lines of defence, the “do-ers” and “helpers”, referred to as the “checkers” of risk management.
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- 3.23 Clusters will continue to review and update assurance maps to support their Risk Registers, and these will be reported to the operational committees over the course of the year. In addition, the assurance rating presented in Internal Audit reports, relative to the risk rating, assists us in fully defining the controls in place and the extent to which they are acting as a defence against a risk manifesting.

Inspections Planner

- 3.24 The Inspections Planner provides Committee with a timetable of known external/internal audits and third-party regulatory inspections and compliance audits that are specified within the “Third Line of Defence” on each Assurance Map. These audits and inspections provide the Council with independent assurance of regulatory compliance and best practice to achieve and maintain accreditation. Where relevant, the improvement recommendations and actions arising from these audits and inspections will continue to be reported to the relevant Committees for review.
- 3.25 The Inspections Planner, together with the Assurance Maps, will continue to be kept under review throughout the year in light of any changes to the risk environment of the council.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report. The report deals with the highest level of risk and this process serves to identify controls and assurances that finances are being properly managed

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report. The Corporate Risk Register serves to manage many risks with implications for the legal position and statutory responsibilities of the Council.

6. ENVIRONMENTAL IMPLICATIONS

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

7. RISK

- 7.1 There are no risks arising from the recommendations in this report. The report provides information on the Council’s system of risk management and the improvements designed to make the system robust and fit for the changing

social, political and economic environment in which we operate. The system ensures that all risks attaching to the Council's business and strategic priorities are identified, appropriately managed and are compliant its statutory duties.

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	The council is required to have a management system in place to identify and mitigate its risks.	The council's risk management system requires that risks are identified, listed and managed via Risk Registers.	L	Yes
Compliance	As above.	As above.	L	Yes
Operational	As above.	As above.	L	Yes
Financial	As above.	As above.	L	Yes
Reputational	As above.	As above.	L	Yes
Environment / Climate	As above.	As above.	L	Yes

8. OUTCOMES

- 8.1 The recommendations within this report have no direct impact on the Council Delivery Plan however, the risks contained within the Council's risk registers could impact on the delivery of organisational outcomes.

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	Not applicable

10. BACKGROUND PAPERS

- 10.1 None

11. APPENDICES

- 11.1 Appendix A – Corporate Risk Register
- 11.2 Appendix B – Cluster Assurance Maps
- 11.3 Appendix C – Inspections Planner

12. REPORT AUTHOR CONTACT DETAILS

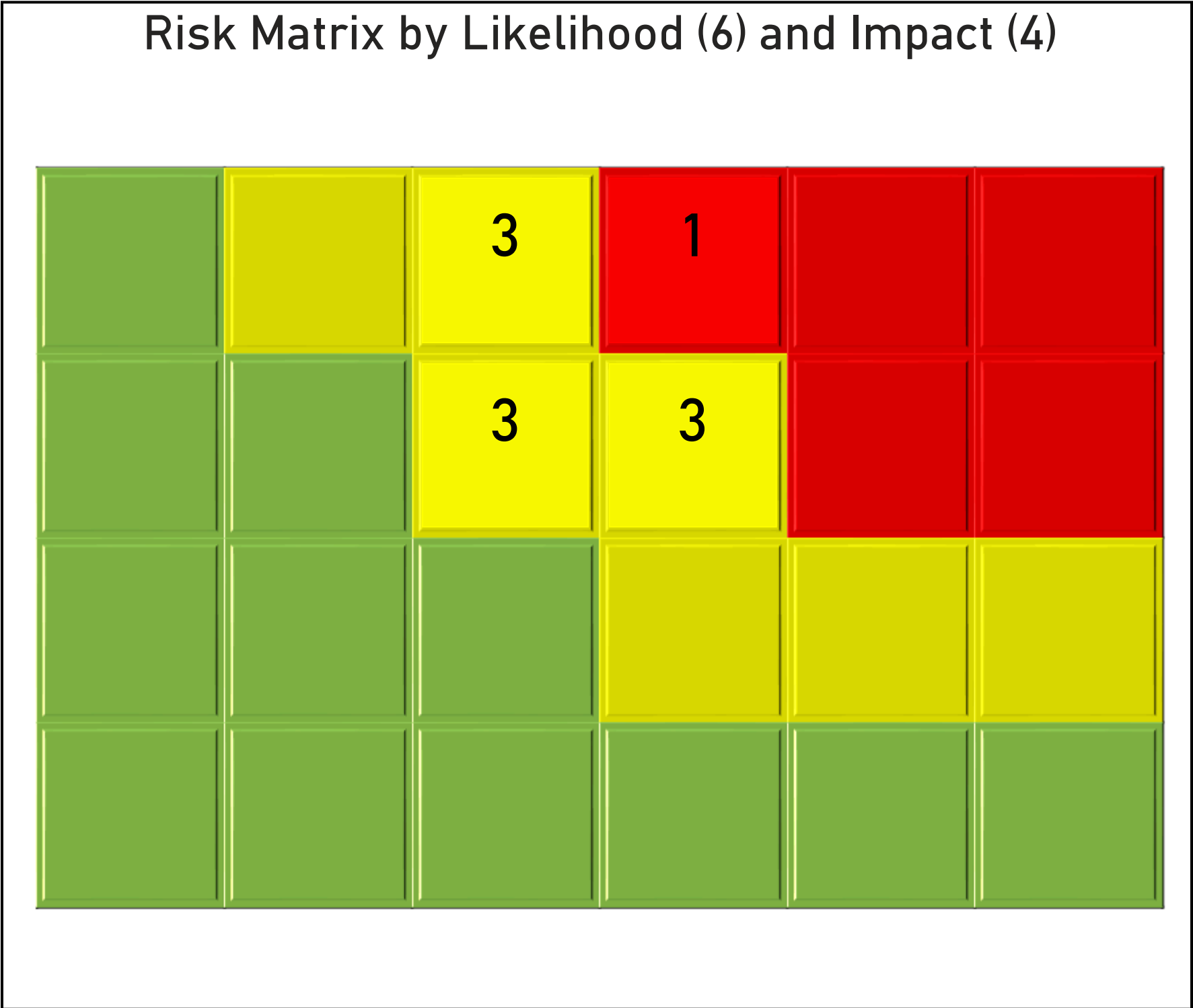
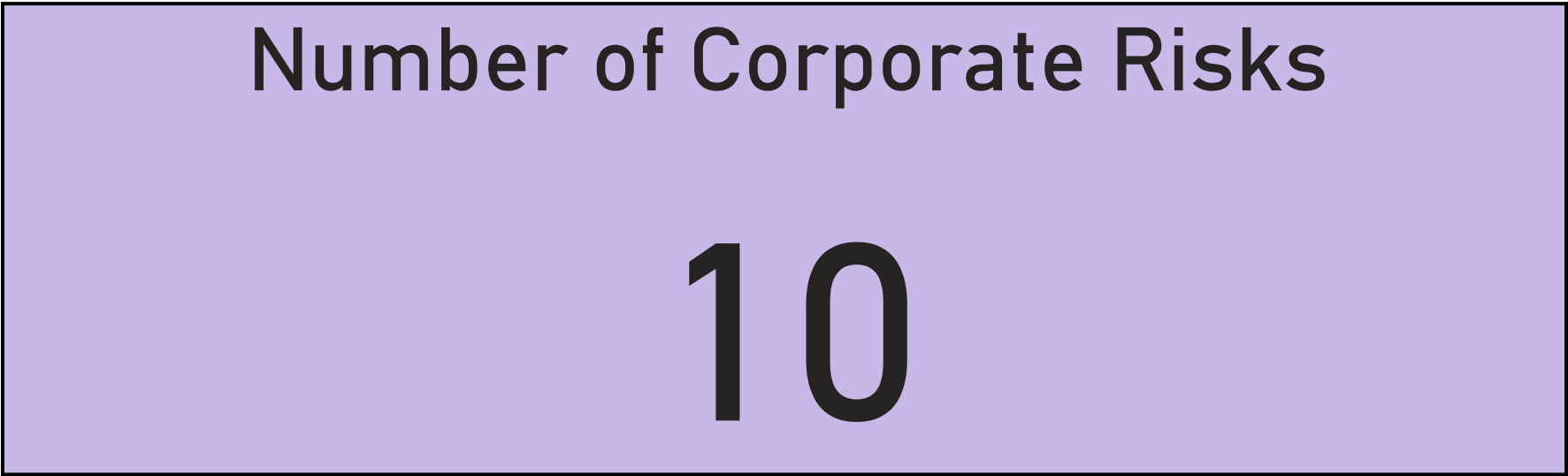
Name	Ronnie McKean
Title	Corporate Risk Lead
Email Address	romckean@aberdeencity.gov.uk
Tel	01224 067996

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Corporate Risk Register

Current Corporate Risks	CURRENT RISK SCORE
Civil Contingencies	9
Climate Change (Place)	12
Cyber Security: External Threats	12
Cyber Security: Organisational Environment	12
Cyber Security: Supply Chain	12
Financial Sustainability	16
Health & Safety Compliance	9
Pace of unplanned resettlement and asylum demand and risk of harm.	12
Reinforced Autoclaved Aerated Concrete Panels and Planks (RAAC)	9
Workforce Resilience	12



FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
Corporate Services	Governance	Vikki Cuthbert	Fiona Mann

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
Civil Contingencies	Risk of non-compliance with the Council's responsibilities as a Category 1 responder under the civil contingencies legislation and guidance	<div>1. Develop a CONTEST delivery plan (to include all four strands Prevent, Protect, Prepare and Pursue) based on the national delivery framework by 30th December 2025</div> <div>2. Move to Critical and Lockdown procedures including MAIRGs for high risk and busy areas of the city including appraisal of further HVM equipment requirements as part of "Protect & Prepare" stands of CONTEST. - 30th December 2025.</div> <div>3. Complete National Power Outage Plan. - Establish NPO working group to co-ordinate cross-service activities. Draft V1 complete 31/03/24, next draft to be complete by October 2025</div> <div>4. Creation of a City Persons at Risk Database. Data cleanse underway, working group on place to progress City PARD - by October 2025</div> <div>5. Community Resilience - increase number of Community Resilience Groups in accordance with Community Led Resilience Planning in Vulnerable Areas Charter- by 2026</div> <div>6. Regional Communication Centre is a single point of failure for activation of the DERC and the council’s emergency response - EP&R will look to review the role, processes, and training needs of the Regional Communication Centre, specifically and only in regard to responding to Emergency calls requesting the Duty Emergency Response Coordinator or activation of Unicorn - Complete</div> <div>7. Review Council budget options/decisions on an annual basis to ensure that decisions taken that may affect ACC ability to respond to emergencies are identified - Annual</div> <div>8. Monthly review of "Place" based risks and EP&R action tracker to ensure risks related to emergency response are identified and managed. - On-going monthly</div> <div>9. Review existing volunteering arrangements and process for resourcing rest centres in an emergency - COMPLETE</div>	6	9	3	3	31 December 2025

FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
City Regeneration & Environment	Strategic Place Planning	David Dunne	Alison Leslie

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
Climate Change (Place)	Failure (where ACC has scope to influence), to contribute to a reduction in city-wide emissions and to address strategic climate risks for the city. These include heavy winter rainfall, flooding, a rise in sea level, reduction summer rainfall, higher temperatures.	1. Platform established for the monitoring and analysis of city wide GHG emissions data and climate planning (April 2025). Complete population of the data platform, by June 2025. 2. Develop collaborative delivery mechanisms and programmes for the Net Zero Aberdeen Routemap and Aberdeen Adapts, by October 2025. 3. Identify appropriate funding mechanisms, relevant to project priorities, including opportunities for economies of scale (ongoing). 4. Complete refresh cycle for the Net Zero Aberdeen Routemap and relevant enabling strategies, by October 2025. 5. Complete refresh cycle for Aberdeen Adapts Climate Adaptation Framework, by October 2025.	8	12	3	4	31 October 2025

FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
Corporate Services	Digital & Technology	Steve Roud	Lita Greenwell

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE ▲	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
Cyber Security: External Threats	<p>As a local government organisation, Aberdeen City Council is at risk of attack from malicious third-party actors. These attacks could be carried out for profit, on ideological or political grounds, or for entertainment. The UK as a whole is currently experiencing a protracted phase of heightened cybersecurity threat from external parties as a result of worldwide geopolitical activity, and the adoption of emerging technologies by malicious actors (e.g. Generative AI). Among other potential outcomes, a successful attack by a malicious third-party actor could result in:</p> <ul style="list-style-type: none"> • unauthorised access to systems/data • the loss and/or exposure of data through theft or encryption (ransomware) • the loss or disruption of digital services through overwhelm or the exploitation of vulnerabilities or outdated technologies • financial loss through responding to an incident <p>These risks can severely impact the organization's ability to provide essential services, protect sensitive information, and maintain public/partner trust.</p>	<p>1. Security Technologies</p> <p>a. The security technologies deployed to deliver defence-in-depth of Council resources are under constant monitoring to ensure that any emergent vulnerabilities are readily mitigated. (ongoing)</p> <p>b. The Operations and Engineering Service are currently seeking to appoint a new Security Analyst to contribute to the in-house expertise in modern security technologies. (Q4 24/25)</p> <p>2. Digital Programme</p> <p>a. The Digital Strategy prioritises a cloud-first approach in identifying and implementing new systems or applications. This strategy allows the Council to better spread the risk of external threats. (ongoing)</p> <p>b. The identification of services, assets and resources which can be delivered through modern technologies, and their realisation by the Digital Service Delivery teams, allows Digital & Technology to design-in improved monitoring and protection, to delivery best practice, reduce risk and meet our statutory and contractual obligations. (ongoing)</p> <p>3. Administrative Controls:</p> <p>a. We collaborate with industry partners to share and receive information of emergent external threats to determine the potential risk to council resources and take any mitigating actions required.</p> <p>b. The Cybersecurity framework assures defence-in-depth is implemented through all stages of Digital & Technology’s delivery through the development and implementation of best-practice policies, standards and processes that meet our statutory and contractual obligations, while minimizing the impact of any potential incidents.</p> <p>c. The Digital & Technology Senior Management Team will be incorporating the regular tabletop exercising of external incidents into the Terms of Reference for their Monthly sessions. (Q4 24/25)</p>	8	12	3	4	31 December 2025

FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
Corporate Services	Digital & Technology	Steve Roud	Lita Greenwell

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
Cyber Security: Organisational Environment	<p>There is a risk that Aberdeen City Council could, as a result of inadvertently or maliciously insecure activities conducted by Officers, become the victim of a cyberattack through poorly designed or implemented, or an absence of internal, organisational cybersecurity controls (processes, training, etc.). Among other potential outcomes, poor organisational controls could result in:</p> <ul style="list-style-type: none">• unauthorised access to systems/data• the loss and/or exposure of data through theft or encryption (ransomware)• the loss or disruption of digital services through overwhelm or the exploitation of vulnerabilities or outdated technologies• financial loss through responding to an incident <p>These risks can severely impact the organization's ability to provide essential services, protect sensitive information, and maintain public/partner trust.</p>	<p>1. Information and Cyber Security policies, standards and procedures are currently undergoing review to best deliver on the objectives of the Cybersecurity strategy and framework. (ongoing)</p> <p>2. By introducing improved demand-management control-processes, Digital & Technology will be better able to limit the introduction of suppliers through shadow IT channels, ensuring that all tools meet our standards and do not introduce security vulnerabilities. (Q4 24/25)</p> <p>3. The Digital & Technology Senior Management Team will be incorporating the regular tabletop exercising of external incidents into the Terms of Reference for their Monthly sessions. (Q4 24/25)</p> <p>4. Just-in-time communications and self-service awareness and guidance are regularly created to ensure that users and Information Asset Owners are well-versed in their roles and responsibilities in protecting the organisation from cybersecurity events. The next, focused series of communications will coincide with CyberScotland Week (commencing 24th February).</p> <p>5. Digital & Technology are represented on the Information Governance Group, which provides an additional layer of organisational oversight of key, information and data practices from across the organisation. Identified cybersecurity risks and associated controls are also discussed at this forum. (ongoing)</p> <p>6. The Council’s Digital & Technology Service have achieved and maintain high levels of cybersecurity assurance and accreditation to ensure that we are meeting our statutory and contractual obligations.</p> <p>7. The Scottish Cyber Coordination Centre have drafted new guidance on incident response. These will be incorporated into the Council’s incident response plans for Digital & Technology, and will then be incorporated into the wider emergency response plans and playbook. (Q1 25/26)</p>	6	12	4	3	31 December 2025

FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
Corporate Services	Digital & Technology	Steve Roud	Lita Greenwell

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
Cyber Security: Supply Chain	There is a risk that Aberdeen City Council's reliance on suppliers to deliver digital products, systems, and services across the organisation could lead to cybersecurity vulnerabilities. These vulnerabilities can occur at any stage in the supply chain or be introduced through ineffective assurance and governance processes, or through incomplete communication of the council's standards and requirements to the supplier. This could result in service disruptions, data breaches, and/or non-compliance with statutory and contractual obligations. This means that the organisation must effectively secure its supply chain to prevent these issues and ensure the smooth delivery of services to its citizens.	1. Embedding of supplier cybersecurity assurances and risk assessment in cross-functional processes wherever possible. Security review is part of the DPIA process, and plans are to incorporate it into procurement processes (ongoing). 2. Maintenance of up-to-date supplier data and documentation allows vulnerabilities to be more easily identified and tracked, their impacts assessed and remediated. The deployment of the ServiceNow Application Portfolio Management module will enable Digital & Technology to collocate data into a single place for use and reuse across all support and service teams. (Q3 25/26) 3. By introducing improved demand-management control-processes, Digital & Technology will be better able to limit the introduction of suppliers who deliver duplicated services, thereby reducing the potential attack surface. (Q4 24/25) 4. Information Security Incident Reporting Procedure to be reviewed with a view to incorporating supplier incidents. Once complete, joint communications with Data Protection team will be published to direct all officers responsible for suppliers/contracts to the updated process. (Q4 24/25) 5. Access for supplier support personnel into council systems and networks restricted through organisational and technical controls. A review of these controls to take place in Q1 25/26. 6. Delegated Scheme of Authority allows the Chief Officer of Digital & Technology to block the introduction of suppliers or software found to present insurmountable cyber risk to the organisation.	8	12	3	4	31 December 2025

FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
Families and Communities	Housing	Jacqui McKenzie	Gill Strachan

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
		▲					
Pace of unplanned resettlement and asylum demand and risk of harm.	<p>There is a risk that Aberdeen City Council and partners are unable to provide appropriate levels of support to people arriving in the city as refugees or asylum seekers.</p> <p>There is a risk of increased homelessness presentations and sustained demand for core services including; housing support services, education, community learning and development, children’s social work and family support/adult social work and resettlement support resulting from a number of areas including; Ukrainian Permission to travel letters and Visa Permission Extension Scheme</p> <p>There is a financial risk to the Council that increased demand and supporting activities including staffing required in this area are not fully funded.</p> <p>There is a risk of increasing No Recourse to Public Funds (NRPF) presentations arising from Ukraine Permission Extension Scheme changes and asylum applications being refused. This may lead to increased homeless presentations, pressures on Local Authority services, including Adult SW and impact resource capacity.</p>	<p>1) Monitoring with partner organisations of impact on services of Asylum and Resettlement Strategic Partnership, the risk and control actions will be reviewed by this group going further - On-going 6 weekly.</p> <p>2) Development of Pathways and Support for Asylum seekers who are granted leave to remain has been drafted to gain access to basic services. If a person is given leave to remain they will be given a 56 days notice to quit, and there is an expectation that they will present as homeless, the Resettlement team at ACC will provide integration support - BAU.</p> <p>3) Public Health Scotland have joined the group to address concerns around infectious diseases - Complete.</p> <p>4) There is an emerging risk that people transferred to Aberdeen through the Asylum scheme are claiming to be younger, and therefore could place further pressures on Children and Families Social Work Services. Pathways for this are being developed along with additional training on age assessments sourced by Children and Families Social work - Complete.</p> <p>5) There is a business case being developed to increase the capacity of the Resettlement Team to reflect increasing demand of high need households – June/July 2025.</p> <p>6) Regular liaison with SG colleagues to support Ukranian Displaced People move from hotels and other local authorities into Aberdeen City – On-going.</p> <p>7) Representation at COSLA and Home Office meetings to continue to push the message that Aberdeen cannot accept asylum seeking families, and to keep the focus on single adult males - Complete.</p> <p>8) Review and assess existing and future commitments to establish Safe and Legal Routes Cap – Complete</p> <p>9) Monitoring relevant budget lines and apply for all funding options that are available- On-going.</p> <p>10) Develop Delivery Programme plan to implement local response to New Scot strategy. Strategy to be approved by Communities, Housing and Public protection Committee - Complete.</p> <p>11) Data modelling “cost projections and wider impacts” June/July 25.</p> <p>12) Establish hotel plan to mitigate against pressures of renewed hotel use resulting from Ukraine permission to travel letters and visa permission extension scheme.</p>	8	12	4	3	31 December 2025

FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
Corporate Services	Finance	Jonathan Belford	Helen Sherrit

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE ▲	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
Financial Sustainability	Failure to deliver financial sustainability due to: Failure to align resources to commissioning intentions and service standards Inadequate financial reporting and planning Failure to respond to external factors Failure of partners, businesses or the 3rd sector Failure of transformation plans, projects or service redesigns Inadequate financial stewardship or capability	1. Achieve going concern status encompassing medium- and long-term planning assumptions and valuations in 24-25 accounts audit. 2.The Medium-Term Finance Strategy was refreshed in October 24 as limited information was available from the Scottish Government due to the July 24 General Election a flat cash position was assumed for the funding scenario and the key Council strategic policies and priorities. 3.Creation of a Fraud Group which will report into the Risk Board. 4.Complete a self-evaluation of the FM code criteria and reflected in AGS for March 25. 5. Scrutinise on a project by project basis the cost estimates at key stages of the delivery. 6. Contract Managers are to complete a template which will allow them to test and challenge contract cost increases which will ensure they are achieving best value from the supply chain - on-going when required by contract managers. 7. Updated Budget Protocol approved at Council in July 24 this identifies the key stages in the preparation of the medium term financial strategy and annual budget, a further update will include the HRA Budget. 8. Regular meetings of the Budget Strategy group which includes Directors, Partnership and relevant officers. A risk assessment has been undertaken of each budget saving option by each Chief Officer and will be reviewed in financial year 2025/26. 9. Ongoing monitoring during the financial year – Q1, 2 & 3 have been reported to Finance & Resources Committee, this is updated from analysing the financial ledger and budget holder meetings, Q4 will be reported in May 2025. Included within the monitoring reports is a review of the financial position of all Council Services including the IJB. 10. Following the embezzlement by a former employee a task and finish group has been created led by the Deputy Chief Officer - Finance which will create an improvement plan this will be implemented in 2025. 11. As there is a major risk the Council will be required to fund a significant deficit in the IJB for 2025/26 it was agreed to scenario plan to scope the potential financial exposure that Partners might have in the year ahead.	6	16	4	4	29 June 2025

FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
Corporate Services	Governance	Vikki Cuthbert	Colin Leaver

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
Health & Safety Compliance	Risk of non-compliance with Health and Safety legislation and practices resulting in harm to the workforce and/or members of the public	<div>1. Roll out H&S module of Core HR - COMPLETE</div> <div>2. Implement escalation process to Directors for overdue actions, leading into SMTs and H&S Function Groups - COMPLETE</div> <div>3. Implement Compliance data report to Risk Board quarterly - COMPLETE</div> <div>4. Incorporate H&S compliance reporting within Compliance Dashboard for review by Chief Officers and Executive Directors so as to address areas of non-compliance commencing with the highest risk areas by May 2025 and adding further areas by October 2025</div> <div>5. Complete roll out of first aid telephony system in Marischal College and achieve compliance of the requisite number of first aiders to be legally compliant - COMPLETE</div> <div>6. Risk Board to monitor quarterly compliance reporting and escalate actions to Executive Directors to ensure that areas of non-compliance are addressed - December 2025</div>	6	9	3	3	31 December 2025

FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
Families and Communities	Corporate Landlord	John Wilson / Stephen Booth / Jacqui McKenzie	Scott Whitelaw / Ian Perry /Rachel Harrison / Jane Hogg

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
Reinforced Autoclaved Aerated Concrete Panels and Planks (RAAC)	<ul style="list-style-type: none"> - Risk of harm to Balnagask residents resulting from failure of RAAC within affected properties. - Risks and impacts resulting from the rehoming process of affected residents. - Financial risks resulting from options appraisal recommendation to demolish all properties affected by RAAC - Reputational risks resulting from options appraisal recommendation to demolish all properties affected by RAAC and engage in longer term masterplanning -Risk of increased anti-social behaviour, wilful fire raising etc in vacant properties. - Risk that the presence of RAAC is identified within the Council’s Commercial Building portfolio. -Risk of harm to young people attending schools identified with RAAC 	<ol style="list-style-type: none"> Weekly RAAC Board continues to lead and coordinate delivery of the established programme, mitigate risks and oversee delivery of instructions – on-going Operational Group continues to monitor, scrutinise and challenge progress against the programme update provided by appointed external consultants, and manage operational risks. Group can escalate any issues to Chief Officer, Housing, Families and Communities, who sits on RAAC Board – on-going Communication plan in place - On-going Mechanism in place to monitor & clear fly tipping and respond to ASB near vacant properties- on-going Engagement with developers & construction industry re support for longer term masterplanning- on-going Engaged SAMH to provide psychological wellbeing and practical support for the affected residents. <p>Housing (tenants):</p> <ol style="list-style-type: none"> Intrusive hatch survey works concluded within occupied tenanted properties with exception of 1 occupied property. An active, visual re-inspection programme ongoing with remaining tenanted properties. – On-going Rehoming process for affected residents is nearing completion, with 20 households in the process of moving and the remaining 10 households under offer as of 27 March 2025 – on-going <p>Housing (owners):</p> <ol style="list-style-type: none"> Alternative options presented by owners being explored in collaboration with representative groups – On-going Invasive testing to be carried out on a sample of those properties acquired by the Council through the Voluntary Acquisition process – On-going Continued focus on robust decision-making, legal compliance and transparency in processes – On going Voluntary Acquisitions process in place that offers: - Current Market Value of Property determined by the District Valuer; Home loss Payment (10% of Market Value); Disturbance costs (moving costs etc.); Reasonable fees (solicitors/ property advise etc) Continue to engage with both Governments and help identify options that are attractive to owners. On-going <p>School estate:</p> <ol style="list-style-type: none"> Management plans and monitoring regimes are in place where RAAC panels are present within the school estate. This considers annual inspections of the roof structures by structural engineers. The most recent inspections of RAAC panels within the schools estate took place in early 2025, noting no change from previous inspections A process is in place for instructing additional inspections following any severe weather events. RAAC panels previously identified at St Machar Academy have been removed as part of a programme of works in summer 2024. There are now no RAAC panels within St Machar Academy A replacement Hazlehead Academy building is already in the Capital Programme, with options for addressing the RAAC within Northfield Academy currently being scoped. <p>Commercial estate:</p> <ol style="list-style-type: none"> An intrusive investigation programme across two locations within the city where RAAC panels have been identified within commercial buildings in in place. 	8	9	3	3	30 March 2026

FUNCTION	CLUSTER	RISK OWNER	RISK LEAD
Corporate Services	People & Citizens Services	Isla Newcombe	Lesley Strachan

RISK TITLE	RISK DESCRIPTION	CONTROL ACTIONS	TARGET RISK SCORE	CURRENT RISK SCORE	CURRENT LIKELIHOOD	CURRENT IMPACT	TARGET COMPLETION DATE
Workforce Resilience	Risk that a reduced workforce due to budget pressures, as well as external factors such as hard to fill roles or national policies may impact workforce resilience, our capacity and ability to deliver services, and in turn lead to reductions in service delivery and outcomes and an increase in Trade Union activity with the potential for industrial action.	1. Regular meetings with Trade Unions along with any consultation as required, in order to maintain employee relations and prevent escalation of employee relations issues. 2. Tailored support to Chief Officers and Senior Management Teams provided from People Services to lead change and transformation effectively. 3. Mental Health and Wellbeing Resources available to support employees through change, minimise work-related stress and reduce absence. 4. Develop and roll-out absence improvement plan across the organisation to continue to reduce absence rates to create additional resource capacity. 5. Employee voice channels are in place, easily accessible and well promoted to ensure that employees are able to share their feedback, submit improvement ideas, and co-create future ways of working, includes Employee Experience Survey, Employee Forums / Networks, and digital collaboration channels. 6. Regular updates via intranet blogs, Chief Officer/manager communications, Viva Engage, Microsoft Teams communities, posters, letters, all staff emails or targeted emails and newsletters keep employees informed and provide channels for feedback and support. 7. Increased flexibility in ways of working available through updated Flexible Working Policy, to enable services/individuals to adapt to peaks in demand, as well as being a key attraction and retention tool. 8. Talent pipelines are in place and regularly reviewed to ensure that they are providing employees with accessible routes into hard-to-fill posts and high-demand areas. Includes development programmes / traineeships / apprenticeships / internships. 9. Learning pathways by job family – including People Managers - are in place and regularly reviewed to ensure that they are providing employees with mandatory, statutory and essential skills development, so that they feel invested in, competent and confident to undertake their current roles and ready to undertake promoted posts and fixed term development opportunities. 10. Senior leaders are engaged, developed and connected via Leadership Forum to support delivery of strategic aims and projects.	6	12	4	3	30 March 2026

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Assurance Map		
Capital		
Cluster Risk Register Risks:		
<ol style="list-style-type: none"> Capital Project: Budget Allocations - Budget allocations within approved Outline Business Cases of projects are insufficient for project development/construction and any associated future maintenance obligations. Capital Projects: Developer Obligations Income - The income from Developer Obligations is less than expected. Capital Projects: Financial Stewardship - Risk that management failures / slippage in the delivery of capital projects / failure to secure and or retain funding from external sources, impacts negatively on the Council's financial stewardship. Capital Projects: Resource – Lack of staff resources, which impacts negatively on the delivery of capital projects. Concurrent Risks: External Impacts (Covid, Brexit, War, etc) - External factors such as Covid - 19 pandemic, Brexit, Ukraine (war), unrest in the Middle East and the possibility of a Trade War or imposition of tariffs, all of which are having a direct impact on the deliverability of projects/programmes contained within the approved Capital Programme. Construction delays due to interruption to supplies of materials: Construction projects delayed due to interruptions to supplies of construction materials due to Covid, Brexit, the Russian invasion of Ukraine (war), unrest in the Middle East, the possibility of a Trade War or imposition of tariffs, climate events or industrial action. 		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Trained and qualified staff. Follow Project Management protocols for project delivery. Ensure project/programme risk register review meetings include consideration of any financial impact on the wider capital portfolio and any implications this may have across the Council. Ensure key/sensitive projects allocated to managers with appropriate skills. Review risk management training programme for key staff. Seek guidance from Project Management Office. Plan for good communication across Clusters. Consider availability to utilise ACC staff with appropriate skill out with the Capital team to deliver the capital programme of projects. 	<ul style="list-style-type: none"> CMT Boards. Council Committees. City Regeneration and Environment Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register. Review by Chief Officer Capital and provide any key updates to Executive Director City Regeneration and Environment and other Chief Officers. Review by Capital Board. Report any issues by exception to the Performance Board. Policy Documentation. 	<ul style="list-style-type: none"> External Audit.

<ul style="list-style-type: none"> • Consider availability of using consultant/contractor frameworks to facilitate the delivery of the capital programme of projects . • Ensure consultation with other key Chief Officers . • Cost estimates for key projects to be reviewed at key stages of delivery. • For significant/key projects ensure an independent cost estimate review check is carried out, prior to approving OBC. • Regular progress meetings. • Where appropriate maintain close collaboration with other Chief Officers throughout delivery. • Regular reporting to Finance Officers, monthly. 		
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Assurance Map		
Cluster – Children's Social Work and Family Support		
Cluster Risk Register Risks:		
<ol style="list-style-type: none"> Budget Constraints/Pressures - Risk that budget reductions and budget allocation within the Cluster for service delivery, staff training and development and CPD impacts capacity of services and income. Child Migration including unaccompanied asylum seeking children and young people (UASC) and all families requiring resettlement or with no recourse to public funds (NRPF) External factors – increase in service demand and impact of National Care Service (NCS) Scottish Child Abuse Inquiry (SCAI) Service Standards/ Performance - Risk that service standards and performance are not achieved, and risk of budget overspend on external services and resource. Workforce – Children's Services - Risk that staff recruitment/retention challenges within Social Work and Social Care reduce staff capacity and resilience whilst service demand continues to increase. Staff training requirements increase in complexity and budgets are under pressure. 		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Trained and qualified staff Professional Supervision in place for all CSW staff ensuring day to day service delivery. Team Managers/SM's oversight of finances for teams Agreed health and safety procedures – all staff supported to familiarise as part of induction. All staff involved in risk assessment process Team Business Continuity Plans in place Tracking and monitoring arrangements in place in all schools to track performance and delivery of statutory duties. Learning from case reviews considered on single and multi-agency basis and embedded at practitioner level. Voice of children and young people at the heart of service planning and improvement. 	<ul style="list-style-type: none"> CMT Boards Council Committees Health and Safety guidance for services, including Lone Working Identified health and safety team link for all teams Child protection and safeguarding guidance and professional learning available Range of policies/procedures for schools to support consistent practice SM QA activity within teams and through professional supervision. Multi-agency Quality Improvement activity Service Business Continuity Plan Improvement groups comprising central Officers and school staff identify and address emerging risks 	<ul style="list-style-type: none"> Care Inspectorate Inspections HSE Covid-19 inspections Health and Safety Team compliance visits to work settings ECMT data reviews Performance reports to Committee Annual reporting of Risk Registers to Committee Regular contact with Scottish Government OCSA Team External Audit Monthly budget print outs • Annual External Audit and report • Annual Internal Audit Plan approved and overseen by Audit, Risk and Scrutiny Committee Audit Scotland and National Audit reports

<ul style="list-style-type: none"> • Regular analysis of CSW data to improvement planning on both single and multi-agency basis. • Staff supported to fulfil registration requirements to ensure continuous professional development. 	<ul style="list-style-type: none"> • Data dashboard and Risk Register discussed fortnightly by SMT • Regular finance meetings with Senior Leadership Team • Assurance Team • Committee reports • Regular contact with SWS and COSLA 	
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Assurance Map		
Cluster – People & Citizen Services (Citizen Services)		
Cluster Risk Register Risk:		
1. Customer Experience Service Delivery - Risk to delivery of key front-line services in the event of failures of systems, processes, significant increase in demand (e.g., pandemic; rise in cost of living), or in the event of an incident, e.g., climate event.		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Trained and qualified staff with knowledge captured and shared to ensure business continuity Operational Procedures, Guidance Documents and videos captured for future training requirements and business continuity Continue to work to develop robust, streamlined and more efficient processes Use of technology (e.g., Robotic Process engineering) to provide enhanced resource and resilience to processes Staff training and development Remove single points of failure Operational Risk Assessments Operational procedures and guidance including those set out in the Business Continuity Plans in the event of a system or process failure. Operational Test Schedules for Business Continuity Plans Disaster Recovery plan for Regional Contact Centre 	<ul style="list-style-type: none"> CMT Boards Council Committees Customer Function Senior Management Team (undertakes review of Cluster Operational Risk Register) Customer Experience Cluster Senior Management Team (undertakes review of Cluster Operational Risk Register) Policy Documentation Assurance Team Business Continuity Sub-Group Internal Audit – Management Assurance Reviews 	<ul style="list-style-type: none"> Internal Audit – Benefits Quality Assurance Process – 27/02/23 Annual External Audit DWP Subsidy Audit DWP Housing Benefit Review Non-Domestic Rates NDRI – External Audit Internal Audit - IJB Complaints Handling Internal Audit – Data Protection Scottish Public Services Ombudsman scrutiny of complaint handling Information Commissioners Officer scrutiny of protection right request handling

<ul style="list-style-type: none">• Analysis following activation of business continuity arrangements / tests and improvement plans identified• Key Performance Indicator data and reporting/ monitoring tools to give greater in-sight and control over demand and performance		
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Assurance Map City Development & Regeneration		
Cluster Risk Register Risk:		
1. Relocation of City Archives (Old Aberdeen House) – There is a risk that a permanent home will not be identified within the three-year period.		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
Programme Management <ul style="list-style-type: none"> Governance of the Regional Economic Strategy via a Regional Economic Partnership including terms of references for Boards and delegated authority Execution of an agreed regional Investment plan Data capture and analysis to measure progress and inform decision making. Alignment with relevant policies and procedures Income Generation (to support permanent posts and events) and resource costs are incorporated into future business cases. Stakeholders <ul style="list-style-type: none"> Collaboration with internal and external teams to achieve shared outcomes and benefits. Engaging with communities to empower positive change. Communications <ul style="list-style-type: none"> Development of communication plans and protocols in coordination with regional partners and ACC teams, including advocacy of the region. 	ACC Management Boards <ul style="list-style-type: none"> ACC Risk Monitoring and Assurance ACC Strategies and Plans ACC Service Plans ACC Personal Objectives through CR&D ACC Committees <ul style="list-style-type: none"> Political Priorities Committee Remits Observers/ members on Partners Boards <ul style="list-style-type: none"> Alignment to governments strategies and plans Coordination with partners organisations strategies and plans Networks <ul style="list-style-type: none"> Utilising national and regional networks to develop innovative programmes and optimise resources for shared objectives. 	Report progress to: <ul style="list-style-type: none"> UK and SG Committees Partners Management Teams Reviewing progress and process <ul style="list-style-type: none"> Audit Economic Policy Panel Health & Safety Provide Economic Data and Analysis to: <ul style="list-style-type: none"> Community Planning Aberdeen (LOIP) Funders Inform future strategies. National Networks including alliances, partners, and collaborators. Best Practice <ul style="list-style-type: none"> Recognition through awards, ranking tables and achieving status.

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Assurance Map Corporate Landlord		
Corporate Risk Register Risk:		
<p>1. Reinforced Autoclaved Aerated Concrete Panels and Planks (RAAC) - RAAC was a commonly used material in the 50's 60's, 70's and early 80's. There have been a small number of incidents where roof planks have failed leading to the collapse of elements of the roof. RAAC has been confirmed as present in 5 non housing buildings. With RAAC present in 362 Council Houses and 142 former Council houses. Investigations are ongoing.</p>		
Cluster Risk Register Risks:		
<p>1. Declining condition of operational property estate 2. Failure to deliver asset valuations - Risk of failure to complete the asset valuation which is required for the council financial accounts. 3. Inadequate Asset Management Planning - Risk that resources will not be allocated appropriately and efficiently if asset management plan is not in place and is not robust. 4. Overspend on Cleaning Service Staffing – Risk of overspend in staffing budget. 5. Primary School Meals Expansion – Risk that capital funding will not be sufficient to undertake all property improvements required to fully deliver the Scottish Governments commitments on Universal Primary School meals (P1 - 7). 6. Risk of non-compliance with Statutory Compliance with Council Properties - The Council is required to safeguard its employees and members of the public to ensure their health and safety through effective implementation of statutory maintenance and compliance checks such as asbestos management plans, gas safety certification, legionella testing etc. 7. Risk to the delivery of Capital and Revenue Income - The Cluster has income targets for capital and revenue income. 8. School Catering Service Compliance – Risk that the cessation of the Catering Service Quality Management System (QMS) may increase non compliance risks with food safety and nutritional requirements.</p>		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Trained and qualified staff Operational procedures and guidance including those set out in the Business Continuity Plans in the event of a system or process failure. Risk Assessments. Staff training and development on business continuity arrangements. Analysis following activation of Customer Experience Cluster Senior. 	<ul style="list-style-type: none"> CMT Boards Council Committees Policy Documentation. Resources Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register. Executive Board Structure Assurance Team. Business Continuity Group Sub-Group. 	<ul style="list-style-type: none"> External Audit. RICS Registration. Internal Audit – Corporate Asset Management – 13/09/23

<ul style="list-style-type: none"> • Management Team (SMT) undertakes review of Cluster Operational Risk Register. • Staff have appropriate training, qualifications and engage with market and like professionals. • Regular marketing and income meetings. • Use of external property consultants, management agreements and managing agents as appropriate. • Resource plan developed. • Use of external advisors in specialised areas. • Participation in national networks (CIPFA/ ACES/ RICS/ SHoPs etc.) • Programmes of inspections for property portfolio. • Contract management meetings. 	<ul style="list-style-type: none"> • Annual reporting of Function / Cluster Risk Register to Operational Delivery Committee • Monthly budget print outs. • Capital Board – post project reviews and post occupancy evaluations. 	
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Assurance Map
Cluster – Commercial & Procurement Services

Corporate Risk Register Risks:

No corporate risks recorded at this time.

Cluster Risk Register Risks:

1. Non-Compliance with Procurement Regulations

1. Contract Management - Risk that Strategic & Critical contracts and associated supplier relationships are not managed effectively, which can have a detrimental impact on the achievement of required outcomes to support commissioning intentions/delivery of LOIP outcomes/achievement of best value.
2. Non-Compliance - Governance Arrangements are not fully complied with by Delegated Procurers including seeking approval to go out to market, provision of Annual Procurement Workplans and ensuring contracts are recorded on the Contract Register, which could lead to the Council being in breach of Procurement Legislation.

2. Supply Chain - Commodity Risks

1. Impacts on Supply Chain due to ongoing market impacts/volatility from Brexit/Covid/Invasion of the Ukraine and inflation continuing to affect key commodities such as Utilities, Construction & Construction Materials, Food, Waste, Transport, Fuel, and Manufacturing i.e. Vehicle Purchase
2. Impact on commodity and service costs due to increase in National Insurance Contribution
3. Impact of Tariffs leading to:
 - Increased prices for imported goods
 - Reduced availability of goods
 - Impact on competitive landscape

3. Shared Service - Service Level Agreement - Delivery of KPI's - Risk that Commercial & Procurement Shared Service are unable to deliver against agreed KPI's within Service Level Agreement:

1. Local Supplier Spend (Aberdeenshire)
2. Community Benefits/Fair Work (Highland)
3. Climate Change (3 Councils)

4. Scotland Excel - Membership does not deliver anticipated benefits - The ability of Scotland Excel to deliver against their objectives in relation to Financial Savings/Delivery of Community Benefits & Sustainable Procurement on behalf of the Shared Service Partner Authorities

5. Climate Change and severe weather affect the costs and availability of goods and services.

1. Failure to embed climate change procurement policy, processes and to consider climate risks in the design life of procurements.
2. Production or supply chain disruptions impact critical services
3. Increase in flooding, heavy rainfall, storms, higher temperatures, a rise in sea level and drought cause damage to supplier stock, result in delivery disruptions and cause depletion of resources, affecting the price of products and the availability of goods.

6. Procurement Fraud - Public procurement is vulnerable to fraud and corruption because of the level of expenditure, the volume of transactions, the complexity of the process and the number of stakeholders involved, these vulnerabilities can also make public procurement a target for Serious & Organised Crime.

First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> • Online Staff Training & Development (Delegated Procurement Authority) • Commercial & Procurement internal procedures • Operational procedures and guidance including Procurement Manual, Contract Management & Contract Management system Guidance and ACC Procurement Regulations • Procedures to implement contract management policies • CPSS Communication Plan – Regular communication with CO's/Service Managers/DPA's with updates/guidance • Procurement Fraud Risk Assessment • Price Increase Review Process/Tracker • Inflation Monitoring/Tracker • Scotland Excel Supply Chain Reports (Quarterly) • Performance & Compliance Dashboard 	<ul style="list-style-type: none"> • CMT Boards • Council Committees • Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register • Procurement/Contract review by Demand Management Board • Strategic Procurement Board (Senior management representation from other Shared Service Partners) • Joint Procurement Strategy 2023-2026 • Policy documentation including Sustainable Procurement and Community Benefits Policy 	<ul style="list-style-type: none"> • Internal Audits on Procurement • Annual External Audit and report • External reports from Scotland Excel including <ul style="list-style-type: none"> ◦ Procurement Capability and Improvement Plans (PCIP) - Completed May 2024 • Scottish Government performance review and reports (Annual Procurement Report)

Assurance Map		
Cluster - Data & Insights		
Cluster Risk Register Risk:		
<p>1. Information Governance - Risk that the Council's Information Governance Framework (people and behaviour, process and system, adapting and learning) is not sufficiently robust to ensure that council information and data is processed in a way which: i. mitigates potential harm to the rights and freedoms of data subjects arising from data processing ii. meets the Council's operational, strategic and accountability requirements (business and statutory); iii. demonstrates proper stewardship to deliver outcomes for our people, place and economy.</p>		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Trained and qualified staff Operational procedures and guidance notes, including consistent corporate processes for: <ul style="list-style-type: none"> Data Protection Impact Assessment Privacy notices Data Protection Rights Requests Incident reporting and handling Information Sharing Agreement and contractual arrangements Maintaining the Council's records of processing activities (Information Asset Register) Records Retention and Disposal Schedule Mandatory Information Governance Staff Training Clear and consistent roles and responsibilities in relation to data and information in Corporate Policy and supporting Handbooks of procedures 	<ul style="list-style-type: none"> CMT Boards Council Committees Effective Information Governance / DPO advice and support Information Governance Group led by Senior Information Risk Owner (SIRO) reviews Quarterly Information Governance Assurance reports Corporate Information Policy Data Forums Governance including annual Information Governance Assurance Statement Internal Information Assets Assurance Cycle CCTV Assurance Framework 	<ul style="list-style-type: none"> External scrutiny of Council's arrangements in relation to DP and PRSA in the form of Reports, inspections, and audits from the Information Commissioners Office and the Keeper of the National Records of Scotland Internal Audit – Data Protection

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Assurance Map		
Cluster - Digital & Technology		
Corporate Risk Register Risk:		
<ol style="list-style-type: none"> 1. Cyber Security: Organisational Environment - Risk that Aberdeen City Council could, become the victim of a cyberattack through poorly designed or implemented, or an absence of internal, organisational cybersecurity controls (processes, training, etc.). 2. Cyber Security: Supply Chain - Risk that Aberdeen City Council's reliance on suppliers to deliver digital products, systems, and services across the organisation could lead to cybersecurity vulnerabilities. 3. Cyber Security: External Threats - Risk of attack from malicious third-party actors. 		
Cluster Risk Register Risks:		
<ol style="list-style-type: none"> 1. Climate Change - Digital Infrastructure - Digital infrastructure will be impacted by adverse incidents caused by climate change (flooding, extreme weather) resulting in disruption to the delivery of council services. 		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)

<ul style="list-style-type: none"> • Trained and qualified staff • IT Security Technologies – devices to filter traffic and protect network, virus control software and domain access rules e.g. Conditional Access and Encryption • Proactive Monitoring & Alerting • Operational procedures and guidance notes • Mandatory Information Governance Staff Training and IT Security Staff Training • Investigation into incidents and breaches • Patch Management • System Change Management process via Change Advisory Board • Threat Hunting • Environmental considerations via DMCB procurement process 	<ul style="list-style-type: none"> • CMT Boards • Council Committees • D&T Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register • Information Governance Group • ICT System Risk Assessments • Data Privacy Impact Assessments • Vendor Management • Policy documentation including, Information and Communication Technology (ICT) Acceptable Use Policy and ICT Access Control Policy, Protective Monitoring Policy • Annual review against Public Sector Cyber Security Framework • Participation in the North of Scotland Cyber Resilience Group • SC3 and NCSC services to monitor infrastructure and emerging risks 	<ul style="list-style-type: none"> • Independent IT Health Checks for PSN Accreditation by Surecloud. Surecloud are National Cyber Security Centre and Check approved. • Independent Penetration testing on internet facing services by Surecloud. Surecloud are National Cyber Security Centre (NCSC) and Check approved. • Public Services Network (PSN) assurance review annually • Registered for NCSC proactive notifications service • Cyber Essentials Plus assurance • Completed Scottish Government Cyber Assurance audit • Internal Audit – Assurance Review of the Cyber Action Plan (06/03/2024)
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Assurance Map		
Cluster – Education and Lifelong Learning		
Cluster Risk Register Risks (Reported to Education and Children's Services Committee)		
<ol style="list-style-type: none"> Education - Demographic demands - Growing demographic demands result in service delivery pressures The perception of failure to record incidents of violence and aggressive behaviour against school staff. Removal of Scottish Attainment Challenge funding - If the Scottish Attainment Challenge Funding is removed schools will be unable to continue to afford interventions in place to support young people Risk that the number of Senior Leadership vacancies leads to staff in posts that are not of required quality Specialist teacher shortage in secondary schools - Risk that attainment in particular subjects will be impacted by the shortage of secondary specialist teachers. 		
Cluster Risk Register Risks (Reported to Communities, Housing and Public Protection Committee)		
<ol style="list-style-type: none"> Library Service Failure - There is a risk that we are unable to deliver library services across all sites within current opening hours due to lack of staffing resource. 		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Trained and qualified staff School Leadership Team oversight and quality assurance of day to day operations and finances in school Targeted leadership training to develop leaders from within our current workforce Use of teams to create support networks across subject areas in secondary School health and safety procedures agreed annually All staff involved in school risk assessment process Designated school Health and Safety Reps Risk assessments shared with all staff including Trade Union reps 	<ul style="list-style-type: none"> CMT Boards Council Committees Health and Safety guidance for schools Identified health and safety team link for all schools Child protection and safeguarding guidance and professional learning available to schools Range of policies/procedures for schools to support consistent practice Quality Improvement Framework setting expectations around accountability Quality Improvement Visits to schools and Early Learning and Childcare provision Quality Improvement Team monitoring of live data 	<ul style="list-style-type: none"> Education Scotland inspections Care Inspectorate Inspections HSE inspections Health and Safety Team compliance visits to schools ECMT data reviews External Audit Monthly budget print outs Annual Internal Audit Plan Audit Scotland and National Audit reports Internal audit SEEMiS - 30/04/24 Internal Audit – Preschool commissioned services – 06/12/24

<ul style="list-style-type: none"> • School risk registers in place in all schools with effective mechanisms in place for review and escalation • School Business Continuity Plans in place • Tracking and monitoring arrangements in place in all schools to track attainment • School positive behaviour management procedure agreed yearly • School child protection and safeguarding procedures agreed yearly • Yearly analysis of school community data to inform the school improvement plan • Regular review of applications for school placements in order to identify emerging trends • In house middle leadership training to support increase in internal candidates for Headship. • Regular meetings with Higher Education to understand demand for school placements from international students • Calendar of data gathering around the health and wellbeing needs of pupils • Monitoring of levels of vacancy in schools and ELC provisions • Continued expansion of ABZ campus • In-service days and staff meetings to address any identified vulnerabilities 	<ul style="list-style-type: none"> • Service Business Continuity Plan • Monitoring of complaints • Improvement groups comprising central Officers and school staff identify and address emerging risks • Fortnightly Trade Union meetings • Fortnightly safeguarding meetings • Engagement with Parents and Carers • Data dashboard and Risk Register discussed fortnightly by Senior Leadership Team • Regular finance meetings with Senior Leadership Team • Assurance Team • Regular contact with ADES and COSLA 	
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Assurance Map		
Finance		
Corporate Risk Register Risk:		
1. Financial Sustainability - Failure to deliver financial sustainability due to: <ul style="list-style-type: none"> • Failure to align resources to commissioning intentions and service standards • Inadequate financial reporting and planning • Failure to respond to external factors • Failure of partners, businesses or the 3rd sector • Failure of transformation plans, projects or service redesigns • Inadequate financial stewardship or capability 		
Cluster Risk Register Risk:		
1. Failure to deliver key financial services in the event of the failure of plans, capabilities, systems and processes <ul style="list-style-type: none"> • Failure to deliver statutory monitoring • Failure to administer NESPF • Failure to provide business advice and financial implications of change • Inability to deliver key service standards and customer service • System failure • Failure of financial policies and controls, loss of income, poor management of council finances • Failure to make benefits of technology and best practice • Reputational damage and poor relationship management 		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> • Annual statements of accounts and quarterly reporting including valuations, Key Financial Indicators, and balance sheet • Medium Term Financial Strategy and 30 Year HRA Business Plan. • Budget Protocol and Budget setting for both General Fund and HRA. • Monthly and Quarterly monitoring and reporting of budget including contingent liabilities 	<ul style="list-style-type: none"> • Finance and Resources Committee scrutiny of all financial decisions • Pensions Committee scrutiny of pensions decisions • Audit, Risk and Scrutiny Committee oversight of risk management system • Audit Risk and Scrutiny oversight of Internal and External Audit reports 	<ul style="list-style-type: none"> • Annual External Audit and report of ACC Accounts, Pension Funds and Group Accounts • Annual Internal Audit Plan based on risk and approved and overseen by Audit, Risk and Scrutiny Committee • Internal Audit – Lease Financing – 03/02/23 • Internal Audit – Following the Public Pound – 13/02/23

<ul style="list-style-type: none"> • Financial protocols in Scheme of Governance, Financial Regulations and associated financial procedures and practices • Financial policies and procedures including Counter Fraud, Following the Public Pound and Service Income • Finance Business Continuity Plan • Financial Implications review of all committee reports • Treasury Management reviews with our treasury consultants • Monitoring of Finance Cluster and Institutional risks • FM Code Self Assessment • Pension fund management protocols and procedures • Task plans, CR&D and Succession Plans • Horizon Scanning reviews • Embedding new impacts into BAU e.g. refugee costs, Monitoring and grant claims • Budget holder training • Continuous review and dissertation of financial reporting methodologies, automation tools and its usage, systems interfaces / integrations • Process mapping of core transactions and intra-cluster responsibilities leading up to financial positioning and performance controls 	<ul style="list-style-type: none"> • Council and specific Charitable Trust Boards • Other Committees as applicable • Finance SMT • CMT and ECMT • Risk Board • Strategy Board • Transformation Board • Performance Board • ALEO assurance hub • Fraud Group • IJB Risk Audit and Performance Board 	<ul style="list-style-type: none"> • Internal Audit – Revenue Budget Setting and Financial Strategy – 2024 • National Fraud Initiative -2024 • Trusts and Common Good Fund -2025 • Annual credit rating review • London Stock Exchange compliance checks • National Audit reports and Best Value Audit • His Majesty's Revenue and Customs Inspections • Treasury, Directors of Finance and other bodies reports and advice • Charities Commission (OSCR) reports and advice and reports on Trust Accounts • Scottish Government Returns e.g. budget and out-turn data, grant claim criteria • Data required by other grant funders and stakeholders of ACC • ICAS and CIPFA trainer accreditations • The Pensions Regulator • Bond Trustee • Internal Audit: Finance Control Improvement Plan + Creditor Systems and Sub-Systems + Payroll
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Assurance Map		
Governance		
Corporate Risk Register Risks:		
<ol style="list-style-type: none"> Civil Contingencies - Risk of non-compliance with the Council's responsibilities as a Category 1 responder under the civil contingencies legislation and guidance Health & Safety Compliance - Risk of non-compliance with Health and Safety legislation and practices resulting in harm to the workforce and/or members of the public 		
Cluster Risk Register Risks (Reported to Communities, Housing and Public Protection Committee)		
<ol style="list-style-type: none"> Loss of UKAS Accreditation – Risk of The Laboratory losing, temporarily, its external UKAS accreditation. Non-Compliance - Interventions / Food Law Code of Practice – The Risk of non-compliance with Interventions/Food Law code of practice due to lack of qualified officers. 		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Mandatory health and safety training requirements included in training needs analyses for Clusters Trained and qualified staff Training and exercising plan for DERCs, Council Incident Officers, ALEOs and operational staff on the components of emergency response. Risk assessments and project risk registers RIDDOR reporting (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) Investigations into incidents and breaches of H&S policy or legislation. Protocols, Plans & Guidance to implement policies Protest Management Plans and procedures Duty Emergency Response Coordinators (DERCs) 	<ul style="list-style-type: none"> CMT Boards Council Committees Corporate Management Team Scheme of Governance Local Code of Corporate Governance Annual Governance Statement Risk Appetite Statement Risk Registers Legislation and Consultation Trackers Risk Horizon Scanning Tracker Generic Emergency Plan and Activation Packs Fulltime EPR&C Lead and Officer post DERC, Council Incident Officer and Support Centre Manager rota Cadre of trained volunteer ACC Loggists 	<ul style="list-style-type: none"> Health and Safety Executive Scottish Fire and Rescue Service Audits Care Inspectorate inspections Education Scotland inspections Traffic Commissioner Scotland External Audit North Regional Resilience Partnership Grampian Local Resilience Partnership (GLRP) and GLRP Working Group GLRP TECA Liaison Group GLRP Harbour Liaison Group Local Authority Resilience Group Scotland (LARGS) North East CONTEST Multi-Agency Group Information Commissioner's Office (regarding data protection)

<ul style="list-style-type: none"> • Council Incident officers to support DERCs with emergency response • Housing and Flooding rotas to support emergency response • RCC, with Page One process to support emergency activation of DERC. • Increased Council Incident Officer cadre for rota (12) • Rota with 15 ACC Volunteer Support Centre Managers available to open up rest centres in emergencies and support the DERC & CIO • Team of trained ACC Volunteer Loggists to support DERC • ACC staff (90) volunteers for activation during an emergency if required • Business Continuity Plan for Governance • Civil Contingency Incident De-Briefs • Corporate Procedure: CCTV • Bond Governance Protocol • Implementation of a Radio system across City Centre ACC buildings for managing security incidents and response. • Representation from across ACC emergency response team members at the monthly Bridge Calls arranged by Police Scotland Crime and Counter Terrorism Unit. Covering all CONTEST strands updates, training opportunities and awareness raising • ACC EPRL chair of Protect and Prepare sub group on behalf of North East Contest Multi Agency Group • Community Resilience Groups (Bridge of Don/Danestone, Culter, Cults, Milltimber & Bieldside) • Maintaining an awareness of current accreditation requirements through receiving regular updates from UKAS • UKAS included as a main topic in team meetings and as an objective in PR&Ds 	<ul style="list-style-type: none"> • TEAMS Site 'Resilience Hub' including Emergency Response Handbooks, Partner information and useful materials and updates • DERC, Council Incident Officer, Support Centre manager and Loggist annual Training and exercising • Resilience huddles across three Grampian local authorities including Scottish Govt rep. • SCORDS Training Hub (Scottish Resilience Development Service) • Downloading of Protect UK app promotion throughout organisation and with ALEOs • Promotion of eLearning module ACT throughout organisation and with ALEOs • Community Resilience Framework • ALEO Assurance Hub • Committee Effectiveness Reports • Revised Corporate H&S Policy approved by Staff Governance Committee including inventory of H&S procedures. • Process for approval of H&S procedures (CO-G approves corporate, relevant CO approves Cluster specific). • H&S Management System setting out roles and responsibilities • Document management system detailing corporate and local H&S procedures and documents, including review dates and responsible officers. • First Aid training and E-Learning including: Intro to health and safety, Fire safety, Managing Safety, Manual Handling, asbestos awareness, Fire Marshall and warden responsibilities, working at height, displays screen equipment. • Face to face H&S training sessions on: risk assessment, lone working, COSHH risk assessment, Investigation, Incident reporting • Guidance on incident and near miss reporting. • H&S Compliance Reporting – quarterly to Risk Board • Asbestos Working Group Terms of Reference, to monitor actions arising from breaches or HSE interventions. 	<ul style="list-style-type: none"> • Office of the Scottish Information Commissioner (regarding freedom of information) • Investigatory Powers Commissioner's Office • Credit Rating Agency • Accounts Commission • Audit Scotland • CIPFA • Standards Commission for Scotland • Commission for Ethical Standards in Public Life in Scotland • Law Society of Scotland • Office of the Scottish Charity Regulator (relevant where ACC itself is a charity trustee) • Financial Conduct Authority (regarding Stock Exchange bonds) • External competent bodies (regarding statutory inspection of plant and equipment) • Electoral Commission • Electoral Management Board for Scotland
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	<ul style="list-style-type: none"> • Reporting to external bodies (HSE, Scottish Fire and Rescue Service and the Care Inspectorate) • Risk Assessment Guidance and templates (including COVID-19) • Compliance checks for COVID-19 risk assessments • Process for COVID-19 individual risk assessments • Guidance on homeworking during COVID-19 • Process for review of Scottish Government guidance on COVID-19 to update internal guidance • Trades Union/Director Group • Health and Safety Trade Union meeting • Commissioning, Customer, Resources and Trades Unions Health and Safety Group • Operations and Trade Unions Health and Safety Group • Information Governance Group • Public Protection Committee • Risk Management Policy • Business Continuity Policy • International Twinning Grant Criteria Policy • Appointment of Elected Members to Outside Bodies Policy • Licensing Policies • Licensing Committee • Licensing Board • Organisational Resilience Group • Business Continuity Sub-Group • Policy Group • Occupational Health Provider 	
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Assurance Map		
Cluster – Housing		
Corporate Risk Register Risk:		
<p>1. Pace of unplanned resettlement and asylum demand and risk of harm - There is a risk that Aberdeen City Council and partners are unable to provide appropriate levels of support to people arriving in the city as refugees or asylum seekers.</p> <p>There is a risk of increased homelessness presentations and sustained demand for core services including; housing support services, education, community learning and development, children and families social work and resettlement support arising from external factors including arrivals of displaced people from other Scottish cities who can present as homeless due to the removal of “local connection” and the potential requirement for RAAC decants.</p> <p>There is a financial risk to the Council that increased demand and supporting activities required in this area are not fully funded.</p>		
Cluster Risk Register Risks:		
<p>1. Inability to meet the Unsuitable Accommodation Order - There is a risk to the Council of not being compliant with the Homeless Persons (Unsuitable Accommodation) (Scotland) Order</p> <p>2. Void Property Management - There is a risk that the level of void properties leaves ACC unable to house applicants appropriately or timeously, affecting quality of life, increasing spend on hotels and reducing rental income.</p>		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Trained and qualified staff Operational procedures and guidance documentation Quality Improvement Framework (in draft) 	<ul style="list-style-type: none"> CMT Boards, in particular the Housing and RAAC Boards Council Committees Policy Documentation, including delivery of the Resettlement Delivery Plan Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register Full Council Organisational Resilience Group Strategic Partnership Group 	<ul style="list-style-type: none"> Annual External Audit and report Community Planning Aberdeen Homewards Scottish Housing Regulator - Annual return on housing performance; annual risk assessment Benchmarking through Local Government Benchmarking forum (LGBF) measuring housing indicators across all 32 Local Authorities (Statutory Performance

	<ul style="list-style-type: none"> • Warm Scottish Welcome Delivery Board • Resettlement Strategic Partnership Group • Home Office/MoD Afghan Resettlement Meetings • Asylum Partnership Board • Scottish Government Better Homes Division • • Public protection arrangements 	<p>Indicators) Scottish Social Services Council - Registered Housing Support Services - set out registration requirements for specific parts of the workforce</p> <ul style="list-style-type: none"> • Care Inspectorate for Registered Housing Support Services • • Scottish Government Homelessness reporting and Rapid rehousing Transition Plan scrutiny
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Assurance Map		
Cluster - Operations		
Cluster Risk Register Risks:		
<ol style="list-style-type: none"> 1. Climate change – Tree Disease - Risk to public safety, increased service demand, and staff H&S operational risks within Operations & Protective Services due to tree pest and diseases such as Ash Dieback and Dutch Elm. 2. Loss of Operator's Licence - Effect of services inability to use goods vehicles through loss of operator's licence. 3. Sea Defence Failure - Failure of Sea Defences 4. Substance Misuse - Risk to services as a result of substance misuse issues in the operational workforce – causing both increased absence (and related cost) and potential risks to service provision and related health and safety concerns. 5. Waste Disposal Failure - Risk of waste disposal failure - loss of markets for materials or waste management contract failure 		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> • Trained and qualified staff • Operational plans and guidance including surveys, monitoring of existing infrastructure, committee reporting and guidance • Contract Management Guidance and Procurement Regulations • Procedures to implement contract management policies • Operational procedures • Climate risk Assessments & Guidance • Environmental risks (including climate risks) incorporated in business cases, committee reporting and guidance • Weather impact Assessments • Regular monitoring and Infrastructure Assessments • Budget planning for anticipated impacts/ budget requirements • Emergency plans, Operational response procedures • Investigation with other LA's / SCOTS and our Legal teams whether we can refuse to sign up to the legal agreement 	<ul style="list-style-type: none"> • CMT Boards • Senior Management Team (SMT) undertakes review of Cluster Operational Risk Register • Corporate Policy Documentation • Council Committees • Contract review by Demand Management Board • Strategic plans including North East Flood Risk Management Plan and Strategy; and development of Climate Adaptation Framework (Aberdeen Adapts) • Strategic Commissioning Committee • Inclusion in plans, programmes, strategies including those for planning, transport & housing • Local Resilience Partnership undertaking resilience planning and preparedness across all partners • Local Outcome Improvement Plan (LOIP) • APSE benchmarking • Aberdeen Open Space Strategy • Aberdeen Food Growing Strategy • Comprehensive in-house quality system audit programme to cover all aspects of current quality systems. 	<ul style="list-style-type: none"> • Annual Climate Change report (Public Bodies Climate Change Duties) submitted to Scottish Government • Regional and National reports from Scottish Government, UK Government and SEPA • North Regional Resilience Partnership • Grampian Local Resilience Partnership • Scottish Government performance review and reports • Testing of emergency plans at partner level • Adaptation Capability Framework Benchmarking Tool • North Regional Resilience Partnership • Community Planning Aberdeen Board (CPABoard) • Local Outcome Improvement Plan (LOIP) Residual • Participation in external quality system audit programme to cover all aspects of current quality system

<ul style="list-style-type: none"> • Service Business Continuity Plans • Roads Winter Maintenance Plans • Flood Risk Management Plans • Community involvement • Cross Service training events • Joint working with internal/external resources and Environmental Services • Park Management Plans • Internal / external communication and networking • Committee reporting • LOIP Improvement projects 11.3, 13.2 • Fleet Service Users • Drivers / Operators • Fleet Workshop Managers and Operatives • Waste Service Policies 	<ul style="list-style-type: none"> • Union partnership (safety representatives) • Planning works as per CDM regulations 2015 • Risk assessment Method Statements and procedures established and reviewed • Coordination of works by team leaders • Team Leader supervision • Internal inspection regimes • Fleet Management / Compliance Team • Procurement Team • Operational management team, Contract managers, Team leaders, Risk control team • Customer feedback management system • KPI's management systems established • Service User's 	<ul style="list-style-type: none"> • Participation in external quality system inspection programme to cover all aspects of current quality system • External Audit provider UK Logistics (FTA) • DVSA • Police Scotland • External fuel providers (contingency plan) • Scottish Road Works Commissioner – Annual Performance Review Report • Waste Data Flow Report to SEPA • Internal Audit – Vehicle and Driver Compliance – February 2024
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Assurance Map		
Cluster - People & Citizen Services (People Services)		
Corporate Risk Register Risk:		
1. Workforce Resilience Risk that a reduced workforce due to budget pressures, as well as external factors such as hard to fill roles or national policies may impact workforce resilience, our capacity and ability to deliver services, and in turn lead to reductions in service delivery and outcomes and an increase in Trade Union activity with the potential for industrial action.		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Staff and managers implementing related procedures and guidance flowing from policies and ACC Workforce Delivery Plan People Services delivery against Workforce Delivery Plan Risk Assessment of people-related risks by staff and managers People Services enabling effective people management, support and development through relevant advice to managers Managers undertaking relevant training and development Monitoring of employee-related data by People Services and all Senior Management Teams via People Performance Dashboard Skills audits and professional development plans used to build training requirements and programmes of development 	<ul style="list-style-type: none"> People related policies and procedures Relevant guidance for managers and staff available on People Anytime (staff intranet) ACC Workforce Delivery Plan Management and Leadership Training and Development Opportunities Job Families and Capability Framework Re.cr.uit Scheme - Internal Recruitment and Internal Movement of Staff FAIR agreement with Trade Unions Regular engagement with Trade Unions including Directors Union Engagement meetings/LNCT Outlined approaches to trade union and staff engagement and consultation (business case and adoption and change management approaches) Temporary Movement of Staff Protocol E-learning system 	<ul style="list-style-type: none"> COSLA – national negotiating body via SJC and SNCT. Scottish Government – checking compliance with national initiatives e.g. Early Years Expansion, Pupil Equity Fund Chartered Institute of Personnel Development (CIPD) / ACAS-- professional bodies available for benchmarking / best practice advice and guidance Society of Personnel and Development Scotland (SPDS) – professional body available for benchmarking / best practice advice and guidance and links into COSLA Her Majesty's Inspectorate of Education (HMiE) reports – use a sampling strategy for inspections across school leadership and learning and teaching Disclosure Scotland – monitoring requirements for work with vulnerable groups

<ul style="list-style-type: none"> • Managers engaging staff and trade unions during change in line with our people change procedures and approach • Managers completing Continuous Review and Development and 1:1s • Leadership Forum • Staff and managers completing mandatory training requirements • Reporting of mandatory training completion and exception actions by managers 	<ul style="list-style-type: none"> • Employee Assistance Programme and Occupational Health provider to support staff eg those reporting stress • Quality of Working Lives Stress Risk Assessments <ul style="list-style-type: none"> • Mental Health Action Plan and Substance Misuse Action Plan • Mental Health First Aid Network • Your Care online wellbeing staff portal • Wellness Action Plans • Reasonable Adjustment Passports • Corporate Boards • Council Committees • Corporate Management Team (CMT) • Data Protection processes and Information Governance including DPIAs • Employment Legal Team • Consultation and legislative tracker to horizon scan for changes in the law • Risk Appetite Statement • Business Continuity Sub-Group • Employee Data Forum • Utilisation of RPA for council processes 	<ul style="list-style-type: none"> • Home Office – monitoring requirements for right to live/work in UK • ICO – monitoring data breaches and any related investigations • GTCS/SSSC- set out registration requirements for specific parts of the workforce • Employer Accreditations including Quality of Working Lives, Young Person’s Guarantee, Disability Confident, Defence Employer Recognition Scheme, Equally Safe at Work • Benchmarking through Local Government Benchmarking forum (LGBF) measuring indicators such of cost of HR gender profile and workforce profile across all 32 Local Authorities (Statutory Performance Indicators) • Equality Outcomes Mainstreaming Report • Staffing Watch Report • Internal Audit Assurance Review Outcomes/ Recommendations • Employee Experience Survey and Wellbeing Pulse Checks • Data Gathering and Analysis
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Assurance Map		
Strategic Place Planning		
Corporate Risk Register Risks:		
1. Climate Change (Place) - Failure (where ACC has scope to influence), to contribute to a reduction in city-wide emissions and to address strategic climate risks for the city. These include heavy winter rainfall, flooding, a rise in sea level, reduction summer rainfall, higher temperatures.		
Cluster Risk Register Risk:		
1. Climate, Natural Environment and Biodiversity duties - Council Compliance. Risk of non-compliance with public bodies duties under the Climate Change (Scotland) Act 2009, the Nature Conservation Act 2004 and the Wildlife and Natural Environment (Scotland) Act 2011.		
2. Strategic Plan Delivery – SPP - Failure to deliver key strategic plans – staff and process restructuring risks		
First Line of Defence (Do-ers)	Second Line of Defence (Helpers)	Third Line of Defence (Checkers)
<ul style="list-style-type: none"> Trained and qualified staff. Team Managers oversight of finances for teams. All staff involved in risk assessment process. Team Business Continuity Plans in place. Operational plans and guidance including surveys, monitoring, committee reporting. Contract Management Guidance, policies and Procurement Regulations. Environmental risks/ implications (including climate) incorporated in project plans, business cases, policy templates, committee reporting, guidance, Integrated Impact Assessment. Emergency plans. Community involvement. Agreed health and safety procedures – all staff supported to familiarise as part of induction. Cross Service protocols and training. Joint working with internal/external resources and services. Internal/ external communication and networking. Committee reporting. LOIP objectives. Maintain an awareness of current statutory requirements. Respond to internal and external consultation. 	<ul style="list-style-type: none"> CMT Boards. Council Committees. Council Climate Change Plan: Towards a Net Zero and Climate Resilient Council in place. Council Climate Change Plan dashboard in place for monitoring. Oversight Group for the Council Climate Change Plan meets monthly. Energy Board established. Carbon budget, carbon budget cycle and monitoring in place. Updated Aberdeen Adapts: Climate Adaptation Framework and Evidence Base in place. Net Zero Aberdeen Routemap: Towards becoming a net zero emissions city by 2045 in place. 6 Net Zero (Place) enabling strategies: Mobility, Buildings & Heat, Circular Economy, Energy Supply, Natural Environment, Empowerment in place. Approved terms of Reference for climate (Place) governance. Multi organisation Aberdeen Net Zero and Adaptation Board established. Senior Management Team review of Cluster/Operational Risk Register and monthly budget and contract management. Oversight on service KPIs. Contract review by Demand and Management Board. Place Based Strategy Framework in place, including plans, programmes, strategies for flooding, Aberdeen Local Development Plan, Local Transport Strategy, Local Housing Strategy, Aberdeen Open Space Strategy, Aberdeen Food Growing Strategy. Customer Service Excellence accreditation. Local Resilience Partnership undertaking resilience planning and preparedness across all partners. 	<ul style="list-style-type: none"> Annual Climate Change Report (Public Bodies Climate Change Duties) submitted to Scottish Government. Biodiversity Duty report produced. Regional and National reports from Scottish Government, UK Government and SEPA. Scottish Government performance review and reports. Environmental Standard Scotland. Scottish Climate Intelligence Service and data platform in place. NatureScot reports. Monitoring of current/ future climate risks affecting Aberdeen, in line with UK Climate Projections, UK Climate Risk Assessment. Annual review against the Public Sector Adaptation Capability Framework. Audit Scotland and National Audit reports. Community Planning Aberdeen Board. Local Outcome Improvement Plan (LOIP). Participation in external quality system inspection programme Customer Service Excellence. Annual reporting of Risk Registers to Committee. Economic Policy Panel. APSE benchmarking.

<ul style="list-style-type: none"> • Planning applications, project proposals reviewed for implications on the natural environment and biodiversity. • Develop approved outline plans for Citywide Nature Awareness Campaign. 	<ul style="list-style-type: none"> • Emergency plans eg flooding and storms. • Staff online training module Meeting Climate Duties: and a Taking Action on Climate Change staff training course in place. • Emission data platform available and user training completed. • Elected Members training on the natural environment. • Aberdeen Climate and Nature Pledge in place, microsite established. 	
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Function	Cluster	Category	Inspection/Audit Activity Title	Focus Area	Year	Date
Corporate Services	Commercial & Procurement	External Inspection or Audit	PCIP (Procurement Commercial Improvement Programme)	Commercial Procurement	2026	May
Corporate Services	Governance	External Finance	Annual Credit Rating Assessment	Credit Rating	2025	November
Corporate Services	Governance	External Inspection or Audit	External Audit Annual Report	Financial Controls/Annual Accounts	2025	August
Corporate Services	Governance	External Inspection or Audit	Use of Investigatory Powers	Compliance	2026	TBC
Corporate Services	Governance	External Inspection or Audit	SFRS - Audit of Care Homes and Children's Homes	Compliance	2025	Annual
Corporate Services	Governance	External Inspection or Audit	UKAS Accreditation	Compliance, systems and processes	2026	September
Corporate Services	Digital & Technology	Internal Process	PCI Technical Assessment	Security	Continuous	Quarterly
Corporate Services	Digital & Technology	Internal Process	External Network Penetration Assessment	Security	Continuous	Annual
Corporate Services	Digital & Technology	Internal Process	Internal IT Health Check	Security	Continuous	Annual
Corporate Services	Digital & Technology	Internal Process	Cyber Resilience Self Assessment	Security	Continuous	Continuous
Corporate Services	People Services	External Inspection or Audit	Equally Safe at Work Accreditation	Equality and Diversity	2025	March
Corporate Services	People Services	External Inspection or Audit	Defence Employers Recognition Scheme Gold Award	Compliance with accreditation	2025	October
Corporate Services	People Services	External Inspection or Audit	Disability Confident Accreditation	Compliance with accreditation	2025	July
Corporate Services	Housing	External Inspection or Audit	Scottish Housing Regulator Engagement 24/25 - Services, Quality, Tenant & Resident Safety 01/04/24 to 31/03/25	Compliance	2024/25	April-March
Corporate Services	Citizen Services	External Inspection or Audit	DWP Housing Benefit Subsidy Audit	Compliance	2025	November
Corporate Services	Citizen Services	External Inspection or Audit	DWP Housing Benefit Review	Compliance	2025	Nov
Corporate Services	Finance	External Finance	Stock Exchange Reporting and Compliance	Finance	Continuous	Continuous
Corporate Services	Finance	External Finance	Charities Commission Accounts and Reports - Annual	Finance	Annual	December
Corporate Services	Finance	External Finance	SG Returns - LFR/POBE	Finance	Annual	Nov/April
Corporate Services	Data Insights HDRCA	External Inspection or Audit	Audit Scotland - Thematic Review "Transformation"	Council Transformation	2025	March
City Regeneration & Environment	City Development & Regeneration	External Inspection or Audit	AAGM Firearms license inspection undertaken by Police Scotland	Compliance	2026	March

City Regeneration & Environment	City Development & Regeneration	Internal Process	AAGM & Maritime Museum Environmental Health - (Catering outlets)	Compliance	2025	Annual
City Regeneration & Environment	Operations	External Inspection or Audit	UK Logistics (FTA)	Gate Inspections (depots) and Vehicle Inspections (Vehicle Depots)	2025	Monthly
City Regeneration & Environment	Operations	External Inspection or Audit	UK Logistics (FTA)	Fleet - Vehicle Records - vehicles within the scope of ACC's Operator's Licence	2025	June
City Regeneration & Environment	Operations	External	Road Works Commissioners Office	Roadworks Register Annual performance figures	Annual	December
City Regeneration & Environment	Operations	External Inspection or Audit	Inspection of Crematoria	Compliance - Regulations and record keeping (Inspectors Inspection)	2025	TBC
City Regeneration & Environment	Operations	External Inspection or Audit	BSI - ISO 9001 - Roads Operations - Tullos	BSI - ISO 9001 - Roads Operations - Tullos	2025	6 Monthly
City Regeneration & Environment	Strategic Place Planning	External Audit	Building Flood Resilience in Communities (Audit Scotland)	Flood Resilience	2025	May
Families & Communities	Corporate Landlord	External Inspection or Audit	Quality Management System, BSI 9001:2015	FM Catering	2025	6 Monthly
Families & Communities	Corporate Landlord	External Inspection or Audit	SECT (Managing Agency NICEIC) Approved Contractor Scheme Periodic Audit	Building Services	2025	Periodic
Families & Communities	Corporate Landlord	External Inspection or Audit	Gas Safety Register (Gas Safe Register) Staff Registration	Building Services	2025	August
Families & Communities	Corporate Landlord	External Inspection or Audit	Skills Development Scotland (Managing Agency CITB)	Building Services	Continuous	Continuous
Families & Communities	Corporate Landlord	External Inspection or Audit	Scottish, Northern Ireland Employers Federation (Tullos Training)	Building Services	Continuous	Continuous
Families & Communities	Corporate Landlord	External Inspection or Audit	SFRS - Visit/Inspection City Centre Tower Blocks (safety/access for fire service)	Compliance	2025	6 Monthly
Families & Communities	Children's Social Work & Family Support	External Inspection	Children's Social Work	Children's Care Home Inspections	2025	Continuous
Families & Communities	Children's Social Work & Family Support	External Inspection	Care Inspectorate - Thematic Review - Effectiveness of Social Work Governance & Assurance	Compliance with Standards	2025	March
Families & Communities	Education & Lifelong Learning	External Inspection or Audit	Education Scotland Inspections of Schools	Compliance	2025	Continuous
Families & Communities	Education & Lifelong Learning	External Inspection or Audit	CLD Progress Visits	Compliance/Progress	2025	May
Families & Communities	Education & Lifelong Learning	External Inspection or Audit	Care Inspectorate Inspections of ELC	ELC and National Standards	2025	Continuous
Families & Communities	Education & Lifelong Learning	Internal Process	Health and Safety team compliance visits to schools	H&S Compliance	2025	Continuous
Families & Communities	Education & Lifelong Learning	Internal Process	Performance reports to Committee	Attainment data	2025	Triannual

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	8 th May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Annual Review - Risk Appetite Statement
REPORT NUMBER	CORS/25/087
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Vikki Cuthbert
REPORT AUTHOR	Ronnie McKean
TERMS OF REFERENCE	Remit 1.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the Council's updated Risk Appetite Statement to Committee for approval.

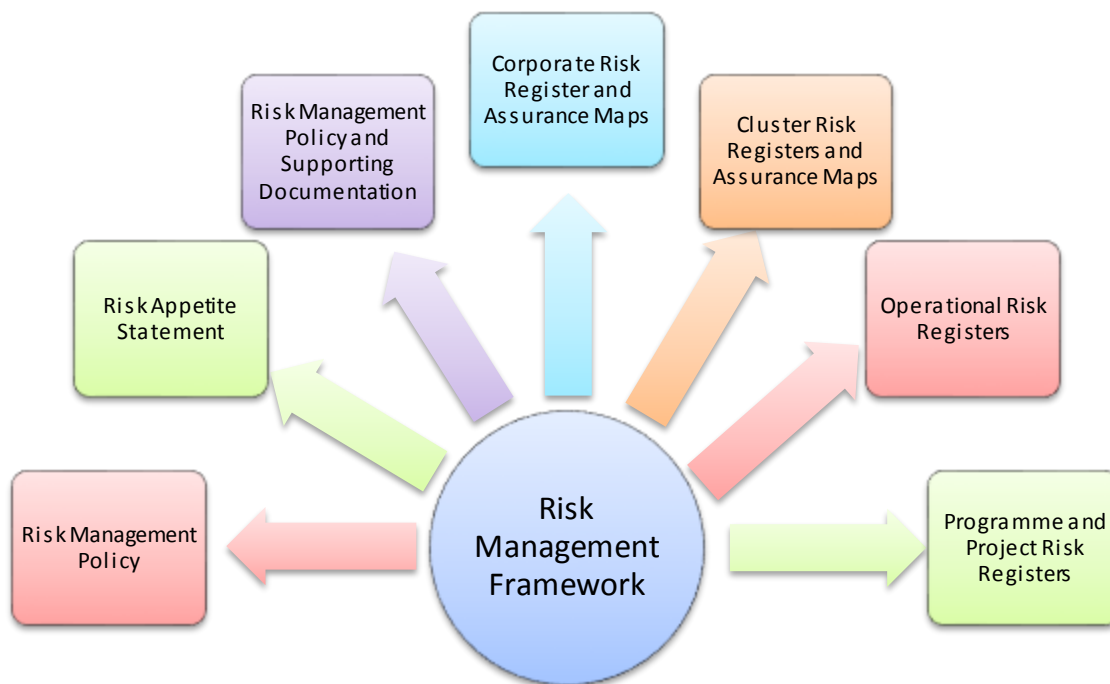
2. RECOMMENDATION(S)

It is recommended that the Committee:

- 2.1 Approve the updated Risk Appetite Statement, attached at Appendix A; and
- 2.2 Note the continued progress towards embedding the RAS during 2024 and the training and engagement activities planned for 2025.

3. CURRENT SITUATION

- 3.1 The Council's Risk Appetite Statement (RAS) sets out the categories of risk recognised by the Council and the amount of risk that the Council is/is not prepared to tolerate in pursuit of its strategic outcomes. The RAS balances the relationship between acceptance of risk in one area to achieve the benefits or outcomes required in another area and recognises that there are both threats and opportunities in the management of risk.
- 3.2 The RAS was last reviewed by Committee in February 2024 and is a key element in the Council's risk management framework as illustrated below:



- 3.3 When the Council's RAS was originally approved by Committee in December 2020, it was agreed by Committee to undertake an annual review to ensure the levels of risk appetite are appropriate and reflect any changes in our risk environment.
- 3.4 The process of embedding the RAS within the Council continued to progress during 2024 and it continues to be used by officers when exercising delegated powers and to guide strategic/operational proposals and decision making as demonstrated by the examples below:
- **“Managing Risk” Intranet Pages** – these pages contain links accessible to officers and Elected Members on the Council's RAS, Risk Management Policy, Guidance and Training and have been regularly reviewed and updated during the year.
 - **Budget Protocol** – RAS was incorporated in the Council's RAS, approved by Council on 16th April, to enable assessment and alignment of proposals against the RAS.
- 3.5 Further improvement activities will be conducted during 2025. These activities will include:
- Incorporate RAS into the Council's Integrated Impact Assessment (IIAs) supporting processes.
 - Further development of “Managing Risk” intranet pages.
 - Elected Member training on scrutiny which will draw alignment to risk appetite.
- 3.6 In order to meet the requirements of annual review, the extended Corporate Management Team considered whether revisions were appropriate. This included a recap of all adjustments made to the Statement over the last four years. On balance, it was considered that no significant changes were required. Some rationale is provided below:

- The Statement reflects the Council's journey of the last few years, wherein financial sustainability has become increasingly challenging and our tolerance for risk, provided it is well managed, has increased out of necessity. The adjustments made since the Statement's first draft in 2019 remain appropriate at this time.
- There is a delicate balancing act to be had when assessing the risks associated with a particular proposal, such that officers exercising delegated powers and elected members at committee should consider the circumstances of the time, the known knowns, the known unknowns, and so on. Risk appetite is more of an art than a precise science, so we must leave some room for flexibility which the Statement currently does.
- The Statement is applied by officers in their decision making, and is recommended by officers to members within committee reports. The current statement reflects the reality of the challenges which the Council faces. Members may deviate from the appetite levels if they consider this necessary to achieve the intended outcome just as officers can recommend a deviation from the Statement, provided mitigations are in place.

3.7 Appendix A contains the Statement with minor amendments proposed.

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 There are no risks arising from the recommendations from the report. The RAS is a supporting document which forms part of the Council's overall system of risk management. The risk management system ensures that all risks attaching to the Council's business and strategic priorities are identified, appropriately managed and that the Council's activities are compliant with its statutory duties.

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	*Does Target Risk Level Match
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			controls/control actions	Appetite Set?
Strategic Risk	The council is required to have a management system in place to identify and mitigate its risks.	The council's risk management system requires that risks are identified, listed and managed via Risk Registers.	L	Yes
Compliance	As above.	As above.	L	Yes
Operational	As above.	As above.	L	Yes
Financial	As above.	As above.	L	Yes
Reputational	As above.	As above.	L	Yes
Environment / Climate	As above.	As above.	L	Yes

8. OUTCOMES

- 8.1 The recommendations within this report have no direct impact on the Council Delivery Plan however, the risks contained within the Council's risk registers could impact on the delivery of organisational outcomes.

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	Not applicable

10. BACKGROUND PAPERS

- 10.1 None

11. APPENDICES

- 11.1 Appendix A – Annual Risk Appetite Statement – Proposed Changes

12. REPORT AUTHOR CONTACT DETAILS

Name	Ronnie McKean
Title	Corporate Risk Lead
Email Address	romckean@aberdeencity.gov.uk
Tel	01224 067996

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Risk Appetite Statement

April 2025

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1. Purpose	x
2. Risk Categories	x
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4. Overarching Statement	x

1. Purpose

The Council's risk appetite statement sets out how the Council balances the risks and opportunities in pursuit of delivering the outcomes set out within the Local Outcome Improvement Plan, [Council Delivery Plan](#) and associated strategies.

The risk appetite statement is a key element that supports our Scheme of Governance and should provide guidance when decisions are made by Full Council, committees and sub-committees within their Terms of Reference, and officers under the Powers Delegated to Officers.

The statement will assist Council Officers and Elected members in considering their response to findings and recommendations arising from external audits and inspections.

There may be occasions where there are competing risks ~~to which the Council has a competing risks~~ and appetites. In such instances, the decision maker ~~(s) and/or the officer making a recommendation,~~ will be expected to consider and manage those competing risks and appetites and exercise careful judgement. [Risks can create opportunities as well as threats.](#)

From time to time, the Council may deviate from its agreed risk appetite. When this is case, it will be important to [evidence the rationale exercise judgement whilst assessing for doing so and](#) the potential impacts [and mitigations](#) across the organisation.


This statement is reviewed annually by the Risk Board and the Corporate Management Team which will submit any proposals for revision to the Audit Risk and Scrutiny Committee.

2. Risk Categories

The Council recognises the following categories of risk:

- Strategic
- Compliance
- Operational
- Financial
- Reputational
- Environment/Climate

3. Risk Appetite Definitions

Appetite Level (determined by risk category)	Approximate Target Risk Score Equivalent	Description	Threat  Opportunity
Averse	1-6 (Low)	Avoidance of risk. Uncertainty in achievement of strategic objectives and delivery of outcomes is critical. Activities undertaken will only be those considered to carry virtually no risk	
Cautious	8-9 (Medium)	Willing to accept/tolerate a degree of risk when selecting which activities to undertake in order to achieve a significant reward and to achieve delivery of strategic outcomes and objectives. The activities may carry a high degree of risk that will be mitigated and controlled.	
Open	10-12 (Medium)	Undertakes activities by seeking to achieve a balance between a high likelihood of successful delivery and a high degree of reward and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.	
Hungry	15-24 (High)	Eager to be innovative and choose activities that focus on maximising opportunities (additional benefits and goals) and offering potentially very high reward, even if these activities carry a very high residual risk.	

4. Overarching Statement

Aberdeen City Council delivers a wide range of services to the citizens of Aberdeen. Risk management forms a fundamental part of its operations, and the Council recognises that whilst it may be desirable to avoid risks it must also accept risks in order for the Council to evolve and achieve its ambitions for ~~the people and the place~~ our workforce and our citizens. This is particularly important in managing the Council's financial resilience which faces considerable challenge and therefore increases the likelihood and impact of risks manifesting in each of the categories below. In assessing the appetite for risks to be taken, all relevant categories are taken into account.

Strategic

The Council is **cautious** to risks which may threaten the delivery of critical services, our outcomes and commissioning intentions.

The Council is **open** to taking well-managed risks when opportunities provide clear benefits allowing for improvement, innovation, and transformation or when the threat from external factors necessitates a change in strategic direction.

The Council has an **open** appetite for risks that provide and contribute to the economic prosperity of the City.

Compliance

The Council is **averse** to any risks that will result in non-compliance or breaches in statutory obligations, regulations, and law. Any deviation from our duties will require the appropriate approvals in place in advance.

The Council is **cautious** when giving legal advice and considerings the likelihood of any legal challenge and the likely success of any legal challenge.

Operational

The Council is **cautious** to any risks that may have a negative effect on the health and safety, diversity and equality of its staff, elected members and members of the public.

The Council has an **open** appetite to the risks that allows it to deliver services in the face of growing demand, including from external factors, provided these risks are assessed in light of our statutory duties and our agreed service standards.

Financial

The Council is **averse** to risks associated with impairing financial stewardship, internal controls, and financial sustainability.

The Council has an **open** appetite for short-term risks that support financial performance and mitigate negative external factors. It has an **cautious** appetite for longer term capital and financial investments provided that the risks are well managed and demonstrate realisable future benefits for delivering the Council's outcomes and commissioning intention

Reputational

The Council relies on its reputation to ensure engagement with communities, partner organisations and stakeholders in order to deliver its strategic outcomes.

The Council has a **cautious** appetite to reputational risk but will accept opposition when its activities and projects are on balance designed to secure longer-term benefits and improvements to service delivery, performance, outcomes and commissioning intentions or all of the above.

Environment/Climate

The Council has an **averse** appetite for any risks that may have a long-term detrimental impact on the environment but is **hungry** for well managed risks in order to contribute to a net zero City and target of net zero Council emissions by 2045.

The Council is **cautious** to any risks relating to the impact of climate change which may threaten the delivery of critical services, our outcomes and commissioning intentions.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	8 th May 2025
REPORT TITLE	ALEO Assurance Hub – Workplan and Terms of Reference
REPORT NUMBER	CORS/25/088
CHIEF OFFICER	Vikki Cuthbert
REPORT AUTHOR	Ronnie McKean
TERMS OF REFERENCE	Remit - 1.2

1. PURPOSE OF REPORT

To present the ALEO Assurance Hub workplan for 2025 including the dates for reporting.

2. RECOMMENDATIONS

That the Committee –

- 2.1 note the workplan for the ALEO Assurance Hub in 2025 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 reviewed with no changes.

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, no changes were required following the review for 2025. The Terms of Reference are attached at **appendix A** to the report.
- 3.3 Attached at **appendix B** is a workplan for 2025. The main additions this year are; reviews of Conflicts of Interest, Standing Orders and other constitutional documents and review of Procurement Governance including Procurement Fraud. The workplan has been agreed with each of the ALEOs and the relevant Conveners.

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	Commercial and Procurement Services reviews ALEO service level	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>not delivering on Council outcomes.</p> <p>GDPR Compliance.</p>	<p>agreements to ensure they remain robust 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	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) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
	agreed Service Level 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	Full 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 2025

12. REPORT AUTHOR CONTACT DETAILS

Ronnie McKean

Corporate Risk Lead

romckean@aberdeencity.gov.uk

01224 067996

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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 AHIL	Sport Aberdeen
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.	15(e) 16	November	November	November	November	n/a	November
	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
	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
	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	June November	June November	June November	June November	n/a	June November
	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
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
	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

	Internal and External Audit	<p>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.</p> <p>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.</p>	13(f)	June	June	June	June	n/a	June
	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
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
	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
	Audited Annual Accounts 2024-25	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	June	June	November	June	June	June

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	8 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Use of Investigatory Powers – Q1, 2025
REPORT NUMBER	CORS/25/084
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Alan Thomson/Vikki Cuthbert – Interim Chief Officer - Governance
REPORT AUTHOR	Jess Anderson, Team Leader- Regulatory & Compliance Team, 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 Q1.
- 2.2 Note there have been no applications to acquire communications data during Q1.

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 (CHIS) (e.g. the use of an undercover officer).

RIPSA defines Directed Surveillance as covert surveillance which is not intrusive, is related to a specific investigation or operation, likely to result in the obtaining of private information about a person and is not an immediate response to events, or circumstances. A CHIS defined as establishing or maintaining a personal or other [false] relationship with another, and using that [false] relationship for the purposes of obtaining or providing information, or using that [false] relationship for disclosing information. The operational procedures which sit under the Use of Investigatory Powers Policy, clearly set out the internal process for the application and authorisation of both.

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 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 RIPSA 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 2025. This policy governs compliance with both RIPSA 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 Q1.

Covert Surveillance – RIPSA

- 3.6 During the period 18 November 2024 to 27 April 2025 (the submission of this report to committee), there were two applications for Directed Surveillance. One application related to the sale of age restricted tobacco and vapour products and was cancelled in accordance with the Council's internal procedure. The other application relates to the alleged sale of counterfeit goods and is ongoing.

An application for the use and conduct of a Covert Human Intelligence Source (CHIS) was authorised during this quarter. The CHIS authorisation relates to the alleged sale of counterfeit goods online. This authorisation is still active.

Communications Data- IPA

- 3.7 There were no applications for Communications Data during Q1.

Authorising Officers (AO)

- 3.8 There was an Authorising Officer's meeting on 22 April 2025. It was agreed that at the next meeting, there will be a refresh for AO's on the authorisation process in relation to the use of a Covert Human Intelligence Source. This is in light of the most recent application (referred to in this report) and to ensure that all AO's are clear about the additional requirements relating to the authorisation for the use and conduct of a CHIS.

Training

- 3.9 A one to one training session for a new Authorising Officer was carried out on 24 April 2025. The officer was appointed by the Chief Officer – Governance in accordance with delegated power 17 of the Powers Delegated to Officers, Chief Officer- Governance of the Aberdeen City Council Scheme of Governance.
- 3.10 The number of Authorising Officers authorised to approve covert surveillance remains at four.

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 RIPSA 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 RIPSA 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	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

	the Council and how it operates.			
Financial	There are no financial risks arising from this report		L	Yes
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

COUNCIL DELIVERY PLAN 2023-2024	
	Impact of Report
Aberdeen City Council Policy Statement	The report does not have an impact on the Policy Statement

<u>Working in Partnership for Aberdeen</u>	
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 RIPSAs, 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 Vikki Cuthbert, Interim Chief Officer – Governance on 15 April 2025. 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 & Compliance Team, Legal Services
Email Address	JeAnderson@aberdeencity.gov.uk

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit Risk and Scrutiny
DATE	8 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions
REPORT NUMBER	CORS/25/085
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Isla Newcombe
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 considered at the 20 February 2025 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. Further information is detailed in Appendix A.
- 3.6 All actions were completed within the timeframe set by the SPSO, and positive feedback was received concerning the Council's response to the recommendations, providing reassurance that the issues are being well addressed.

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

- 3.7 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
- 3.8 There have been no SPSO Second Tier Review in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period.

Inspector of Cremations Decisions

- 3.9 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	Low (L) Medium (M)	*Does Target
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		Actions to achieve Target Risk Level	High (H) *taking into account controls/control actions	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 receive full training to ensure they have the necessary knowledge to	L	Yes

		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 Scottish Welfare Fund applications are not handled correctly.	There is a centralised Customer Feedback Team responsible for ensuring that complaints are being handled consistently and appropriately across the council. Staff within the Scottish Welfare	L	Yes

		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

8. 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.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Other	Not required

10. BACKGROUND PAPERS

N/A

11. APPENDICES (if applicable)

Appendix A – SPSO Complaint Decisions

12. REPORT AUTHOR CONTACT DETAILS

Lucy McKenzie
Customer Services Manager
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	Recommendations	Date Recommendations Implemented
4 January 2024	21 January 2025	<p>a) The Council's management of communal repairs was unreasonable (upheld); and</p> <p>b) The Council's complaint handling was unreasonable (upheld).</p>	Capital	Upheld, with recommendations and improvements	https://www.spsso.org.uk/decisions-reports/2025/march/decision-report-202401558-202401558	<p>1. Apologise for the failure to manage communal repairs and handle the complaint.</p> <p>2. Council to make a financial payment to the customer for the poor standard of administration and failure to act in line with responsibilities under the Tenements (Scotland) Act 2004</p> <p>3. Clarify whether the scaffold and site establishment costs were charged and consider reimbursement</p>	21 March 2025

						<p>4. Review procedures to ensure repairs are carried out under the Tenements (Scotland) Act 2004</p> <p>5. Review procedures to ensure that regular contact is maintained with tenants and homeowners during project works</p> <p>6. Evidence the complaint handling has been reviewed, reasons for failings identified and an action plan created to address the issues.</p>	
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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny Committee
DATE	8 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Unaudited Annual Accounts 2024/25
REPORT NUMBER	CORS/25/089
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	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 2024/25 unaudited Annual Accounts.
- 1.2 The report also enables scrutiny of and approval by the Committee on the content of the Annual Governance Statement. The statement has been included in the 2024/25 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 2024/25;
- 2.2 consider the Council's unaudited Annual Accounts 2024/25;
- 2.3 consider the unaudited Annual Accounts 2024/25 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 26 June 2025 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 26 June 2025 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 26 June 2025 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 2024/25 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 their effectiveness 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 2024/25.
- 3.14 In conclusion and in examining the evidence, the 2024/25 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 28 November 2024, the Audit, Risk and Scrutiny Committee received and noted the contents of a report, "Annual Accounts 2024/25 – Action Plan" which provided high level information and key dates in relation to the production of the 2024/25 Annual Accounts. The key dates are noted below:

Date(s)	Description
31 March 2025	End of the financial year 2024/25
Jan – June 2025	Information from Group Entities (including ALEO's)
23 April 2025	Public Notice for the Public Inspection Period to be issued
07 May 2025	Signing of unaudited Annual Accounts by the Proper Officer
08 May 2025	Sign off by Audit, Risk and Scrutiny Committee Submission of the Annual Accounts to Auditors
13 May 2025 – 2 June 2025	Public Inspection Period for the unaudited Annual Accounts
26 June 2025	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
26 June 2025	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Co-Leaders.
30 June 2025	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 2025 (tbc)	Deadline for submission of the unaudited Whole of Government Accounts (WGA) to the Scottish Government
30 September 2025	Deadline for submission of the signed audited Annual Accounts to the Auditor
30 September 2025 (tbc)	Deadline for submission of the audited WGA to the Scottish Government
31 October 2025	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 2025	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 2025. The inspection must last 15 working days. This year the public inspection period for the Aberdeen City unaudited annual accounts will begin on 13 May 2025 and end on 2 June 2025. The ACC Integrated Joint Board public inspection period will begin on 20 June 2025 and ends on 10 July 2025.

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 26 June 2025. 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 2025.

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 7 May 2025. 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 2025.
- 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 £172 million from March 2024 to a total of £1.178 billion at March 2025. The corresponding movement in reserves reflects decreases of £168 million in unusable reserves and £4 million in usable reserves. Movements in usable reserves comprise a £3 million decrease in housing revenue account reserves and £10 million decrease in capital grants unapplied, offset by an increase of £9 million in statutory and other 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 £9 million to £109 million at March 2025. 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 reflects all the significant entities the Council has a controlling interest in. The group balance sheet shows net assets and reserves of £1.311 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 £11 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 26 June 2025 for approval prior to signature by the relevant officers.
- 3.32 Thereafter, they will be submitted to OSCR, no later than 31 December 2025.

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 are statutory requirements for the Council to produce and publish 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 could be disrupted	L	Digital strategy that includes regular and rigorous checks to protect the	Yes

			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 in 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 on 30 April 2025.
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 Aberdeen City Council Audited Annual Accounts 2023/24

11. APPENDICES

- 11.1 Appendix A – Aberdeen City Council Unaudited Annual Accounts 2024/25
Appendix B - Aberdeen City Council Registered Charities Unaudited Annual Report and Accounts 2024/25

12. REPORT AUTHOR CONTACT DETAILS

Name	Jonathan Belford
Title	Chief Officer- Finance
Email Address	jbelford@aberdeencity.gov.uk
Tel	01224

Name	Lesley Fullerton
Title	Finance Operations Manager
Email Address	lfullerton@aberdeencity.gov.uk
Tel	01224 346402

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**UNAUDITED ANNUAL ACCOUNTS
FOR THE PERIOD
1 APRIL 2024 TO 31 MARCH 2025**

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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 2024/25 and understand our financial performance for the year to 31 March 2025. 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 2024/25 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 2025, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 2024/25 accounts now include the requirements of IFRS 16 for Lease Accounting which was implemented on 1 April 2024. This standard 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 are considered finance leases unless they meet the specific exception criteria. The adoption of this standard has meant that the long term assets and finance lease liabilities have increased by £4 million respectively.

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 on [8 May 2025](#) with approval of the audited Annual Accounts planned for 26 June 2025.

The Audit Scotland, External Audit Plan will be reported to the Audit, Risk and Scrutiny Committee on [8 May 2025](#). This sets out the audit risks identified by the auditor in respect of the 2024/25 accounts. Full details can be viewed at the Council's website in Committee reports for the meeting at the link above.

The City Council's Revenue Position

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 based services, as well as supporting investment in the City's transport, property and place-based infrastructure.

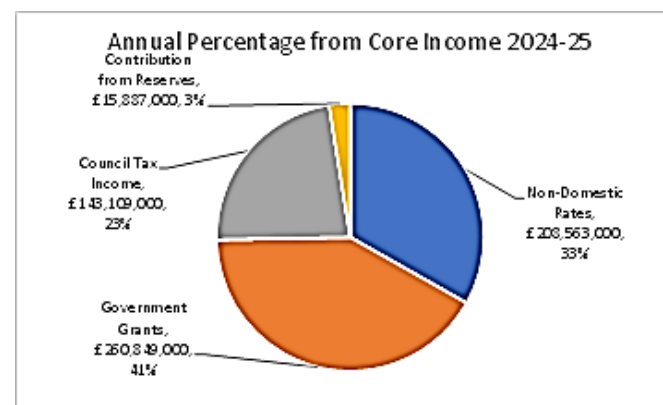
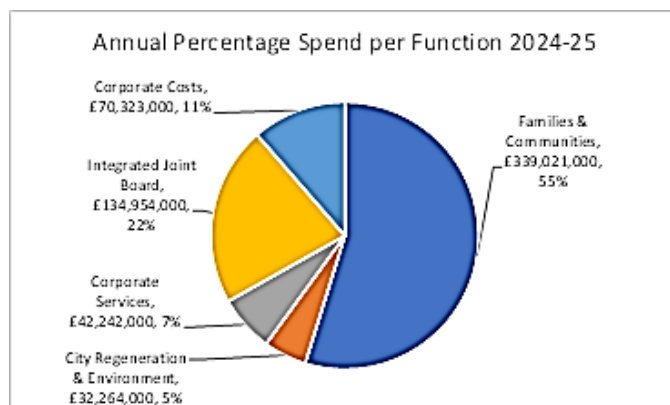
The Council's financial performance is reported quarterly to Finance and Resources Committee. As at 31st March 2025, the Quarter 4, 2024/25 [Financial Performance Report](#) provided the year end position of budget against spend for each of the Council's functions and the Corporate budgets. The summary position can be found on page 3. Further information on service performance is detailed on page 16. This is the Council's revenue position before accounting adjustments. The CIES on page 57 contains the revenue spend with accounting adjustments.

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

As at 31 March 2025	Budget 2024/25	Actual 2024/25	Budget v Actual Variance
	£'000	£'000	£'000
Families & Communities	328,305	339,022	10,717
City Regeneration & Environment	34,015	32,264	(1,751)
Corporate Services	46,120	42,242	(3,878)
Integrated Joint Board	130,925	134,972	4,047
Total Functions Budget	539,365	548,500	9,135
Total Corporate Budget	84,844	70,323	(14,521)
Total Net Expenditure	624,209	618,823	(5,386)
Sources of Income	(624,209)	(628,407)	(4,199)
Deficit/Surplus	0	(9,584)	(9,584)
Contribution to Capital & Insurance Fund	0	5,200	5,200
Contribution from Earmarked Reserves	0	(5,700)	(5,700)
Contribution to Earmarked Reserves	0	10,085	10,085
Deficit/(Surplus) after movement in Earmarked Reserves & Statutory Funds	0	0	0

In 2024/25, the Families & Communities Function was our largest spending responsibility, accounting for £339 million of our total £548 million net service expenditure. We provided Education and Integrated Children's Services to over 25,000 children. The City Regeneration & Environment Function supplied operational and environmental services including roads, and waste collection and fleet services at a cost of £32 million. £42 million was spent on our Corporate Services Function that supplies council governance, procurement and digital services. £135 million was invested in Adult Social Work services as our contribution to the Integration Joint Board Partnership with NHS Grampian. Corporately we incurred costs of £70 million, £48 million of which was the cost of interest on borrowing. Expenditure on Council Housing was £114 million, managing and maintaining over 23,258 homes, and was funded entirely from housing rents and associated charges.

In 2024/25, we received income of £628 million, comprising £208 million and £143 million raised locally through non-domestic rates and council tax respectively, whilst £261 million was received from government grants.



In setting its 2024/25 General Fund (GF) budget on 6 March 2024 against a backdrop of £25.3 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 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 2024/25, 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 has been expected. This has been particularly relevant with car parking income, venue and events income, and commercial property receipts.

High inflation in recent years 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 Public Works Loan Board. The cost of new borrowing has increased and with inflation and construction inflation at high levels also 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 2024/25, 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 2024/25, 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 £39.886 million was released to the General Fund earmarked reserves from Unusable Reserves in 2023/24. This comprised a £35.179 million pre 2023/24 saving, and £4.707 million. The saving applied to the General Fund for 2024/25 was £3.646 million.

The final operational out-turn position was a balanced position for the General Fund. The operational deficit of £4 million for the Health & Social Care Partnership Integrated Joint Board included in General Fund expenditure was funded from an earmarked reserve, as approved by the Finance and Resources Committee in February 2025. After considering group accounting adjustments and movements in reserves and a £3.001 million deficit on the Housing Revenue Account, there was an overall deficit for the Council of £3.001 million - details are as noted in the Revenue section on page 16. This was reported to the Finance & Resources Committee on [7 May 2025](#).

The Council approved the revised reserves policy in March 2025. Usable reserves stood at £154 million as at 31 March 2025, a decrease of £4 million on the previous year.

The Council's Capital Position

The supply chain disruption which began during the Covid-19 pandemic continued in 2024/25 and is reflected in the total £261 million investment recorded for the Capital Programme for the year. Details of the capital budget and performance can be found on page 17. 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.

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

- Tillydrone Primary School (New Riverbank Primary School) it is anticipated that practical completion will be achieved with the purpose of achieving an opening in May 2025. This would allow the pupils of the existing Riverbank Primary School to decant to the new school in advance of the summer recess.
- Construction commenced on the new North East Scotland Shared Mortuary in Aberdeen, a multi-agency project with local public sector partners in 2022/23. The project is currently expected to be complete in Spring 2025. The operating agreement between Partners (Aberdeen City Council and National Health Service) is now ready to be implemented.
- Bridge of Don Household Waste Recycling Centre (HWRC) works have progressed with a project completion date expected in May 2025.
- Work commenced on the Tolbooth roof and parapet works (Condition & Suitability Programme) in June 2023 with completion now planned for late Spring 2025, works to repair and conserve the external fabric of this grade A listed, early 17th Century building have been undertaken.
- Union Street Central Streetscaping has commenced. This will see the space within the existing streetscape reapportioned in favour of walking, wheeling, and riding users, and public transport whilst still allowing for service vehicle access. the works will now be completed in Spring 2026.
- Construction work on the Bairsns' Hoose project within the Links Hub building on Regent Walk commenced in January 2025. The expectation is that practical completion will be achieved in Summer 2025.
- Work has commenced on St Machar External Improvements to create a new Multi Use Games Area (MUGA), tier seating and external dining with an anticipated practical completion date of Summer 2025.
- Work is progressing on the Aberdeen City Vision – Phase A Beach Park, Events Park and Broadhill which will provide a significantly sized outdoor destination within the unique beachfront context. The intention is that works to form all 3 sites should reach practical completion in late summer 2026.

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. This is due to begin in July 2025 with full handover planned for December 2025.

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. An options appraisal was carried out. This considered the mitigation options such as remedial works or demolition. At a meeting of Council on [21 August 2024](#) demolition followed by a rebuilding programme was approved as the preferred option. Communities, Housing and Public Protection Committee on [11 March 2025](#) approved the indicative demolition proposals and sequence of phasing, noting that only vacant terraces/blocks will be demolished. In addition, there will be a further report back to Committee on the outcomes of the viability of the alternative options presented by the Torry RAAC Campaign Group Management Committee and landscaping of the site.

In the Housing Capital Programme progress has been delayed in areas which involve mixed ownership within Free from Serious Disrepair such as structural improvements within the multi storeys and flat roofs (multis and general). 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 energy solid wall insulation and the parts of the programme which weren't delivered in 2024/25 have been rolled forward into 2025/26.

The new homes programme is progressing well with further homes at the Tillydrone, Cloverhill and Kaimhill sites being handed over to the Council in 2024/25. The programme in 2024/25 has included developer led projects such as Cloverhill in Bridge of Don, Council led projects Craighill, Stonewood and Kincorth and buying former Council Homes. Grant funding of £7.1m was received from the Scottish Government for the Cloverhill, Craighill, Stonewood and buy backs. The lower than budgeted spend is due to the retendering of the Kincorth contract which has now been let in April 2025.

Contingent liabilities were identified considering additional project cost uncertainty, details can be seen on page 128. 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 2024/25 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 [26 March 2025](#). Progress of the major Housing Capital projects are reported to Communities, Housing and Public Protection Committee with the most recent update reported on [11 March 2025](#).

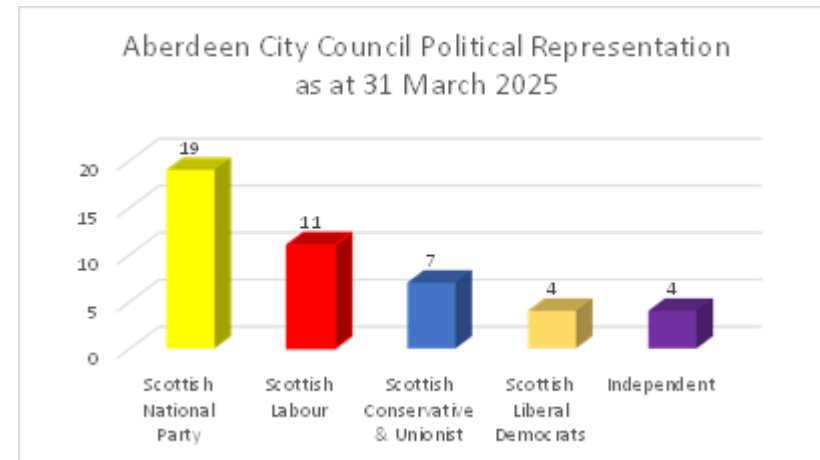
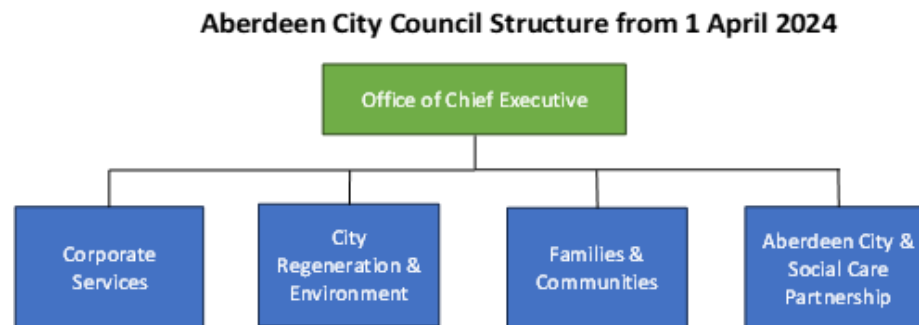
The City Council's Group

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 163 to 181. 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 9,934 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 current organisation structure in 2024/25 is a 3 Director model (plus the Aberdeen City & Social Care Partnership) – see diagram below. This has been effective from April 2024. 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.



- **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 2024/25**

On 6 March 2024 the Council Delivery Plan 2024/25 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 2024/25.

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:

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

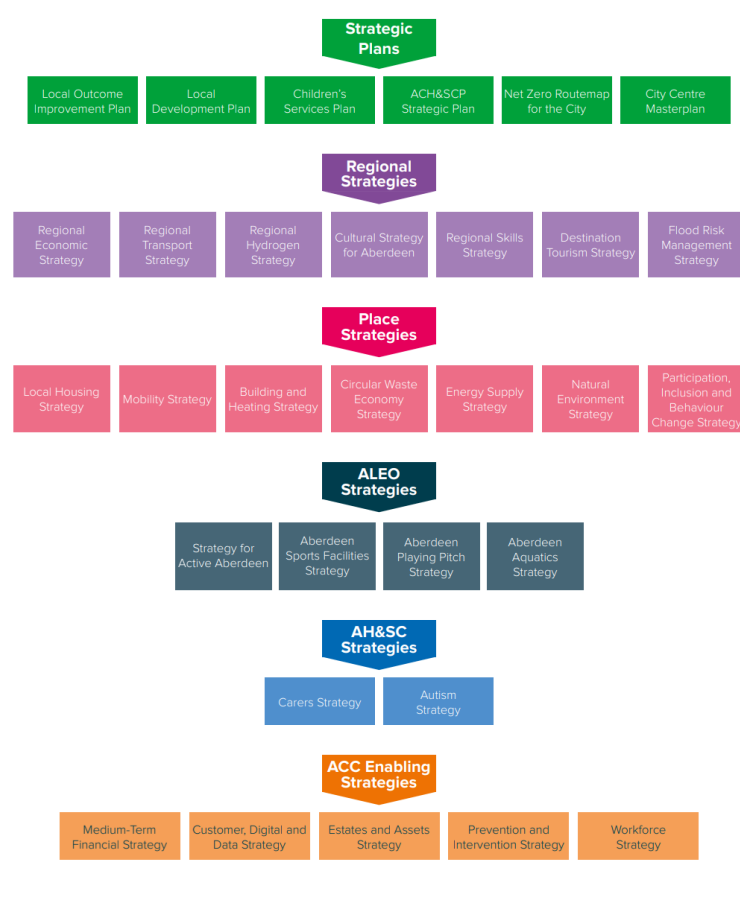
The LOIP was adopted during 2016/17, establishing improvement outcomes and associated measures for a ten-year period, to be monitored and reported, in terms of outcomes, to the Community Planning Aberdeen (CPA) Board. The LOIP was refreshed in 2024 and approved by the CPA Board on 29th April 2024. Full 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](#).

- **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 2024/25](#).

As shown in the framework, the Council's strategies are distinguished between 'place' strategies and 'enabling' strategies. Place strategies focus on delivering outcomes for the place of Aberdeen. Enabling strategies are shorter term in nature and are focused on enhancing the design principles and organisational capabilities of the Council, to support the delivery of the place strategies. The framework also sets out those 'regional/partnership' strategies and ALEO strategies, which the Council contribute to with other organisations. These strategies are aligned to the LOIP and also inform the Council's commissioning intentions in the Delivery Plan.

Delivery, and subsequent review, of the strategy framework is an ongoing process. A tracker is in place to facilitate the commissioning and recommissioning of strategies and plans.



- 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 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, however, the city is exposed to carbon transition risks due to its status as a global hub for 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.

The Aberdeen City LEZ was introduced to address air pollution in the city centre, mainly nitrogen dioxide (NO₂), caused by road traffic. An LEZ is an area where only certain vehicles are allowed to enter based on their emissions standards. LEZs have now been 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. 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 were not fined for entering the LEZ with a non-compliant vehicle. Enforcement of the LEZ started on 1 June 2024. Costs of £0.378 million were incurred in 2024/25 (£0.351 million - 2023/24), these were funded by various grants and income of £1.386 million in 2024/25. Further information is included in Note 39.

• **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 was 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](#). An updated Regional Economic Strategy was published in February 2024. 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 2024/25, under the remit 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 2024/25](#) describes our continued activities. As at 31 March 2025 the Council are progressing proposals to reduce the working week from 37 hours to 35 hours. This is now under formal consultation with Trade Unions and staff with the intention to reach agreement with Trade Unions, the expectation is that this will be implemented during 2025/26 to achieve the approved savings.

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's 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 fully drawn down, supporting the significant investment already made in the projects, while recognising that further capital expenditure will be incurred in 2025/26 to bring these projects to fruition. 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 [2023/24 Annual Report](#) on the City Region Deal Website at [ABZ DEAL](#).

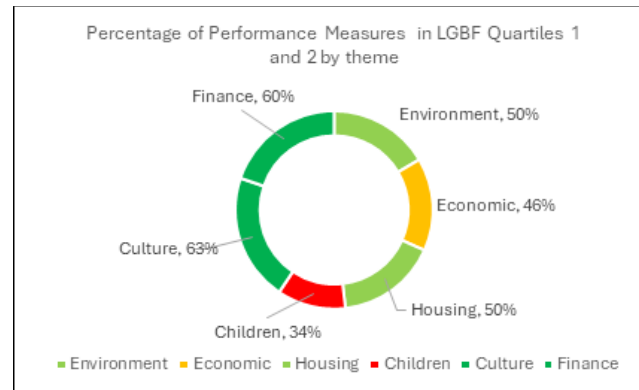
Performance Management System

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 2024-25 will be reported to Committee in September 2025 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 2023/24 may be accessed [here](#).

How is the Council performing?

This section reviews the Council's service performance, benchmarked with other Scottish Councils. The visual below shows the percentage of outcome measures currently sitting in the top 2 Quartiles (or top half) of all Local Authorities.

Current Performance across all measures



Legend 60% or more of measures are in Q1 and Q2

Between 40 and 50% of measures are in Q1 and Q2

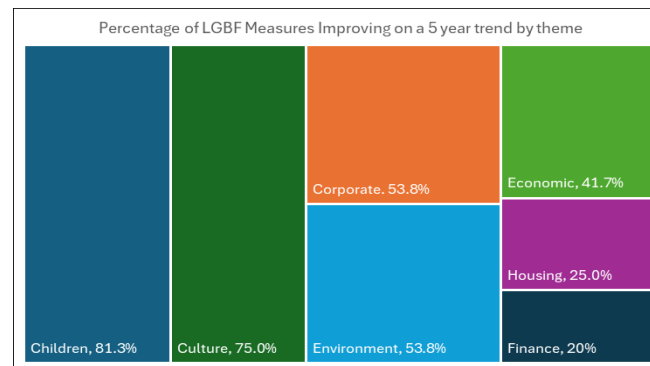
50% of measures are in Q1 and Q2

Less than 40% of measures are in Q1 and Q2

Council outcomes are generally tracking national trends. The Council is doing better than most in maintaining financial sustainability, with some services amongst the most efficient. Despite this, the rate of improvement across many education measures is more rapid than in other Councils. Waste, roads and the proportion of housing meeting energy efficiency targets are amongst the top performers nationally as are finance and culture. The proportion of citizens earning the living wage is placed 3rd nationally, with the city's contribution to the national economy placed 2nd (after Edinburgh).

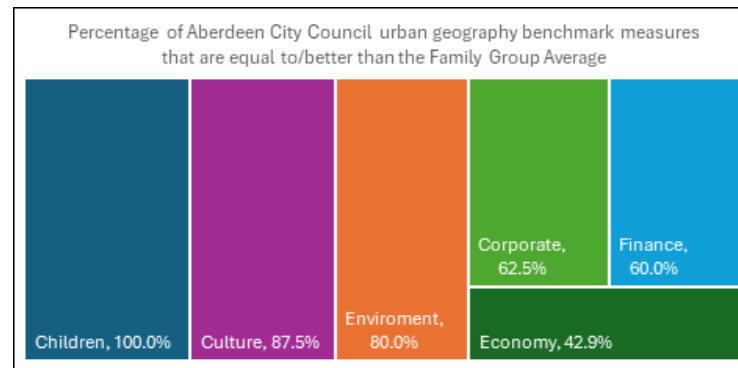
Trends over the last 5 years

Reviewing data from the last 5 years shows that over 56% of all measures are steadily improving, with Education and Culture showing the largest proportion of improving measures. In 2024, the Council amended arrangements for Housing in recognition of the declining trends resulting from increased demand for housing services.

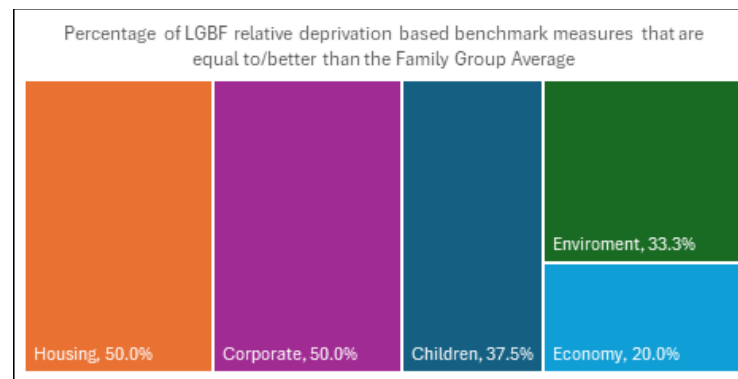


How do we compare with other similar councils?

When comparing the Council's performance to other council's serving urban communities, we can see that Aberdeen City Council performs better than average in all areas except in economy.



Differences are seen again if we look at other councils who have a similar number of communities living in relative deprivation.



Fewer areas of Council business secure high percentages when compared by deprivation, reflecting a need to focus on inequality and support those who need us most. Specific issues of note and priorities for improvement activity include:

Strategic Planning: Costs for planning and building standards have risen, and the amount of immediately available land has decreased. Efforts are focusing on reducing planning application costs, promoting active travel, developing electric charging capacity, and meeting climate change targets.

Education: Aberdeen has improved its position nationally in the senior phase and broad general education measures. The focus is now on addressing attainment gaps and improving school inspection outcomes. New ways of supporting families through the Fairer Futures Pathfinder will be explored.

Operations: There are positive trends in street cleanliness and roads condition but lower reported levels of public satisfaction. Improvement efforts will focus on increasing waste recycling and addressing sickness absence.

Economic Development: Aberdeen faces declining trends in employability, business startups, investment in economic development, and town vacancy rates. An external review of employability services has been commissioned to help support those furthest from employment. Efforts to drive the local economy continue, including investment in hydrogen and offshore wind, and marketing the region to promote tourism.

Children's Social Work and Family Support: Rising costs impact community-based care for Looked After Children. Efforts will focus on improving the balance of care and increasing the proportion of initial child protection planning meetings held within 21 days. The Fairer Futures Pathfinder will implement interconnected workstreams to address challenges facing citizens, families, and communities most impacted by poverty.

Housing: Increased homelessness applications have impacted the length of homelessness journeys. Efforts are focusing on reducing void properties, re-letting times, and addressing rent arrears. The Fairer Futures Pathfinder will explore new ways of supporting families.

Further sources:

[Local Government Benchmarking Framework](#)
[Aberdeen City Council Data dashboards](#)

Financial Performance

- **Balance Sheet**

The Balance Sheet on page 55 shows Net Assets of £1,178 million as at 31 March 2025 (£1,350 million at 31 March 2024), a decrease of £172 million. Long Term Assets have increased by £16 million (from £3,030 million at 31 March 2024), reflecting an increase in Property, Plant & Equipment (PPE) of £23 million (this figure now includes right of use assets in line with the adoption of the new accounting standard IFRS 16 Leases), an increase in Heritage Assets of £5 million, and a decrease in Investment Properties of £12 million, (this also now includes right of use assets). Short Term Assets have increased by £370 million from the previous year, reflecting an increase in Cash & Cash Equivalents (£12 million) and in Short Term Debtors (£370 million), (as a result of a reclassification of balances from creditors to debtors), and a decrease in Short Term Investments of £10 million, and Assets Held For Sale of £2 million. Current Liabilities have increased by £440 million from the previous year, mainly due to an increase in Short Term Creditors (£408 million) as a result of the reclassification mentioned above, Short Term Borrowing (£30 million) and Grant received in Advance (£6 million), and a decrease in Short Term provisions (£3 million). Long Term (LT) Liabilities have increased by £118 million, mainly due to an increase in Long Term Borrowing (£121 million).

The Council has continued to reflect the values of Long-Term Assets as at 31 March 2025 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 35 on page 128.

- Total debt outstanding amounts to £1,707 million (2024 £1,556 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 £21 million of these funds were utilised, £4 million from the Service Concession Reserve to support the General Fund Revenue Budget, £5 million approved from second/long term empty homes to fund new build houses, £4 million as additional funding for the Integrated Joint Board and a further £3 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 £17 million was transferred in during the year. This was for the Service Concession Reserve from Unusable Reserves (£4 million) and bus lane enforcement income (£4 million), for Scottish Government funding for capital projects carried forward (£3 million) and for 2nd/Long Term Empty Homes (£2 million). The balance of earmarked reserves as at 31 March 2024 was £78 million.

The Council has other usable reserves. These are the Capital Grants Unapplied Account with a balance of £0.4 million and the Capital Fund with a balance of £45 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 2025 of £12 million is in line with recommended balances. A revised Reserves Policy was approved for the year by Council on [6 March 2024](#), and details can be found in the Committee Papers of this date. Our reserves are detailed in Notes 5 and 6 on pages 81 to 88.

- **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 in September 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 2025/26 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 [16 April 2025](#). The Annual Treasury Report will be reported to a full Council meeting on 2 July 2025, and will be available on the website under Council meetings for this date.

- **Revenue**

For 2024/25, the Council set a net revenue expenditure budget of £733 million (being £618 million on the General Fund and £115 million on the Housing Revenue Account). The performance during the year resulted in an operational deficit of £3 million on the General Fund, as a result of a deficit on the Health & Social Care Integrated Joint Board (IJB). A portion of the IJB deficit was funded by the partners, NHS Grampian and the Council, after use of IJB reserves. There was also a deficit of £3 million on

the Housing Revenue Account as a result of cost pressures on repairs and maintenance costs from materials, staff and voids. Both the General Fund and HRA deficits will be funded from reserves. The Quarter 4 financial position reported to Finance & Resources Committee on 7 May 2025 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 87 and the Comprehensive Income and Expenditure Statement (CIES) on page 57.

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 2024/25. 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 7th May 2025. 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 24/25	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	16,538	16,538	(13,627)	32,019	34,930
Housing Revenue Account	3,001	(18,171)	(15,170)	(3,392)	126,528	107,966
(Surplus) /Deficit on provision of services	3,001	(1,633)	1,368	(17,019)	158,547	142,896
Other Comprehensive Income and Expenditure						28,829
Total Comprehensive Income & Expenditure Surplus	3,001	(1,633)	1,368	(17,019)	158,547	171,725

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.

Other Comprehensive Income – This consists of the value of the Surplus on revaluation of property, plant and equipment, and the actuarial gains on pension assets.

- **Capital**

The Capital budget for the period 2024/25 to 2028/29 was set at £1,301 million (General Fund £814 million, Housing £487million). Capital expenditure during the year was £261 million, compared with anticipated expenditure for the year of £401 million. The capital programmes in 2024/25 were financed by capital grants (£18 million), borrowing (£198 million), and other grant income / contributions (£44 million).

Spending of £261 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. Profiling of project budgets and forecasting of

outturns remains challenging given the wide range of factors continuing to affect construction supplychains and this is reflected in the £145m investment recorded for the capital programme for the year. Cost inflation over the last year has been the highest experienced in several decades, and is only now beginning to show signs of reducing. Despite the continued and emerging challenges faced this year, progress was made on a range of projects.

The 2,000 new homes programme is progressing well with further homes at the Tillydrone, Cloverhill and Kaimhill sites being handed over to the Council in 2024/25. The lower than budgeted spend in Housing Capital is due to the retendering of the Kincorth contract which was let in April 25. Details of those projects that commenced, progressed or were completed during 2024/25 can be found on pages 5-6.

- **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 net assets of £1.311 billion. This is an increase against the net assets of the Council, which are £1.178 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 2024/2. Details can be seen on pages 163-181.

- **Common Good**

The Common Good recorded an operating surplus of £0.054 million. This surplus is before revaluation of assets, investments and other accounting adjustments are applied. The value of the Common Good is £109.322 million at 31 March 2025, a decrease of £8.855 million from last year, reflecting movements in the value of assets to reflect current market conditions inclusion of finance leases under the adoption of IFRS 16 Leases. Further details on the Common Good can be seen at pages 157-159

- **Trust Fund 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 2025 was £11.217 million, a decrease of £0.198million from last year. Further details on the Trust Funds and Endowments can be seen at pages 160-162.

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	2024/25 £'000	2023/24 £'000	Description
Council Tax			
Council Tax Income	143,109	148,097	This is the Council Tax income due for the year
Council Tax Collection Rate	92.3	91.73	The percentage of Council Tax Income that was collected
Financial Management			
Actual net expenditure as a % of Council Revised Annual Budget	99.13%	100.00%	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			
Usable reserves as a % of council annual budgeted net revenue	24.94%	27.82%	This ratio shows the proportion of the Council's Usable Reserves in relation to the net revenue budget
Uncommitted General Fund Balance as a % of council annual budgeted net revenue	1.96%	2.17%	This ratio shows the proportion of uncommitted General Fund Reserve balance in relation to the budgeted net revenue
Debt & Borrowing			
Capital Expenditure			
General Fund	145,253	112,214	This is the amount spent on the General Fund capital programme for the year
HRA	115,079	119,903	This is the amount spent on the Housing capital programme for the year
Total	260,332	232,117	
Ratio of Financing Costs to Net Revenue Stream			
General Fund	7.90%	7.68%	This is the interest costs of the General Fund Debt in relation to the General Fund net Revenue Stream
HRA	17.27%	13.29%	This is the interest costs of the Housing Revenue Account in Relation to its Gross Income
Capital Financing Requirement			
General Fund	1,328,694	1,249,775	This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.
HRA	554,378	454,531	
Total	1,883,072	1,704,306	
Gross Borrowing	1,706,543	1,556,154	The amount of short and long term borrowing as at 31 March 2025

Outlook including Risks and Uncertainties

Outlook for the City Council

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

As of April 2025, the cost-of-living crisis continues to impact Aberdeen's residents. The UK's Consumer Price Index (CPI) inflation rate was 2.6% in March 2025, down from 2.8% in February. This marks a second consecutive monthly decline and a significant easing from the peak of 11.1% in October 2022. However, rising household bills and business costs in April 2025 could trigger renewed inflationary pressures later in the year. The Bank of England's base rate currently stands at 4.5% with financial markets generally anticipating further reductions over the course of the year as inflation continues to moderate. Nonetheless, borrowing costs remain higher than many households and businesses had grown accustomed to in the pre-2022 period.

In Aberdeen, the impact of wider economic pressures is intensified by local factors including energy sector volatility, structural shifts in employment, and supply chain disruptions. In response, Aberdeen City Council has allocated £1 million through its Anti-Poverty and Inequality Committee to support vulnerable residents during 2025/26. Additionally, the Fairer Aberdeen Fund has been increased to £1.534 million, and a further £9.5 million has been directed to social care services, bringing the total award to the Integration Joint Board to £140 million. Despite these measures, the city continues to face economic strain. The unemployment rate in Aberdeen City has risen to 4.3%, above the Scottish average, and economic inactivity now sits at 21.6%, highlighting persistent challenges in the local labour market.

The budget for 2025/26 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 2025.

b. Financial sustainability

In March 2025, Aberdeen City Council approved its financial plans for 2025/26, allocating £668 million for public services and £709 million for capital projects over the next five years. The Council is addressing an estimated funding gap of £18.1 million for the current financial year through service redesign, cost efficiencies and a Council Tax increase of 9.85 percent.

The rising charges and savings approved were necessary to address the rising cost and demand of Council services, but also the additional funding that has been committed to the Aberdeen City Health and Social Care Partnership in the 2025/26 budget, a sum of £4.2 million extra was a clear reflection of how significant the need is – recognising that NHS Grampian has a corresponding commitment to additional funding of approximately £6.7 million. This additional funding for the IJB is essential in light of the use of all their remaining reserves to balance the 2024/25 budget position. Furthermore, the rising cost of employment from higher employer National Insurance Contributions applies from April 2025.

Key investments include £247 million to improve schools across the city, including a new Hazlehead Academy and expansion of Harlaw Academy. In addition, £55 million has been committed to the Berryden Corridor Improvement Project to reduce congestion, and £13 million will support the redevelopment of the Castlegate area as an enhanced public space.

To protect vulnerable residents, the Council has increased funding to the Fairer Aberdeen Fund and allocated an extra £9.5 million to the Integration Joint Board for the delivery of social care. These measures aim to mitigate the effects of inflation and help maintain service standards during a period of considerable fiscal constraint.

The Medium Term Financial Strategy continues to emphasise transformation through systemic redesign of services, rationalisation of estate assets, investment in digital infrastructure, and the empowerment of citizens. This approach is designed to secure the Council's long term sustainability while adapting to changes in service demand and community needs.

On 5 November 2024, the Finance and Resources Committee 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 HRA Budget meeting on 12 December 2024 to increase rents in 2025/26 by 7.5% on the Housing Revenue Account, following rents having been increased by 4.7% in 2024-25. 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 refreshed and will include the Integrated Asset Management Model and be presented to Council in October 2025.

The General Fund budgets and Common Good budget were set on 5 March 2025 the 25-26 General Fund budget presented proposals to address a significant gap of £18.1m to Elected Members. The gap is proposed to be met by redesign of Council services to address demand, in line with a commissioning led approach as described in the report. The Council agreed an increase of 9.85% 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 £5 million during 2025-26.

The Capital budget for the period 2024/25 to 2028/29 was set at £1,301 million (General Fund £814 million, Housing £487 million)

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. As at 31 March 2025 the Council are progressing proposals to reduce the working week from 37 hours to 35 hours. This is now under consultation with staff and unions with the expectation that this will be implemented during 2025/26.
- 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. The annual update on progress was reported to the above committee on 12th November 2024.

As detailed in the Council Delivery Plan (Council, 5 March 2025 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.

d. Cyber Security

The risk that Council services and operations are significantly impacted by cyber-attack is monitored and reviewed regularly by the Council's cyber security officer, who reviews new and existing issues, and ensures processes and control actions are in place to mitigate any existing and new threats to the Information Technology environment.

Outlook for the City

e. 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 many challenging years. The decline in North Sea oil production has posed ongoing economic challenges. Forecasts suggest that between 2025 and 2028, Aberdeen will experience the slowest economic growth of any UK city, with average annual gross value added (GVA) growth projected at just 0.9 percent, compared to a 1.6% average across the UK.

Since 2010, the city has lost around 18,000 jobs due to contraction in the energy industry. Despite this, Aberdeen continues to attract inward investment. In 2023, it secured 13 foreign direct investment projects and has been named as the future home of Great British Energy, a national public energy company aimed at supporting the transition to clean energy.

The city's broader economy is diversifying, leveraging its strong engineering base to drive growth in renewables, technology and innovation. Local planning strategies, including the Aberdeen Local Development Plan, reflect ambitions to support projected population growth, improve infrastructure and deliver inclusive economic development.

Aberdeen City Council has prioritised a Prosperous Economy as one of the key themes of its Local Outcome Improvement Plan, focusing on infrastructure, innovation, internationalisation and inclusive growth. Through strategic planning and capital investment, the Council continues to support wider community and economic regeneration.

f. Economic Recovery

Aberdeen's economic recovery is shaped by a complex mix of global and local factors, including the legacy of the COVID 19 pandemic, geopolitical uncertainty and structural shifts within the energy market. The city's heavy reliance on oil and gas has left it particularly exposed to global price volatility and national policy change.

According to the [EY 2025 Regional Economic Forecast](#), Aberdeen is expected to experience the lowest growth in household incomes of any UK city between 2025 and 2028, with average incomes set to decline by 0.4 percent. In the same period, employment growth is expected to be modest, increasing by just 0.4 percent.

Nevertheless, there are signs of resilience and progress. The confirmation that Great British Energy will be headquartered in Aberdeen is expected to create new employment opportunities and reinforce the city's role in the national clean energy transition. Meanwhile, ongoing investment in education, digital transformation and infrastructure forms the foundation for long term recovery.

The independent Aberdeen Economic Policy Panel had produced an annual report on the state of the Aberdeen economy until 2023. It had previously emphasised the importance of economic diversification, investment in skills, and long term strategic planning. While the macroeconomic environment remains uncertain, Aberdeen's response has demonstrated adaptability and a continued commitment to building a more inclusive, innovative and sustainable future. The Panel will produce its next report in 2025.

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 first annual update can be found at [development plan 2024](#). Further updates will be made available [here](#).

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 latest update reported to the Council meeting was on [21 August 2024](#).

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 2024/25 financial year results showed a balanced position for the General Fund and a deficit of £3.001 million on the Housing Revenue Account for the year, which had been budgeted for. 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 2024/25 and into the future.

The approved Medium Term Financial Strategy signals the availability of funding and the risk and uncertainty of the operational 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 chosen if the financial balance is to be maintained in the short-term and managed 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 2024/25 Annual Accounts to shortened timescales.

Signed on behalf of Aberdeen City Council

Jonathan Belford CPFA
Chief Officer – Finance
8 May 2025

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 xx June 2025.

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 2025.

Jonathan Belford, CPFA
Chief Officer – Finance

Annual Governance Statement

1. INTRODUCTION AND SCOPE

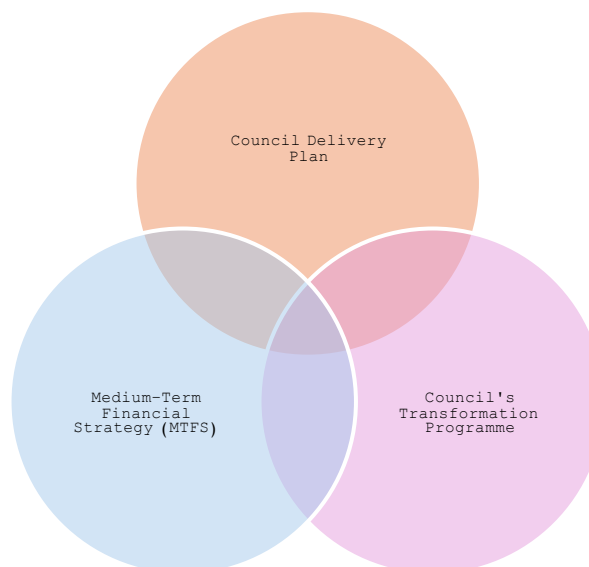
- 1.1 A governance framework has been in place at Aberdeen City Council for the year ending 31 March 2025 and up to the date of approval of the annual accounts.
- 1.2 The purpose of this Statement is to report publicly on the extent to which the Council's governance arrangements are compliant with our 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 materialising. The internal control framework aims to provide reasonable and not absolute assurance of effectiveness of internal controls. 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 2024/25 and are embedded in the **Critical Path**.
- 2.2 In August 2024, 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.

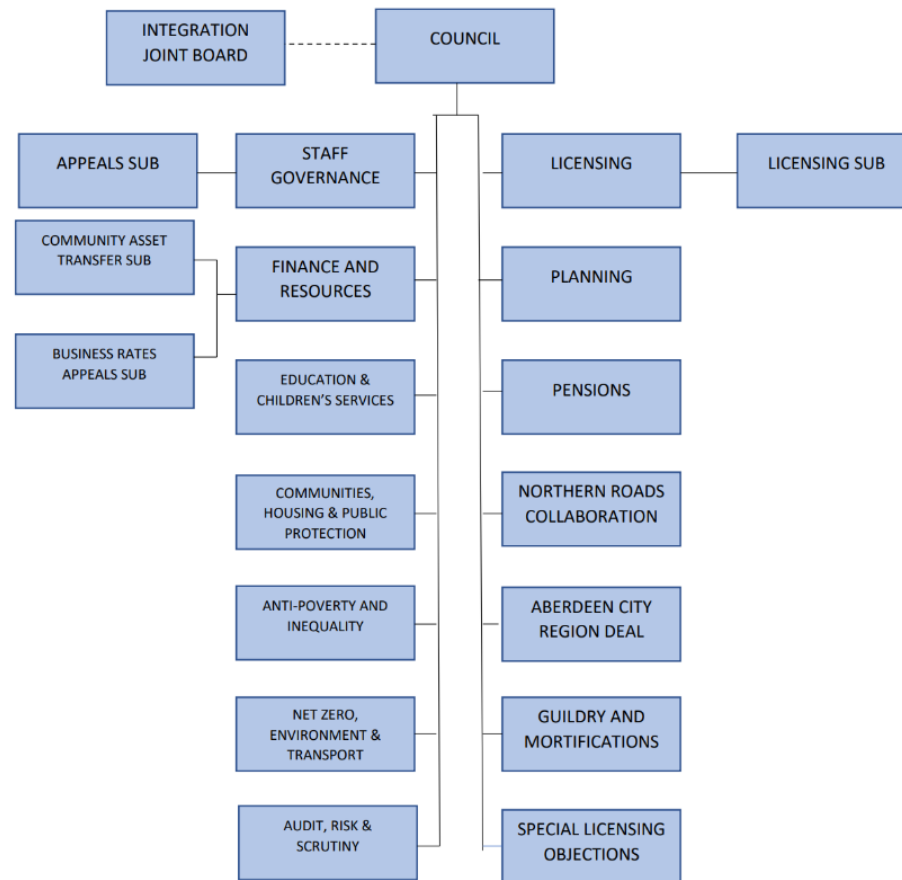
- 2.4 The Council Delivery Plan sits within the context of **Medium Term Financial Strategy** (MTFS). The MTFS was approved by the Finance and Resources Committee in November 2024, providing an overview of the Council's financial position and setting out a range of principles for income, expenditure and capital investment that are designed to support financial resilience and financial sustainability.
- 2.5 The Council's transformation programme is designed to ensure that the Council has a model of delivery which matches the resources available. Taken together, the MTFS and transformation programme 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.



3. GOVERNANCE ENVIRONMENT

Elected Member Decision-Making

- 3.1 The Committee structure, below, operated throughout the year with minor changes made to the Terms of Reference in August 2024. Council agreed to defer any significant review to April 2025 and proposals will be submitted to that meeting and operational from that date or shortly thereafter, if approved. These will be reported on in next year's governance statement. The Committee diary was approved in August 2024 and meetings were held as scheduled with the addition of 4 adjourned Council meetings, 9 requisitioned Council meetings and 1 meeting of the Urgent Business Committee. This represented a significant increase in unscheduled meetings.
- 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 submitted to Council in April 2025.

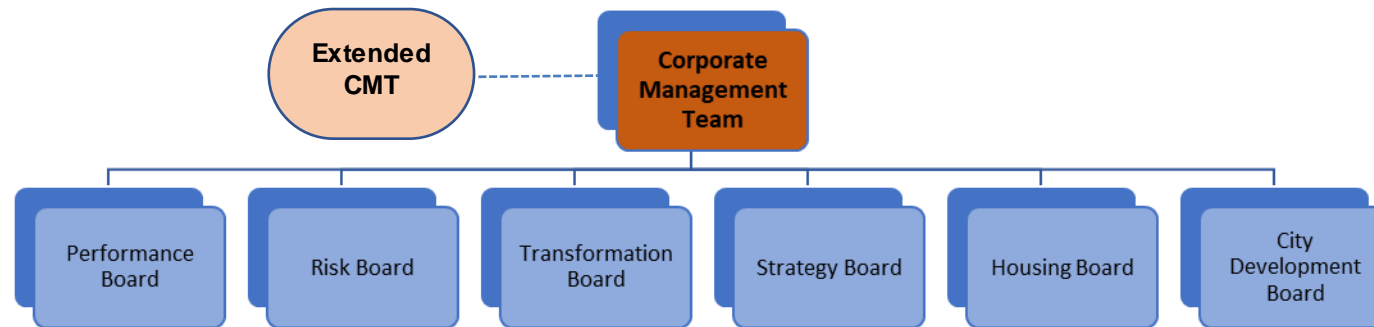


- 3.3 The triumvirate of the Head of Paid Service, the Chief Finance Officer and Monitoring Officer, or their nominees, were in attendance to advise at all Council and Committee meetings. Other Statutory post holders attended relevant committees. The Chief Social Work Officer attended the Council's Communities, Housing and Public Protection Committee and Education and Children's Services Committee and acted as adviser to the Integrated Joint Board, the Council's Chief Education Officer attended all meetings of the Education and Children Services Committee and the Council's Chief Planner attended meetings of the Planning & Development Committee.

Officer Decision-Making

- 3.4 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 2024/25, 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 service issues, as well as

monthly meetings with the CEO and Executive Directors to share key updates and undertake workshop sessions on areas such as the Council's Critical Path, Council Delivery Plan and Local Development Plan.



3.5 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 2024/25:

- 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. The Board moved to a revised cycle of reporting, alternating agendas between Risk/Compliance items and Audit/Inspection/Resilience items to ensure the required focus on all areas.
- Housing Board has worked across Council Clusters to understand the current challenges around the provision of housing and to establish and implement plans to address them.

3.6 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

3.7 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 Review

- 3.8 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 2016, was updated in August 2024 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.
- 3.9 The suite of documents which make up the Scheme of Governance were reviewed in August 2024 using the cross-party Governance Reference Group to develop proposals for approval by Council. A further review was overseen by the Group, reporting to Council in April 2025. The changes agreed during both of these reviews are summarised below:

Committee Terms of Reference

The committee structure remained unchanged during 2024/25 albeit minor revisions were made to Terms of Reference to further embed changes made to organisational structure.

Powers Delegated to Officers

Extensive changes were made in August 2024 to ensure that this document was fully aligned with the revised remits for Chief Officers made as part of the revised organisational structure which was approved in 2023/24.

Standing Orders

The Standing Orders were revised extensively in August 2024 to, amongst other things, require motions and amendments to be submitted and circulated in advance of meetings and to publish agendas earlier to provide members with additional time. These changes were designed to help Council complete its business.

Financial and Procurement Regulations

Both sets of regulations were reviewed in August 2024 and minor amendments were made. In particular, the Procurement Regulations were amended to ensure they remain in line with the Procurement Manual, relevant legislation and operational practices.

Member Officer Relations Protocol

Additional wording was inserted to emphasise the value of working proactively on member-member relations to reflect the recommendations in the Best Value Thematic Review published by Audit Scotland in April 2024.

Budget Protocols

The General Fund Budget Protocol now includes a requirement to publish member proposed budgets the day before the annual budget setting meeting. This operated with success in March 2025, allowing full visibility on the different proposals, all of which were risk assessed by the Chief Officer – Finance and impact assessed in terms of our duties under the Equality Act.

Audit, Risk and Scrutiny Committee

- 3.10 During the year, the Committee received internal and external audit reports as per approved audit plans, assurance from external inspection bodies including the Scottish Public Services Ombudsman and Inspector of Crematoria, as well as management assurance reports on the use of investigatory powers, counter-fraud and information governance.
- 3.11 A report on the controls in place for managing the Council's compliance with the Public Sector Equality Duty was considered in May, and referred to Council by a third of members. The report provided assurance on the controls in place and improvements made, both structural and cultural – policies, templates and procedures as well as training and resources. Full Council later approved the recommendations in the report.
- 3.12 In addition, two positive Best Value thematic reports were considered by the Committee – Leadership on Strategic Priorities and Workforce Innovation. Updates on implementing the recommendations are contained at paragraphs 4.20 to 4.21 below.
- 3.13 Finally, the Committee was invited to comment on proposals for enhancing elected member scrutiny within the Scheme of Governance at which time it endorsed proposals for a programme of scrutiny training for members and enhancements to Terms of Reference.

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 respective Cluster and confirmed the strength of their controls 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.

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.

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 the Finance and Resources Committee each cycle, annual performance reports for all Tier 1 ALEOs to Finance and Resources Committee in November and the ALEO Assurance Hub’s assurance ratings in accordance with the Following the Public Pound guidance, to the Audit, Risk and Scrutiny Committee in June and November.

4.6

Health Determinants Research Collaboration Aberdeen (HDRCA)

The HDRCA is focused on supporting the organisation to be evidence-based and deliberate in considering the impact of strategies, policies and actions on the wider determinants of health. These cover economic, social and environmental factors.

HDRCA has progressed key governance activities over the year:

- A systemic approach to embedding data, evidence and the socio-economic impact of decisions strategic decision making. This is initially focusing on the Local Housing Strategy and the Strategic Plan of the Health & Social Care Partnership, but this will extend across the strategy suite.
- A partnership with the UCL Institute of Health Equity and Public Health Scotland (Collaboration for Health Equity in Scotland) to understand and act on fair access to services and fair outcomes, particularly those from disadvantaged backgrounds.
- The Aberdeen City Council approach to Evaluation, developed by the HDRCA, has been agreed and utilised during 2024/25 in a number of evaluations. Work is ongoing to align ACC’s evaluation with partners’, in particular NHS Grampian and Health & Social Care Partnership.

- The HDRCA supports accountability through reporting against performance and other commitments, including regular public performance reporting to each of the Council's committees and annual reports such as the annual review of the Council Delivery Plan.
- The HDRCA has been involved in supporting research and evidence across multiple topics including evidence synthesis on the care needs of asylum seekers; debt cancellation; food insecurity and evidence papers on population demographics, cost of living, and so on.
- A programme of prioritised evaluations was identified within the 2025/26 Delivery Plan and will be completed in 2025/26 overseen by the Performance Board and supported by the HDRCA.
- HDRCA held elected member training / briefing on multiple aspects of data.
- Additional reporting has been added to cluster reporting in 2024/25 focusing on different aspects of governance and assurance.
- Created an both internal and external web presence for the HDRCA, including access to data and a Health Inequality Atlas.

- 4.7 The 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. The team took ownership of the Critical Path culminating in an approved budget in March 2025 aligning reviewed commissioning intentions and service standards with risk assessed and impact assessed budget options.
- 4.8 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. Whilst risk appetite levels remained unchanged, there was some recognition with the Statement that increased demand on services, reducing budgets and unpredictable external factors, all require to be considered when balancing appetite for strategic, compliance, operational and reputational risk. The statement was revised towards the end of the year to underline that the achievement of financial resilience does require some tolerance of risk, provided it is within our agreed appetite levels.
- 4.9 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 activity against the [CIPFA/SOLACE principles of governance](#), as well as strength or weaknesses in internal financial controls. These have been evaluated by the Chief Officer – Governance and Corporate Management Team and, 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.
- 4.10 Any significant control weaknesses are documented at section 5 as Governance Issues and Irregularities. For 2024/2025, one issue is highlighted and improvement plans are in place.

Internal Audit

- 4.11 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.
- 4.12 In 2024/25, 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 2025. 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 2024 to 31 March 2025. The report provided details of the position relating to the audits contained within the 2024/25 audit plan, part of the wider 2024-27 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.

- 4.13 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 Security Checks (National Fraud Initiative), Contracts (ELC Funded Provider Places), Budget Monitoring (ELC Funded Provider Places), Payments and Monitoring (Trusts & Common Good Fund), and PVG Dispensation (Recruitment). In addition, reviews of Procurement Compliance and Social Care Financial Assessments, highlighted Major net risks overall, with limited assurance only able to be taken. The review of Procurement Compliance highlighted issues with Delegated Procurement Authority, Procurement Documentation, Approvals, Tenders and Quotations, and Direct Awards. The Major risks identified as part of the review of Social Care Financial Assessments concerned the Charging Policy, Written Procedures, and Supporting Records.
- 4.14 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 2024/25, 144 actions were completed in year (compared to 99 in 2023/24) and as at year end, 118 audit recommendations were open (compared to 123 in 2023/24), 48 of which were due for implementation and the remaining 70 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 (17) or Moderate (79), with the remaining recommendations (22) being in the more significant Major space. These numbers include the Health and Social Care Partnership work but exclude the Integrated Joint Board 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.
- 4.15 The Internal Audit Plan for 2025-28 was approved by the Audit, Risk and Scrutiny Committee on 20 February 2025. 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

- 4.16 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.
- 4.17 The External Audit Annual Report 2023/24 was submitted to Audit, Risk and Scrutiny Committee in June 2024. The annual report found:
- Audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified i.e. the financial statements are free from material misstatement.
 - The annual governance statement and remuneration report were consistent with the financial statements and were properly prepared in accordance with the applicable guidance.
 - A corporate approach between chief officers is required to ensure a robust overview of service performance is available for inclusion in the management commentary.
 - In response to last year's audit recommendations, audit have observed improvements in the annual governance statement and the working papers provided for audit. There is scope for further improvement and discussions will continue with finance colleagues to streamline respective processes and minimise the pressure on the annual accounts period.

The report considered that Management had:

- 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 £1.5 million as the outturn against budget for the year. This arose from the Housing Revenue Account.
- Collection rates for local debt (i.e. rent arrears and council tax) are falling. Controls within the main financial systems were operating satisfactorily while standards of conduct and arrangements for the prevention and detection of fraud were adequate. A significant fraud identified during the year was promptly dealt with by the council.
- a sound approach to medium and longer-term financial planning 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.

The report also considered that governance arrangements were appropriate and operated effectively and that there was increased transparency in the budget setting process during the year. The Council's performance in the Local Governance Benchmarking Framework remained positive, showing an improvement in 47% of the indicators which is above the Scottish average (54%).

- 4.18 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 sector and peer-led activities were reported to the Risk Board and relevant committees of Council:

Sector Led Improvements:

Education Scotland – School Inspections

As a result of Education Scotland working to complete their inspection pattern following disruption over the last few years, a high volume of school inspections have taken place over the year and been reported to the Education and Children's Services (ECS) Committee. Inspections evidenced positive movement, particularly across Early Learning and Childcare and primary school inspection outcomes. The Quality Improvement Framework (QIF) was reviewed in advance of the 2024/25 school session, ensuring that lessons learned from implementing the framework over 2023/24 were taken account of and embedded into refreshed processes. The national thematic Review undertaken by Education Scotland across all councils, concluded positively on the systems in place across ACC. The key messages from the Thematic Inspection and on-going collaborative improvement work with ADES is helping inform the current review of the QIF in advance of the 2025/26 school session. Anticipated inspection outcomes continue to be shared with Members of ECS Committee. External inspections almost always confirm these self-evaluation gradings as being accurate evidencing clear improvement in the extent to which we know ourselves.

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 an improving picture. Staff from highly evaluated services are being utilised to support improvement in other settings. An ELC Quality Improvement Framework (QIF) developed to document our approach to securing improvement is now well established, and this is kept under yearly review and presented to ECS Committee in July of each year. Learning from the yearly review helps shape the programme of professional learning for the year ahead, for example a collaboration with Education Scotland to develop and deliver professional learning and mentoring, there is evidence that this approach is helping improve inspection outcomes across targeted quality indicators.

Education Scotland – Community Learning and Development Progress Visit

HM Inspectors visited Aberdeen City Council to undertake a community learning and development (CLD) progress visit during May 2024. Inspectors noted the value placed on CLD by Senior Leaders, the effectiveness of distributed leadership and contribution the service is making in helping communities influence local strategic plans. Inspectors commended the approaches taken locally to support our Ukrainian community and noted the highly effective use of data to support strategic planning.

evidencing clear improvement in this area. Inspectors noted the need for Senior leaders and CLD partners to now work together to improve governance and decision making to ensure that all CLD partners jointly set and monitor shared measures of success rather than overreliance on the Local Authority.

Care Inspectorate – Secure Care Pathway Thematic Review

The Care Inspectorate completed a national 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 national 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 Parentings 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 was overseen in 24/25 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.

Peer Collaborative Improvements:

Following a successful ADES Collaborative Improvement Visit focussed on Early Learning and Childcare in November 2023, ADES Quads have now been drawn from the Improvement Service Family Groups. The QUAD will continue to work together on the ADES Framework for Improvement. The QUAD met for two days in January 2025 to share and test the strength of self-evaluation evidence against a single quality improvement indicator from the ADES How Good Is Our Education Authority document, and are now collaborating on shared priorities for improvement.

Scotland Excel - Procurement & Commercial Improvement Programme (PCIP) Pulse Check assessment

Scotland Excel conducted a Procurement and Commercial Improvement Programme (PCIP) Pulse Check assessment with Aberdeen City Council. This assessment is part of the third round of evaluations of local authorities in Scotland. The focus is on the policies and procedures affecting procurement performance and the results they achieve.

The Assessment report confirmed that among the 11 areas evaluated, 5 ratings of "Advanced Practice" and 5 ratings of "Good Practice" were achieved. One area was designated as "Improving". The report highlighted key strengths and opportunities for further improvement, with the corresponding actions being monitored by the Strategic Procurement Board.

Aberdeen Scientific Services Laboratory (ASSL) - ISO17025:2017 Accreditation

The United Kingdom Accreditation Service (UKAS) audited ASSL's operating and technical practices against the ISO standard criteria. The assessment resulted in the recommendation to retain accreditation to the ISO standard. Opportunities for improvement were identified during the assessment and a strategic approach is being developed to support implementation and integration of these into existing processes.

Best Value Activity

- 4.19 For 2023/24, the Accounts Commission directed Audit Scotland to prepare and produce a Best Value thematic report on Workforce Innovation and how councils are responding to workforce challenges. This was reported to the Audit, Risk and Scrutiny Committee on 28th November 2024 and noted that:
- Workforce planning is effectively integrated with the council's strategic priorities and is integral to the ongoing delivery of transformation. Robust arrangements are in place to engage with Trade Unions and elected members.
 - The council has delivered extensive transformation in line with its digital strategy. Further efficiencies are planned through more online services and increased digital capability.
 - Innovative technologies are creating a positive impact on productivity and service delivery and robotic process automation pilots have made efficiencies.
 - There is a structured approach to staff engagement and providing support through organisational change.
 - Existing flexible working practices have been extended. Reducing staff absence and supporting employee health and wellbeing are council priorities. Staff are actively engaged in developing options for office use.
 - Internal recruitment supported by learning and development is the council's preferred route for filling vacancies. Attracting and developing more young people is increasing capacity and helping with hard-to-fill roles. Aberdeen Health and Social Care Partnership is taking steps to reduce workforce pressures.
 - The council works well in partnership with a range of organisations and has some well-established examples of shared service arrangements.
 - The council actively monitors progress with its workforce plan and provides regular reports on priority areas to elected members. A workforce dashboard is evolving providing managers with real-time data. This can trigger deep dives to better understand the data and target corrective action. The impact of change on staff is regularly monitored.
- 4.20 The report made two recommendations and management updates are included below in bold:
- That the council has made significant progress in developing a revised hybrid working approach and should now formalise the arrangements.
The Council's new Flexible Working Policy was approved at Staff Governance Committee in January 2025 – action closed.
 - With regard to the council's change and transformation plans, there is scope to consider service improvements and lessons learnt, quantify the savings and efficiencies identified from workforce and digital delivery plans and assess whether the outcomes were as expected. In turn, these assessments should further inform future transformation delivery plans (including workforce digital plans).
This is being considered and developed for our refreshed Workforce Delivery Plan, due to be presented to Staff Governance Committee in 2025.
- 4.21 Progress continued towards the closure of recommendations from the Best Value thematic report Leadership on the Development of the Council's Strategic Priorities reported to Audit, Risk and Scrutiny Committee on 9th May 2024. The report recognised that the Council's vision and priorities are well embedded in its strategic planning framework, that positive advancements had been made in community empowerment, including involving citizens in setting of budget priorities and addressing climate change, and welcomed a renewed commitment to tackling poverty and inequality for children and young people. The report commended a robust approach to budgeting and longer term planning, including the alignment to workforce through our Workforce Strategy.
- 4.22 The report made three recommendations and management updates are included below in bold: The report made three recommendations and management updates are included below in bold:

- Developing scrutiny - 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.
Proposals for making better use of this remit and training elected members on improved scrutiny formed part of the proposed changes to the Scheme of Governance in April 2025 – action expected to close by September 2025.
- Officers' use of delegated powers - 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.
The Scheme of Governance approved in August 2024 revised the Member-Officer Relations Protocol, reminding elected members of the clear parameters around the sharing of information – action closed.
- Member to member working together - tensions and heated debate in the council chamber increases the risk of referrals to the Standards Commission. Many councillors virtually attend Council meetings and there is limited in-person interaction in the Town House outwith formal meetings. The BVAR included a recommendation on opportunities for cross-party working which remains outstanding.
Elected members continue to be provided with both training and collaborative opportunities and benefit from on-going support from the Improvement Service who will co-design a programme of training on scrutiny, drawing on case studies from other local authorities on the implications of ineffective partnership working. Cross-party working groups are reviewed annually in the Scheme of Governance. More progress is required in this area before the action can be closed.

4.23 Two recommendations remain outstanding from the Best Value Assurance Report 2021:

- 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.
Following approval of the 2025/26 budget there is no specific or identified allocation of funding that has been included to explicitly meet this commitment. Officers will continue to identify opportunities that may arise during the year, that could be included in ACC reporting that COSLA collates annually.
- 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.
An "accessible" version of the Council's Annual Delivery Plan 2025/26 had been developed to fulfil this recommendation. This shows long term trends, comparisons with other councils and summarised analysis and actions across a range of services.

Partnership Working and Group Structure

- 4.24 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".
- 4.25 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.

- 4.26 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 (October 2024) 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)
- 4.27 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 May 2024:
- Sport Aberdeen
 - Aberdeen Sports Village Ltd
 - Bon Accord Care Ltd
 - Aberdeen Heat and Power Company Ltd
 - Aberdeen Performing Arts
- 4.28 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 November 2024 confirmed that the Hub continues to receive assurance that the Governance, Risk Management and Financial Stewardship arrangements are robust and continue to provide assurance that risk to the Council in these areas remains low. The Hub continued to oversee the progress of the BP Joint Venture which remains in its establishment phase.
- 4.29 The Hub also sought assurance from ALEO's duties under Health and Safety Law, Cyber Security and the Equality Act. Whilst controls in these areas were considered to be adequate, opportunities to provide further support to the ALEO's in these areas were identified and the resulting improvement activities will be monitored by the Hub.
- 4.30 The Assurance Hub undertakes an annual review of its Terms of Reference to ensure they remain fit for purpose. This was completed in March 2025 when no changes were made.

The **Aberdeen City Integration Joint Board (IJB)** has taken a number of steps during 2024/2025 to further strengthen its governance arrangements. These include:-

- Scheme of Governance Review
- Review of IJB Financial Regulations (including Reserves Policy)
- 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
- Review of Strategic Risk Register and Risk Appetite Statement following a Members' Workshop
- Approval of ACHSCP Annual Performance Report for 2023/24
- 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.
- Annual Procurement Workplan approved - Direct award of contracts for expenditure on social care services for the community
- Annual review of IJB's Board Assurance and Escalation Framework

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 2024/25.

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. No significant governance issues have been identified for the reporting period 2024/2025.

6. ACTION PLAN 2025/26

- 6.1 In 2025/2026 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 2025/2026:

Action	Chief Officer	Target Completion Date
Full implementation of the fraud action plan developed in response to the Section 102 Audit, which included recommendations from internal audit, external audit and management.	Depute Chief Officer - Finance	May 2025

Cross Party working to continue to be brought to members' attention in pursuance of improved governance and to respond to 2021 Audit Scotland Best Value recommendation.	Chief Officer – Governance	March 2026
Completion of a programme of scrutiny training for elected members to achieve completion of Audit Scotland best value recommendation.	Chief Officer - Governance	September 2025

7. SIGN OFF

- 7.1 The Council has undertaken a self-evaluation of its Local Code of Corporate Governance. 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, xx June 2025:

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

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 2024 (SSI No. 2024/24) 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 2024/25, the salary of the Leader of Aberdeen City Council is £49,810. 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, £37,360.

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 £557,674. 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, £36,859. The remaining Senior Councillors receive 74 percent of the rate payable to the Civic Head, £27,646.

In 2024/25, Aberdeen City Council had 15 Senior Councillor posts. The salary and allowances paid to them totalled £506,820 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 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. Chief Officers 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.

	2023/24	2024/25
Remuneration Band	Number of Employees (Headcount)	
£50,000 - £54,999	725	375
£55,000 - £59,999	232	254
£60,000 - £64,999	105	83
£65,000 - £69,999	129	139
£70,000 - £74,999	83	108
£75,000 - £79,999	39	31
£80,000 - £84,999	24	29
£85,000 - £89,999	18	7
£90,000 - £94,999	4	5
£95,000 - £99,999	11	4
£100,000 - £104,999	6	10
£105,000 - £109,999	4	9
£130,000 - £134,999	-	-
£140,000 - £144,999	3	-
£155,000 - £159,999	-	3
£165,000 - £169,999	-	-
£170,000 - £174,999	1	-
£175,000 - £179,999	1	-
£180,000 - £184,999	-	-
£185,000 - £189,999	-	1
Total	1,385	1,058

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.

	2023/24 £	2024/25 £
Salaries	1,124,165	1,191,656
Expenses	8,603	10,635
Total	1,132,768	1,202,291

The annual return of Councillors' salaries and expenses for 2024/25 will be available on the Council's website from 1 June.

Table 3: Details of exit packages.

Exit Package Cost Band	Number of Exit Packages Approved		Cost of Exit Packages £'000					
	2023/24	2024/25	2023/24			2024/25		
			Benefits to Employee	Strain on Fund	Total	Benefits to Employee	Strain on Fund	Total
£0 - £19,999	9	9	96	2	98	115	20	135
£20,000 - £39,999	3	5	60	17	77	147	10	157
£40,000 - £59,999	6	8	206	75	281	306	104	410
£60,000 - £79,999	-	1	-	-	-	78	-	78
£80,000 - £99,999	2	3	37	131	168	49	212	261
£100,000 - £149,999	4	3	122	424	546	126	236	362
£150,000 - £199,999	1	3	18	156	174	133	363	496
£200,000 - £249,999	1	1	20	195	215	20	185	205
£250,000 - £299,999	-	-	-	-	-	-	-	-
£300,000 - £349,999	-	-	-	-	-	-	-	-
£350,000 - £399,999	-	-	-	-	-	-	-	-
£450,000 - £499,999	1	-	32	422	454	-	-	-
Total	27	33	591	1,422	2,013	974	1,130	2,104

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.

2023/24	2023/24 *			2024/25	2024/24		
Full Year Equivalent £	Total Remuneration £	Councillor Name	Responsibility	Full Year Equivalent £	Salary, Fees and Allowances £	Non-Cash Expenses £	Total Remuneration £
46,902	48,748	Christian Allard	Council Co-Leader	49,810	49,810	3,801	53,611
34,707	35,689	Ian Yuill	Council Co-Leader	36,859	36,859	1,599	38,458
35,179	36,681	David Cameron	Lord Provost	37,360	37,360	2,733	40,093
34,707	34,789	Steven Delaney	Depute Lord Provost	36,859	36,859	18	36,877
34,707	34,707	Gillian Al-Samarai	Convener, Licensing Committee	36,859	36,859	-	36,859
34,707	34,816	John Cooke	Convener Pensions Committee	36,859	36,859	106	36,965
34,707	34,738	Neil Copland	Convener of Staff Governance	36,859	36,859	17	36,876
34,707	34,738	Martin Greig	Convener, Education & Children's Services Committee	36,859	36,859	17	36,876
34,707	26,340	Mohammad Tauqeer Malik	Convener, Audit, Risk and Scrutiny Committee	36,859	36,859	17	36,876
34,707	34,787	Alexander McLellan	Convener, Finance & Resources Committee	36,859	36,859	94	36,953
34,707	32,979	Ciaran McRae	Convener, Planning Development Management	36,859	36,859	17	36,876
34,707	35,238	Miranda Radley	Convener, Communities, Housing & Public Protection Committee	36,859	36,859	956	37,815
26,032	26,032	Desmond Bouse	Vice Convener Anti-Poverty & Inequality Committee	27,646	27,646	-	27,646
26,032	27,974	Dell Henrickson	Vice Convener, Communities, Housing & Public Protection Committee	27,646	27,646	194	27,840
26,032	26,063	Ryan Houghton	Vice Convener, Audit, Risk & Scrutiny	27,646	27,646	17	27,663
26,032	26,141	Neil MacGregor	Vice Convener Pensions Committee	27,646	27,646	357	28,003
26,032	26,063	Jessica Mennie	Vice Convener, Education & Children's Services Committee	27,646	27,646	17	27,663
	556,523	Total			593,990	9,960	603,950

* 2023/24 figures restated to remove Councillors who left in prior year.

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

2023/24	Restated 2023/24 *			2024/25	2024/25		
Full Year Equivalent £	Total Remuneration £	Name	Post Title	Full Year Equivalent £	Salary & Fees £	Total Remuneration £	Notes
179,754	179,754	Angela Scott	Chief Executive	186,225	188,684	188,684	1
150,491	140,592	Andy MacDonald	Executive Director - Corporate Services	155,909	155,909	155,909	
150,491	140,534	Gale Beattie	Executive Director - City Regeneration and Environment	155,909	155,909	155,909	
150,491	140,620	Eleanor Sheppard	Executive Director Families and Communities	155,909	155,909	155,909	
103,354	103,354	Jonathan Belford	Chief Officer - Finance	107,075	107,075	107,075	
103,354	87,600	Jenni Lawson	Chief Officer - Governance (Monitoring Officer)	107,075	41,038	41,038	2
103,354	87,600	Vikki Cuthbert	Interim Chief Officer - Governance (Monitoring Officer)	90,745	91,036	91,036	2
-	-	Alan Thomson	Interim Chief Officer - Governance (Monitoring Officer)	89,641	88,870	88,870	2
103,354	4,793	David Dunne	Chief Officer - Strategic Place Planning (Planning Officer)	107,075	107,283	107,283	3
103,354	103,354	Graeme Simpson	Chief Officer - Children's Social Work and Family Support	107,075	107,075	107,075	
103,354	106,732	Shona Milne	Chief Officer - Education and Life Long Learning	107,075	107,075	107,075	
	1,094,933	Total			1,305,863	1,305,863	

* 2023/24 figures restated to remove employees who left in prior year.

Note 1: The total remuneration includes Returning Officer (RO) fees. An RO is the person responsible for administering a parliamentary election. These duties are separate from any duties undertaken as a local government employee. The total RO fee is regulated by The Parliamentary Elections (Returning Officers' Charges) Order 2024. The RO can appoint one or more persons to discharge any or all of the functions of the post but cannot delegate personal responsibility for delivering the election. Angela Scott is the RO for Aberdeen City Council and during 24/25 she delegated some of the RO duties/fees to 2 other employees.

Note 2: Vikki Cuthbert and Alan Thomson covered the post 50/50 on an interim basis during the 2024/25 financial year whilst Jenni Lawson was on maternity leave. They both also received payment for election duties undertaken in 2024/25.

Note 3: Salary includes arrears of pay of £208 relating to 2023/24.

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.

2023/24	2023/24			2024/25	2024/25			
Full Year Equivalent £	Total Remuneration £	Name	Post Title	Full Year Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remuneration £	Note
-	-	Keith Heslop	Managing Director Sport Aberdeen Ltd	116,523	121,463	-	121,463	
-	-	Louise Henderson	Managing Director Bon Accord Support Services Ltd and Bon Accord Care Ltd (from 15 July 2024)	120,407	85,581	-	85,581	
-	-	Neil Gauld	Finance and Commercial Director Bon Accord Support Services Ltd and Bon Accord Care Ltd (1 May 2024 - 14 July 2024)	102,629	21,381	-	21,381	1
-	-	Elizabeth McKenzie	Managing Director Bon Accord Support Services Ltd and Bon Accord Care Ltd (1 April 2024 until 14 July 2024)	116,210	15,326	-	15,326	1
116,223	116,223	Pamela MacKenzie	Managing Director Bon Accord Support Services Ltd and Bon Accord Care Ltd (until 30 April 2024)	116,223	9,685	33,749	43,434	
77,965	77,965	Ian Davidson	Chief Executive Officer Aberdeen Heat and Power	80,274	80,274	-	80,274	
	194,188	Total			333,710	33,749	367,459	
Note 1: Neil Gauld considered senior whilst Managing Director Post was covered by Elizabeth McKenzie on a part time basis								

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 (2023/24)	Contribution rate 2023/24	Pensionable pay (2024/25)	Contribution rate 2024/25
On earnings up to and including £25,300	5.5%	On earnings up to and including £27,000	5.5%
On earnings above £25,301 and up to £31,000	7.25%	On earnings above £27,001 and up to £33,000	7.25%
On earnings above £31,001 and up to £42,500	8.5%	On earnings above £33,001 and up to £45,300	8.5%
On earnings above £42,501 and up to £56,600	9.5%	On earnings above £45,301 and up to £60,400	9.5%
On earnings of £56,601 and above	12%	On earnings of £60,401 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 without 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 2025.

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 2025.

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

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.

Councillor Name	Responsibility	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		Restated for year to 31 March 2024 * £	For year to 31 March 2025 £		As at 31 March 2025 £'000	Difference from 31 March 2024 £'000
Christian Allard	Council Co-Leader	8,084	5,230	Pension	5	1
Ian Yuill	Council Co-Leader	6,213	3,870	Pension	10	1
Steven Delaney	Depute Lord Provost	6,213	3,870	Lump Sum	2	-
John Cooke	Convener Pensions Committee	6,213	3,870	Pension	7	1
Neil Copland	Convener of Staff Governance	6,213	3,870	Pension	4	1
Martin Greig	Convener, Education & Children's Services Committee	6,213	3,870	Pension	6	1
Mohammad Tauqeer Malik	Convener, Audit, Risk and Scrutiny Committee	6,213	3,870	Lump Sum	10	2
Alexander McLellan	Convener, Finance & Resources Committee	5,581	3,870		2	-
Ciaran McRae	Convener, Planning Development Management	6,213	3,870	Pension	7	1
Miranda Radley	Convener, Communities, Housing & Public Protection Committee	6,213	3,870	Pension	4	1
Desmond Bouse	Vice Convener Anti-Poverty & Inequality Committee	5,898	3,870	Pension	4	1
Dell Henrickson	Vice Convener, Communities, Housing & Public Protection Committee	6,213	3,870	Pension	3	1
Ryan Houghton	Vice Convener, Audit, Risk & Scrutiny	4,660	2,903	Pension	2	1
Neil MacGregor	Vice Convener Pensions Committee	4,975	2,903	Pension	4	1
Jessica Mennie	Vice Convener, Education & Children's Services Committee	4,660	2,903	Pension	5	1
Total		86,669	54,575	Pension	83	16
				Lump Sum	4	-

* 2023/24 figures restated to remove Councillors who left in prior year.

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

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC		Accrued Pension Benefits			Note
		Restated for year to 31 March 2024 * £	For year to 31 March 2025 £		As at 31 March 2025 £'000	Difference from 31 March 2024 £'000	
Angela Scott	Chief Executive	32,176	19,554	Pension	101	8	
Andy MacDonald	Executive Director - Corporate Services	25,166	16,370	Pension Lump Sum	48 22	6 3	
Eleanor Sheppard	Executive Director Families and Communities	33,054	40,536	Pension Lump Sum	77 161	23 15	1
Gale Beattie	Executive Director - City Regeneration and Environment	25,156	16,370	Pension Lump Sum	56 78	8 8	
Jonathan Belford	Chief Officer - Finance	18,500	11,243	Pension Lump Sum	54 71	5 2	
Jenni Lawson	Chief Officer - Governance (Monitoring Officer)	14,471	11,353	Pension	12	3	
Vikki Cuthbert	Interim Chief Officer - Governance (Monitoring Officer)	15,680	9,528	Pension Lump Sum	33 26	4 1	
Alan Thomson	Interim Chief Officer - Governance (Monitoring Officer)	12,106	9,298	Pension	13	2	
David Dunne	Chief Officer - Strategic Place Planning (Planning Officer)	17,732	11,265	Pension	19	3	
Graeme Simpson	Chief Officer - Children's Social Work and Family Support	18,500	11,243	Pension Lump Sum	50 56	5 2	
Shona Milne	Chief Officer - Education and Life Long Learning	24,548	27,606	Pension Lump Sum	63 134	15 1	1
TOTAL		237,089	184,366	Pension Lump Sum	526 548	82 32	
* 2023/24 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. Difference from 31 March 2024 is based on updated opening accrued pension benefits. These were not available for the 23/24 accounts.						

- 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			Note
		For year to 31 March 2024 £	For year to 31 March 2025 £		As at 31 March 2025 £'000	Difference from 31 March 2024 £'000	
Keith Heslop	Managing Director Sport Aberdeen Ltd	-	10,250	Pension	15	15	
Louise Henderson	Managing Director Bon Accord Support Services Ltd and Bon Accord Care Ltd (from 15 July 2024)	-	18,219	Pension	-	-	1
Neil Gauld	Finance and Commercial Director Bon Accord Support Services Ltd and Bon Accord Care Ltd (1 May 2024 - 14 July 2024)	-	16,831	Pension	-	-	
Elizabeth McKenzie	Managing Director Bon Accord Support Services Ltd and Bon Accord Care Ltd (1 April 2024 until 14 July 2024)	-	2,513	Pension	-	-	1
Pamela MacKenzie	Managing Director Bon Accord Support Services Ltd and Bon Accord Care Ltd (until 30 April 2024)	22,431	1,588	Pension	6	-	1
Ian Davidson	Chief Executive Officer Aberdeen Heat and Power	18,166	17,101	Pension	11	3	
Total		40,597	66,502	Total	32	18	
Note 1:	Accrued pension benefits for Bon Accord Support Services Ltd and Bon Accord Care Ltd not available. Value for Pamela McKenzie is value as at 31 March 2024.						

Trade Union Facility Time (not subject to audit)

Trade Union Facility Time data is not available as at 31 March 2025. The figures in the tables below are as at 31 March 2024.

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-education	Education
Trade Union representatives	53	74

Percentage of working hours on facility time

	Non-education	Education
0%	0	0
1 - 50%	45	69
51 - 99%	2	2
100%	6	3

Total pay bill and facility costs

	Non-education	Education
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-education	Education
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 2023 brought forward	(85,928)	(15,715)	(29,635)	(24,267)	(155,545)	(1,317,336)	(1,472,881)
Movement in Reserves during 2023/24							
Total Comprehensive Income & Expenditure	47,538	52,962	0	0	100,500	22,675	123,175
Adjustments between accounting basis & funding basis under regulations (note 5)	(1,959)	(60,624)	(1,989)	13,760	(50,812)	50,812	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	45,579	(7,662)	(1,989)	13,760	49,688	73,487	123,175
Transfers to/(from) Reserves	(54,081)	9,187	(7,893)	0	(52,787)	52,787	0
(Increase)/Decrease in Year	(8,502)	1,525	(9,882)	13,760	(3,099)	126,274	123,175
Restated Balance at 31 March 2024	(94,430)	(14,190)	(39,517)	(10,507)	(158,644)	(1,191,062)	(1,349,706)

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 2024 brought forward	(94,430)	(14,190)	(39,517)	(10,507)	(158,644)	(1,191,062)	(1,349,706)
Movement in Reserves during 2024/25							
Total Comprehensive Income & Expenditure	29,139	113,757	0	0	142,896	28,829	171,725
Adjustments between accounting basis & funding basis under regulations (note 5)	(21,107)	(110,756)	(3,383)	10,097	(125,149)	125,149	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	8,032	3,001	(3,383)	10,097	17,747	153,978	171,725
Transfers to/(from) Reserves	(7,248)	300	(6,337)	0	(13,285)	13,285	0
(Increase)/Decrease in Year	784	3,301	(9,720)	10,097	4,462	167,263	171,725
Balance at 31 March 2025	(93,646)	(10,889)	(49,237)	(410)	(154,182)	(1,023,799)	(1,177,981)

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.

2023/24				2024/25		
Restated Gross Expenditure £'000	Restated Gross Income £'000	Restated Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
213,871	(136,682)	77,189	City Regeneration and Environment	208,937	(111,621)	97,316
116,613	(16,059)	100,554	Corporate Services	106,918	(52,071)	54,847
47,619	(26,533)	21,086	Corporate	27,458	(31,784)	(4,326)
311,974	(190,762)	121,212	Integration Joint Board	203,601	(72,007)	131,594
415,951	(93,476)	322,475	Families and Communities	405,897	(49,142)	356,755
161,718	(105,293)	56,425	Housing Revenue Account	219,997	(112,031)	107,966
1,267,746	(568,805)	698,941	Cost of Services	1,172,808	(428,656)	744,152
364	(1,275)	(911)	Other Operating Expenditure (note 8)	484	(757)	(273)
74,194	(26,798)	47,396	Financing and Investment Income and Expenditure (note 9)	63,023	(2,023)	61,000
0	(644,925)	(644,925)	Taxation and Non Specific Grant Income (note 10)	0	(661,983)	(661,983)
1,342,304	(1,241,803)	100,501	(Surplus) or Deficit on Provision of Services	1,236,315	(1,093,419)	142,896
		10,834	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			40,186
		11,841	Actuarial (gains)/losses on pension assets/liabilities			(10,856)
		0	Other (Gains)/Losses			(501)
		22,675	Other Comprehensive (Income) and Expenditure			28,829
		123,176	Total Comprehensive (Income) and Expenditure			171,725

*2023/24 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 2023 £'000	Restated 31 March 2024 £'000		Note	31 March 2025 £'000
2,610,218	2,653,067	Property, Plant & Equipment	27	2,640,842
0	0	Property, Plant & Equipment Right of Use	24	34,871
199,723	200,273	Heritage Assets	26	205,572
169,883	144,220	Investment Property	25	86,892
0	0	Investment Property Right of Use	24	45,200
28,219	32,453	Long Term Investments	37	32,176
498	457	Long Term Debtors	37	421
3,008,541	3,030,470	Long Term Assets		3,045,974
76,078	57,817	Cash and Cash Equivalents	17	70,367
11,588	10,035	Short Term Investments	37	52
146,275	192,143	Short Term Debtors	32	562,148
4,312	4,945	Inventories	31	4,537
3,150	9,650	Assets Held for Sale	30	7,500
241,403	274,590	Current Assets		644,604
(306,405)	(409,806)	Short Term Borrowing	37	(439,352)
(156,365)	(147,086)	Short Term Creditors	33	(555,086)
(5,354)	(7,284)	Short Term Provisions	34	(4,339)
(5,332)	(4,308)	PPP Short Term Liabilities	29	(2,767)
(7,948)	(8,876)	Accumulated Absences Account	13	(9,154)
(4,235)	(4,944)	Grants Receipts in Advance - Revenue	36	(3,563)
(493)	(489)	Grants Receipts in Advance - Capital	36	(8,172)
(486,132)	(582,793)	Current Liabilities		(1,022,433)

1 April 2023 £'000	Restated 31 March 2024 £'000		Note	31 March 2025 £'000
(1,064,341)	(1,146,348)	Long Term Borrowing	37	(1,267,190)
(56,445)	(56,011)	Finance Lease	24	(59,007)
(1,986)	(50)	Long Term Provisions	34	(1,245)
(120,706)	(116,398)	PPP Long Term Liabilities	29	(113,631)
(47,453)	(53,754)	Pension Liabilities	21	(49,091)
(1,290,931)	(1,372,561)	Long Term Liabilities		(1,490,164)
1,472,881	1,349,706	Net Assets		1,177,981
		Usable Reserves:		
(85,928)	(94,430)	General Fund Balance		(93,646)
(15,715)	(14,190)	Housing Revenue Account		(10,889)
(29,635)	(39,517)	Statutory and Other Reserves		(49,237)
(24,267)	(10,507)	Capital Grants Unapplied Account		(410)
(1,317,336)	(1,191,062)	Unusable Reserves	13	(1,023,799)
(1,472,881)	(1,349,706)	Total Reserves		(1,177,981)

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

The unaudited financial statements were issued on 8 May 2025.

Jonathan Belford, CPFA
Chief Officer – Finance
8 May 2025

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.

2023/24 £'000		2024/25 £'000
(100,500)	Net Surplus or (Deficit) on the provision of services	(142,896)
137,522	Adjust net surplus or deficit on the provision of services for non cash movements (note 14)	258,553
(63,315)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(44,817)
(26,293)	Net cash flows from Operating Activities (note 14)	70,840
(154,069)	Net cash flows from Investing Activities (note 15)	(187,122)
162,101	Net cash flows from Financing Activities (note 16)	128,832
(18,261)	Net increase or (decrease) in cash and cash equivalents	12,550
76,078	Cash and cash equivalents at the beginning of the reporting period	57,817
57,817	Cash and cash equivalents at the end of the reporting period (note 17)	70,367

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 2024/25 financial year and its position at the year ended 31 March 2025. 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 2024/25 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 other than 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

In 2024/2025, the Council has applied IFRS 16 Leases as adopted by the Code of Practice on Local Authority Accounting (2024/25). The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset and future rents as liability), a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April 2024. Leases for items of low value (under £6,000) and leases that expire on or before 31 March 2024 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/2025 and not by adjusting prior year figures. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Council determined at contract inception whether an arrangement is or contains a lease under IAS 17. Under IFRS 16, the Council assess whether a contract is or contains a lease based on the definition of a lease as explained below:

A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier had a substantive substitution right, then the asset is not identified;
- The Council has the right to obtain substantially all of the economic benefits and service potential from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset throughout the period of use. The Council has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Council has the right to direct the use of the asset if either:
 - o The Council has the right to operate the asset; or
 - o The Council designed the asset in a way that predetermines how and for what purpose it will be used

The Council as Lessee

As a lessee, the Council previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under IFRS 16, the Council recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Council decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets (under £6,000). The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Council's incremental borrowing rate as at 1 April 2024. Right of use assets are measured at either

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Council's incremental borrowing rate at the date of initial application or
- An amount equal to the lease liability
- For right-of-use assets for peppercorn or nominal lease payments a right-of-use asset shall be recognised at fair value on 1 April 2024. with any gain, being the difference between that fair value and the lease liability, recognised as a donated asset as an adjustment to opening balances

The Council used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate at that date
- A single discount has been applied to portfolios of leases with reasonably similar characteristics
- The weighted average of the incremental borrowing rates used to discount liabilities was 4.62%
- Right-of-use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded
- All leases were assessed as to whether they were onerous at 31 March 2024, so right-of-use assets have not been subject to an impairment review – carrying amounts have been reduced by any provisions for onerous contracts that were in the 31 March 2024 balance sheet

Application of the Code's adaptation of IFRS 16 has resulted in the following additions to the balance sheet as at 1 April 2024:

- £5.1m Property, plant and equipment – land and buildings (right-of-use assets)
- £2.6m Non-current creditors (lease liabilities)
- £1.2m Current creditors (lease liabilities)

The newly recognised leases liabilities of £4,963k compare with the operating lease commitments of £6,980k at 31 March 2024 disclosed in the notes to the 31 March 2024. When these are discounted to their present value of £6,980k (using the incremental borrowing rate at 1 April 2024), there is a difference of £2,016k from the newly recognised lease liabilities. This is explained by the fact that the lease liabilities exclude amounts for leases of low value items and leases that will expire before 31 March 2025

ii. Leases classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2024, are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The Council as Lessor

The Council is not required to make any adjustment on transition to IFRS 16 for leases in which it acts as a lessor, except for sub-leases, or where the Council is party to a lease for nil consideration. Otherwise, the Council shall account for leases applying IFRS 16 as adopted by the Code from 1 April 2024:

- Under IFRS 16, authorities acting as an intermediate lessor are required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset.
- Where an authority is party to a lease for nil consideration, in which it is acting as lessor and the lease is classified as finance lease, the Code requires it will derecognise the asset being provided to the third party, and recognise any unguaranteed residual value in accordance with the requirements of IFRS 16.

The Council was not party to any sublease arrangements as lessor as at 1 April 2024.

As at 1 April 2024, the Council was not party to as lessor to lease for nil consideration.

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 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 27. 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 2024/25.

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:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

Until this change, IAS 21 set out the exchange rate to use when exchangeability between two currencies is temporarily lacking, but not what to do when lack of exchangeability is not temporary.

On 15 August 2023, the IASB issued amendments to IAS 21 to help entities:

- assess exchangeability between two currencies; and
- determine the spot exchange rate, when exchangeability is lacking

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

- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 affects any company that writes insurance contracts - such contracts are not written by the Council.

This amendment will not have an impact on the Council's financial statements.

- The changes to the measurement of non-investment assets within the 2025/26 CIPFA Code of Practice include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach.

The Council follows current valuation guidelines as laid down by The Code. This amendment is not expected to have a material effect 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 2025 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	With the "Beacon Approach" (or "Adjusted Vacant Possession Value Technique") the beacon house types are valued to Current Value on the assumption there is no potential residential redevelopment on the site or intensification of use, and assuming vacant possession were available. The values are then adjusted by a factor to arrive at Existing Use Value -Social Housing (EUV-SH) to reflect the fact that the sitting tenants enjoy rents lower than private market rents and have various tenants' rights. The 'Adjusted Vacant Possession Value Technique', using sample property types and an adjustment factor reflecting occupation by a secure tenant (otherwise referred to as the	If the adjustment factor is increased by 1%, this would lead to a corresponding increase in the total value of council dwellings of £20.8m. If the adjustment factor is reduced by 1%, this would lead to a corresponding increase in the total value of council dwellings of £20.8m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	"Beacon Principle"), has been used for this HRA valuation. The adjustment factor applied is 42.57%.	
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 2% decrease in the discount rate assumption would result in an increase in the pension liability of £20.6 million. However, if another assumption were increased, e.g. member life expectancy, by 4% then this would result in an increase in the pension liability of £50.9 million. The interaction of assumptions is therefore extremely complex. See note 21 for further assumptions.
Arrears	At 31 March 2025 the Council had a balance of short-term debtors of £562 million. This is net of an allowance for the impairment of debt of £90 million.	If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £5.62 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 (page 54) 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.

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	(56,844)	(40,388)	0	0	0	(97,232)	97,232
Revaluation losses on Property, Plant and Equipment	(41,752)	(39,571)	0	0	0	(81,323)	81,323
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	(18,949)	0	0	0	0	(18,949)	18,949
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						0	
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	31,113	0	0	0	0	31,113	(31,113)
						0	
Adjustments involving the Capital Receipts Reserve:						0	
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:						0	
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:						0	
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:						0	
Reversal of items relating to retirement benefits debited or credited to the CIES	(32,167)	(1,210)	0	0	0	(33,377)	33,377
Employer's pensions contributions and direct payments to pensioners payable in the year	37,606	1,306	0	0	0	38,912	(38,912)
Adjustments involving the Accumulated Absences Account:						0	
Adjustments in relation to short term compensated absences	(904)	(24)	0	0	0	(928)	928
	2	0	0	0	0	2	(2)
Total Adjustments	(1,959)	(60,624)	(1,989)	0	13,760	(50,812)	50,812

2024/25	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves	Movement in Unusable Reserves £'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	(57,834)	(46,541)	0	0	0	(104,375)	104,375
Revaluation losses on Property, Plant and Equipment	(22,311)	(76,570)	0	0	0	(98,881)	98,881
Capital grants and contributions applied	46,220	12,331	0	0	0	58,551	(58,551)
Write off carrying amount of non current assets sold	(2,765)	0	0	0	0	(2,765)	2,765
Write off carrying amount of non current assets scrapped	0	0	0	0	0	0	0
Statutory provision for the financing of Capital spend (3R's)	4,741	0	0	0	0	4,741	(4,741)
Movement in the fair value of Investment Properties	0	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure</u>							
Loan principal repayments during the year	11,306	3,386	0	0	0	14,692	(14,692)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	2,563	0	0	0	0	2,563	(2,563)
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(3,382)	3,039	0	(343)	343
Proceeds from sale of non current assets	3,596	13	0	(3,609)	0	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(73)	(498)	0	571	0	0	0
Adjustments involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	10,097	10,097	(10,097)
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	42	0	0	0	0	42	(42)
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(31,064)	(258)	0	0	0	(31,322)	31,322
Employer's pensions contributions and direct payments to pensioners payable in the year	24,756	374	0	0	0	25,130	(25,130)
Adjustments involving the Accumulated Absences Account:							
Adjustments in relation to short term compensated absences	(284)	6	0	0	0	(278)	278
Other Adjustments	0	0	(1)	(1)	0	(2)	2
Total Adjustments	(21,107)	(107,757)	(3,383)	0	10,097	(122,150)	122,150

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 at 31 March 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	Balance at 31 March 2024 £'000	Purpose
Devolved Education M'tment (Comm Centres)	(522)	0	0	(522)	community centre funds c/f
Devolved Education M'tment (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)	(4,743)	1,757	(10,397)	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)	(60,901)	52,552	(82,277)	
Uncommitted General Fund Balance	(12,000)	(153)	0	(12,153)	
Total General Fund Balance	(85,928)	(61,054)	52,552	(94,430)	

General Fund Earmarked Reserves	Balance at 31 March 2024	Transfers in	Transfers Out	Balance at 31 March 2025	
DEM (Comm Centres)	(522)	0	2	(520)	community centre funds c/f
DEM (School Funds)	374		1,555	1,929	school funds c/f
Energy Efficiency Fund	(1,284)	(67)	333	(1,018)	funding for energy saving schemes
Bus Lane Enforcement	(4,198)	(3,769)	706	(7,261)	funding towards transport strategy
Service Concessions Reserve	(5,257)	(3,646)	3,646	(5,257)	funding set aside per Scottish Govt guidelines
Service Specific Funding	(10,397)	(1,855)	665	(11,587)	funding for service initiatives
2nd/Long Term Empty Homes	(7,613)	(2,033)	5,118	(4,528)	funding for affordable housing
De-risk the Council	(1,267)	(3,113)	1,059	(3,321)	funding to support Council guarantees
Transformation Fund	(3,199)	(123)	751	(2,571)	funding for Council transformation
ADM - Education	(366)	(157)	523	0	funding for education costs
Budgeted Use of Reserves	(3,241)	(1,059)	3,241	(1,059)	reserves to be used towards budget
Refugee Funding	(14,914)	(1,761)	31	(16,644)	funding/income for refugee costs
Resilience inc Covid Funding	(8,794)	(1,305)	4,669	(5,430)	funds set aside for financial recovery
Scottish Govt Funding c/f	(6,149)	(2,953)	1,279	(7,823)	funding for capital projects
JV Revaluation surplus	(15,450)	0	277	(15,173)	Incr/Decr in value of long term investment
Low Emission funding	0	(1,230)	0	(1,230)	funding for low emission strategy
Total General Fund Reserves	(82,277)	(23,071)	23,855	(81,493)	
Uncommitted General Fund balance	(12,153)	0	0	(12,153)	
Total General Fund Balance	(94,430)	(23,071)	23,855	(93,646)	

HRA Earmarked Reserves	Balance at 31 March 2024	Transfers in	Transfers Out	Balance at 31 March 2025	
<i>Projects:</i>					
Housing Repairs	(2,299)	(2,375)	2,299	(2,375)	repairs ordered prior to year end
House Sales - Non Right to buy	(308)			(308)	one off vacant properties sold on the open market
Support for budget 24/25	(3,161)		3,161	0	funds set aside for budget 24/25
Support for budget 25/26	0	(793)		(793)	funds set aside for budget 25/26
Total HRA Earmarked Reserves	(5,768)	(3,168)	5,460	(3,476)	
Uncommitted HRA balance	(8,421)	(1)	1,009	(7,413)	
Total HRA Balance	(14,189)	(3,169)	6,469	(10,889)	

Total Earmarked Reserves 2024/25	Balance at 31 March 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	Balance at 31 March 2024 £'000	Transfers In 2024/25 £'000	Transfers Out 2024/25 £'000	Balance at 31 March 2025 £'000
General Fund	(73,928)	(60,901)	52,552	(82,277)	(16,632)	21,224	(77,685)
HRA	(2,586)	(5,460)	2,278	(5,768)	(3,168)	5,460	(3,476)
				0			
Total Earmarked Reserves	(76,514)	(66,361)	54,830	(88,045)	(19,800)	26,684	(81,161)

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 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	Balance at 31 March 2024 £'000	Transfers In 2024/25 £'000	Transfers Out 2024/25 £'000	Balance at 31 March 2025 £'000	Purpose of the Earmarked Reserve
Capital	(27,269)	(9,320)	135	(36,454)	(9,712)	723	(45,443)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(2,031)	(1,119)	423	(2,727)	(1,409)	694	(3,442)	To meet the cost of uninsured claims
City Improvement	(335)	(18)	17	(336)	(16)	0	(352)	To meet the cost of carrying out improvements to the city as decided by the Council
Lord Byron	0	0	0	0	0	0	0	To meet the costs of maintaining Lord Byron's statue
Total Statutory and Other Funds	(29,635)	(10,457)	575	(39,517)	(11,137)	1,417	(49,237)	

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

Restated Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Restated Net Expenditure in the CIES £'000	Services	Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000
44,141	33,048	77,189	City Regeneration and Environment	53,625	43,691	97,316
58,412	42,142	100,554	Corporate Services	49,338	5,509	54,847
27,981	(6,895)	21,086	Corporate	6,976	(11,302)	(4,326)
119,494	1,718	121,212	Integration Joint Board	129,896	1,698	131,594
291,020	31,455	322,475	Families and Communities	325,702	31,053	356,755
(21,485)	77,910	56,425	Housing Revenue Account	(15,170)	123,136	107,966
519,563	179,378	698,941	Net Cost of Services	550,367	193,785	744,152
(512,745)	(85,695)	(598,440)	Other Income and Expenditure	(548,998)	(52,258)	(601,256)
6,818	93,683	100,501	(Surplus) or Deficit on Provision of Services	1,369	141,527	142,896
(101,643)			Opening General Fund and HRA Balance at 1 April 2024	(108,620)		
6,818			(Surplus)/deficit on General Fund and HRA Balance in Year	1,369		
(13,795)			To/From Other Statutory Reserves	2,716		
(108,620)			Closing General Fund and HRA Balance at 31 March 2025	(104,535)		

*2023/24 figures restated (see note 40)

Note 7. 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
City Regeneration and Environment	30,989	2,041	18	33,048
Corporate Services	41,333	1,829	(1,020)	42,142
Corporate	21	2,704	(9,620)	(6,895)
Integration Joint Board	427	1,198	93	1,718
Families and Communities	25,282	5,649	524	31,455
Housing Revenue Account	79,959	375	(2,424)	77,910
Net Cost of Services	178,011	13,796	(12,429)	179,378
Other Income and Expenditure from the Funding Analysis	(66,320)	(19,336)	(39)	(85,695)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 5)	111,691	(5,540)	(12,468)	93,683

Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2024/25

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000
City Regeneration and Environment	43,391	2,195	(1,895)	43,691
Corporate Services	3,589	1,991	(71)	5,509
Corporate	(91)	99	(11,310)	(11,302)
Integration Joint Board	426	1,316	(44)	1,698
Families and Communities	9,324	21,996	(267)	31,053
Housing Revenue Account	126,111	417	(3,392)	123,136
Net Cost of Services	182,750	28,014	(16,979)	193,785
Other Income and Expenditure from the Funding Analysis	(30,395)	(21,821)	(42)	(52,258)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 5)	152,355	6,193	(17,021)	141,527

8. Comprehensive Income & Expenditure Statement - Other Operating Expenditure

2023/24 £'000		2024/25 £'000
(911)	Gains on the disposal on non current assets	(273)
(911)	Total	(273)

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

2023/24 £'000		2024/25 £'000
74,194	Interest payable and similar charges	84,844
(19,336)	Pensions interest cost and expected return on pensions assets	(21,821)
(7,462)	Interest receivable and similar income	(2,023)
47,396	Total	61,000

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

2023/24 £'000		2024/25 £'000
(141,475)	Council Tax Income	(141,076)
(257,378)	Non domestic rates	(208,349)
(166,897)	Non ring-fenced government grants	(264,104)
(79,175)	Capital grants and contributions	(58,551)
0	Capital grants and receipts unapplied	10,097
(644,925)	Total	(661,983)

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 2024/25 the Scottish Government provided a temporary amendment to the current statutory accounting requirements for Capital Grant. The Council took the option to apply this additional flexibility to the treatment of its £9 million Capital Grant, as detailed in the Local Government finance circular 9/2024. This allowed local authorities to replace reserves held for capital investment purposes with this specific 2024-25 General Capital Grant funding, in order to allow those reserves to be used to fund the 2024-25 local government pay award.

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 2024 £'000		31 March 2025 £'000
(944,765)	Revaluation Reserve	(884,449)
(321,784)	Capital Adjustment Account	(210,013)
12,857	Financial Instruments Adjustment Account	12,418
53,754	Pensions Reserve	49,091
8,876	Accumulated Absences Account	9,154
(1,191,062)	Total	(1,023,799)

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.

2023/24			2024/25	
£'000	£'000		£'000	£'000
	(972,727)	Balance at 1 April		(944,765)
(48,999)		Upward revaluation of assets	(23,589)	
59,833		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	63,775	
	10,834	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		40,186
16,029		Difference between fair value depreciation and historical cost depreciation	17,061	
0		Accumulated gains on assets sold or scrapped	0	
	16,029			17,061
	1,099	Amounts written off to the Capital Adjustment Account		3,069
	(944,765)	Balance at 31 March		(884,449)

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.

2023/24		2024/25	
£'000		£'000	£'000
(413,305)	Balance at 1 April		(321,784)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
97,233	Charges for depreciation and impairment on non current assets	104,376	
81,324	Revaluation losses on Property, Plant and Equipment	89,747	
770	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	2,765	
179,327		196,888	
(17,129)	Adjusting amounts written out of the Revaluation Reserve	(20,129)	
162,198	Net written out amount of the cost of non current assets consumed in the year		176,759
	Capital financing applied in the year:		
309	Use of the Capital Receipts Reserve to finance new capital expenditure	344	
(79,176)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(58,552)	
(12,244)	Loans Fund principal repayments	(14,693)	
(31,112)	Capital expenditure charged against the General Fund and HRA balances	(2,564)	
(5,728)	PPP Liability/Finance Lease repayments	(4,741)	
(127,951)			(80,206)
18,949	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		12,134
39,426	Service Concession and Loans Fund Instalment		3,187
0	IFRS 16		(104)
(1,101)	Written off		1
(321,784)	Balance at 31 March	0	(210,013)

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.

2023/24			2024/25
£'000			£'000
13,295	Balance at 1 April		12,857
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
(40)	Long Term Borrowing – Stepped Loans	(42)	
(398)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)	
(438)	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		(439)
12,857	Balance at 31 March		12,418

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.

2023/24		2024/25
£'000		£'000
47,453	Balance at 1 April	53,754
11,841	Remeasurements of the net defined benefit liability	(697,947)
33,372	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	31,323
(38,912)	Employer's pensions contributions and direct payments to pensioners payable in the year	(25,130)
0	Asset Ceiling adjustment	687,091
53,754	Balance at 31 March	49,091

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.

2023/24		2024/25	
£'000		£'000	£'000
7,948	Balance at 1 April		8,876
(7,948)	Settlement or cancellation of accrual made at the end of the preceding year	(8,876)	
8,876	Amounts accrued at the end of the current year	9,154	
928	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		278
8,876	Balance at 31 March		9,154

14. Cash Flow Statement – Operating Activities

2023/24		2024/25
£'000		£'000
(100,500)	Net surplus or (deficit) on the provision of services ^	(142,896)
(100,500)		(142,896)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
97,233	Depreciation	104,376
100,273	Impairment, downward revaluations & non sale derecognitions	101,881
(632)	(Increase)/Decrease in Stock	1,047
(45,827)	(Increase)/Decrease in Debtors	(369,858)
(7,649)	Increase/(Decrease) in Creditors	413,940
(5,540)	Movement in Pension Liability	6,193
770	Carrying amount of non current assets sold	2,765
(1,106)	Contributions to Other Reserves/Provisions	(1,791)
0	Movement in value of investment properties	0
137,522		258,553
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(79,176)	Receipt of Capital Grants and Contributions	(58,552)
(1,681)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(3,039)
17,542	Bond Effective Interest Rate Adjustment	16,774
(63,315)		(44,817)
(26,293)	Net cash flows from operating activities	70,840

^ includes the following:

2023/24		2024/25
£'000		£'000
7,462	Interest receivable	2,023
(74,194)	Interest payable	(84,844)

15. Cash Flow Statement – Investing Activities

2023/24		2024/25
£'000		£'000
(232,245)	Purchase of property, plant and equipment, investment properties and heritage assets	(258,972)
(2,680)	Purchase/(Sale) of short term and long term investments	10,260
2,309	Proceeds from the sale of property, plant and equipment and investment properties	3,609
(629)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(571)
79,176	Capital grants and contributions received	58,552
(154,069)	Net cash flows from investing activities	(187,122)

16. Cash Flow Statement – Financing Activities

2023/24		2024/25
£'000		£'000
(37)	Other receipts from financing activities	(42)
(5,728)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(4,741)
0	Repayment of amounts borrowed	0
(17,542)	Bond Effective Interest Rate Adjustment	(16,774)
185,408	New borrowings	150,389
162,101	Net cash flows from financing activities	128,832

17. Cash Flow Statement – Cash and Cash Equivalents

31 March 2024		31 March 2025
£'000		£'000
24	Cash held by the Authority	0
57,793	Bank current accounts	70,367
57,817	Total cash and cash equivalents	70,367

18. 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 2024/25, £51.638m (2023/24, £46.546m) was collected as water and sewerage charges for all years. £50.735m (2023/24 £45.673m) of the amount collected was remitted to Scottish Water, with the Council retaining £0.903m (2023/24 £0.873m) as Commission fee.
- The Council Issued Ukrainian Grants on behalf of the Central Government during 24/25 to the value of £0.354m. (2023/24 £0.418m).

19. 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	2023/24 £'000	2024/25 £'000
Fees payable with regard to external audit services undertaken in accordance with the Code of Practice	542	537
Audit of financial statements of subsidiaries (Charitable Trusts) pursuant to legislation	10	10
Total	552	547

20. 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 2025 the Council's own contributions equate to approximately 2.9%.

In 2024/25, the council paid £26.085 million to the Scottish Government in respect of teachers' pension costs, which represents 26% of teachers' pensionable pay from 1 April 2024 to 31 March 2025. The figure for 2023/24 was £22.784 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 21. The Council is not liable to the scheme for any other entities' obligations under the plan.

21. 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 now 9 scheduled bodies, and these are:

Aberdeen City Council, Aberdeenshire Council, Moray Council, Scottish Water, Scottish Police Authority, North East Scotland College, Moray College, Grampian Valuation Joint Board and Nestrans. Scottish Fire and Rescue Service transferred out of the scheme in September 2024.

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	
	2023/24	2024/25	2023/24	2024/25
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	30,046	28,791	0	0
• administrative expenses	721			
• past service costs	17	345	0	0
• (gain)/loss from settlements	2,600	0	0	0
Financing and Investment Income and Expenditure				
• net interest expense	(20,248)	(22,686)	912	865
• interest on asset ceiling	19,324	24,008	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	32,460	30,458	912	865
<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)	(47,678)	(23,160)	0	0
• actuarial gains and losses arising on changes in demographic assumptions	(16,241)	16,759	(271)	155
• actuarial gains and losses arising on changes in financial assumptions	(20,135)	(150,710)	0	(1,048)
• change in effect of the asset ceiling	68,048	(513,972)	0	0
• other	57,205	(28,523)	116	2,552
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	73,659	(669,148)	757	2,524
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	(32,460)	(30,458)	(912)	(865)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	34,682	17,569	0	0
• retirement benefits payable to pensioners	2,539	5,812	1,691	1,749

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:

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The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total liability of £49.091 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 £687.091million. 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 2026 are £19.5 million.

Assets and liabilities in relation to post-employment benefits**Reconciliation of fair value of the scheme (plan) assets:**

	Total Assets: Local Government Pension Scheme £'000		Includes: Discretionary Benefits Arrangements £'000	
	2023/24	2024/25	2023/24	2024/25
Opening fair value of scheme assets	1,707,540	1,836,155	0	0
Interest income	81,954	89,506	0	0
Remeasurement gain/(loss):	0	0	0	0
· The return on plan assets, excluding the amount included in the net interest expense	47,678	23,160	0	0
· Other	(721)	0	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Business combinations	9,505	0	0	0
Contributions from employer	37,221	20,797	2,522	0
Contributions from employees into the scheme	10,774	11,150	0	0
Benefits paid	(57,796)	(48,584)	(2,522)	(2,584)
Other	0	0	0	0
Closing fair value of scheme assets	1,836,155	1,932,184	0	(2,584)
Effect of the Asset Ceiling	(52,136)	(687,091)	0	0
Adjusted Closing Fair Value of Scheme Assets	1,784,019	1,245,093	0	(2,584)
	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2023/24	2024/25		
Opening fair value of scheme assets	0	0		
Contributions from employer	1,691	1,749		
Benefits paid	(1,691)	(1,749)		
Closing fair value of scheme assets	0	0		

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £112.666 million (2023/24, £162.968m).

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation):	Total Liabilities: Local Government Pension Scheme £'000	
	2023/24	2024/25
Opening balance at 1 April	(1,332,949)	(1,381,427)
Current service cost	(30,046)	(28,791)
Interest cost	(62,989)	(66,820)
Contributions from scheme participants	(10,774)	(11,150)
Remeasurement (gains) and losses		
• Actuarial gains/losses arising from changes in demographic assumptions	16,725	(16,759)
• Actuarial gains/losses arising from changes in financial assumptions	20,466	150,710
• Other	(66,494)	28,523
Past service cost	(17)	(345)
Losses/(gains) on curtailment	(2,600)	0
Liabilities assumed on entity combinations	(8,303)	0
Benefits paid	60,318	51,168
Liabilities extinguished on settlements	0	0
Closing balance at 31 March	(1,416,663)	(1,274,891)

The Closing defined benefit obligation includes liabilities relating to discretionary benefits arrangements of £29.798 million (31 March 2024 £35.236 million)

IFRIC 14 Adjustment: The Asset Ceiling

	Local Government Pension Scheme £'000	
	2023/24	2024/25
Opening balance at 1 April	(402,592)	(454,728)
Effect of asset ceiling	(52,136)	(232,363)
Closing balance at 31 March	(454,728)	(687,091)

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000	
	2023/24	2024/25
Opening balance at 1 April	(19,452)	(18,518)
Interest cost	(912)	(865)
Remeasurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	271	(155)
• Actuarial gains/losses arising from changes in financial assumptions	0	1,048
• Other	(116)	(2,552)
Benefits paid	1,691	1,749
Closing balance at 31 March	(18,518)	(19,293)

Local Government Pension Scheme assets comprised:

	Fair Value of Asset Schemes 2023/24	%	Fair Value of Asset Schemes 2024/25	%		Fair Value of Asset Schemes 2023/24	%	Fair Value of Asset Schemes 2024/25
	£'000		£'000			£'000		£'000
Equity Securities:					(cont.)			
Consumer					Investment Funds and Unit Trusts:			
Manufacturing					Equities			
Energy and Utilities					Bonds			
Financial Institutions					Hedge Funds			230,896.0
Health and Care					Commodities			
Information Technology					Infrastructure	28,438.0	2%	157,086.6
Other	1,062,294.0	58%	1,063,860.5	56%	Other	148,595.0	8%	
Equity Securities Total	1,062,294.0		1,063,860.5		Investment Funds & Unit Trusts Total	177,033.0		387,982.6
Debt Securities:					Derivatives:			
Corporate Bonds (Investment Grade)					Inflation			
Corporate Bonds (Non Investment Grade)					Interest Rate			
UK Government	102,453.0	6%	122,693.7	6%	Foreign Exchange			
Other					Other			37,097.9
Debt Securities Total	102,453.0		122,693.7		Derivatives Total	0.0		37,097.9
Private Equity:					Cash and Cash Equivalents:			
All			162,690.0	8%	All	49,720.0	3%	43,474.1
Private Equity Total	0.0		162,690.0		TOTAL ASSETS	1,836,155.0	100%	1,932,184.1
Property:					Effect of the Asset Ceiling	(489,964)		(687,091)
UK Property	113,753.0	6%	114,385.3	6%		1,346,191.0		1,245,093.1
Overseas Property								
Property Total	113,753.0		114,385.3					
Private Equity								
UK & Global	330,902.0	18%						
Global								
Private Equity Total	330,902.0		0.0					

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 Hymans Robertson LLP, 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 2025.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2023/24	2024/25	2023/24	2024/25
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	20.7	20.9	20.7	20.9
Women	23.0	23.3	23.0	23.3
Longevity at 65 for future pensioners:				
Men	22.0	22.2	-	-
Women	24.8	25.1	-	-
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%	2.7%	2.8%	2.7%
Rate for discounting scheme liabilities	4.9%	5.5%	4.9%	5.5%

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
	2023/24	2024/25
Longevity (increase by 1 year in life expectancy)	95,876	50,996
Rate of inflation (increase by 0.25%)	115,442	20,855
Rate of increase in salaries (increase by 0.25%)	69,838	299
Rate for discounting scheme liabilities (increase by 0.5%)	(36,198)	(20,616)

22. 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 events after Balance Sheet date to report.

23. 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

	2024/25	2024/25	2024/25	2024/25	2023/24	2023/24	2023/24	2023/24
	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
Bon Accord Support Services	36,638	(2,029)	7,079	(1,554)	37,840	(756)	7,829	(2,173)
Common Good	0	(4,524)	865	0	54	(2,912)	865	(1,301)
Trust Funds	283	(46)	0	(5,340)	283	(46)	0	(5,340)
Sport Aberdeen	4,595	0	0	(3,995)	4,515	0	0	(5,160)
Aberdeen Heat & Power	3,835	(292)	0	(653)	3,499	-237	0	(395)
Aberdeen Sports Village	814	(1)	0	0	1,005	(6)	0	0
Aberdeen City Integration Joint Board	146,285	(186,891)	0	(144)	128,856	(176,516)	0	(144)
Grampian Valuation Joint Board	1774	0	70	(779)	1844	0	38	(865)

All of these bodies form part of the Council's group accounts which are set out on pages 163-181.

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.

	2024/25	2024/25	2024/25	2024/25	2023/24	2023/24	2023/24	2023/24
	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
NESTRANS	1,639	(1,585)	0	(1)	1,589	(1,864)	1,231	(1,223)
Scotland Excel	187	0	0	0	185	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)

	2024/25	2024/25	2024/25	2024/25	2023/24	2023/24	2023/24	2023/24
	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
Scottish Government	0	(472,453)	42,744	(22,144)	0	(424,275)	45,452	(17,713)

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:

	2024/25	2024/25	2024/25	2024/25	2023/24	2023/24	2023/24	2023/24
	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
NHS Bodies	1,018	(60)	18,090	(407)	1,685	(75)	795	(1,362)
Other Local Authorities	0	0	4,620	(8,892)	0	0	3,925	(6,489)
North East Pension Fund	6,114	-2,302	0	0	6,638	-2,233	0	0
Police Scotland	4	0	272	(281)	0	0	653	0
Scottish Fire & Rescue	0	0	0	0	0	0	0	0
Scottish Water	2,014	(8)	864	(119)	1,859	(11)	763	(118)
Transport Scotland	0	(43,389)	4,829	0	3,557	(44,307)	128	0
Department of Works & Pension	38	0	31	(732)	40	0	27	(299)
Scottish Qualifications Authority	726	0	0	0	730	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 2024/25, Aberdeen City Council made total payments of £6.6m to 22 bodies where members hold an interest. Payment to bodies where the total is in excess of £0.25m have been listed below:

	2024/25	2024/25	2024/25	2024/25	2023/24	2023/24	2023/24	2023/24
	Expenditure £000	Income £000	Debtor £000	Creditor £000	Expenditure £000	Income £000	Debtor £000	Creditor £000
Aberdeen Performing Arts	1,109	(58)	17	0	1,160	(48)	23	(4)
Aberdeen Inspired	808	(61)	0	(3)	192	(69)	0	0
Aberdeen Foyer	871	(29)	8	(3)	712	(32)	7	0
Citizens Advice Bureau	434	0	5	0	431	0	4	0
Middlefield Community Project	770	0	0	0	633	0	0	0
Robert Gordons College	488	(7)	2	0	429	(10)	(3)	0
University of Aberdeen	588	(97)	1	-1	349	(49)	1	1

24. LeasesCouncil as LesseeRight of Use Assets

The tables below show the change in the value of right-of-use assets held under leases by the Council:

Investment Property		
	2023/24	2024/25
	£'000	£'000
Balance at start of the year	-	-
Reclassifications and Transfers	-	45,200
Balance at end of the year	-	45,200

	Land and Building	Vehicles, Plant and Equipment	Total
	£'000	£'000	£'000
Cost or Valuation			
At 1 April 2024	2,441	2,672	5,113
Additions	-	310	310
Revaluation increases/(decreases)	2	17	19
Reclassifications and Transfers	29,539	-	29,539
At 31 March 2025	31,982	2,999	34,981
Accumulated Depreciation			
At 1 April 2024	-	-	-
Depreciation Charge	1,202	1,312	110
At 31 March 2025	1,202	1,312	110
Net Book Value			
At 31 March 2025	33,184	1,687	34,871
At 31 March 2024	2,441	2,672	5,113

Transactions under leases

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

	2023/24 £000	2024/25 £000
Comprehensive income and expenditure statement		
Interest expense on lease liabilities	-	5,544
Expense relating to short-term leases	-	146
Expense relating to exempt leases of low-value items	-	962
Cash flow statement		
Total cashflow for leases	(10)	8,708
Cash payments for interest portion of lease liabilities	-	5,549
Short term lease payments where exemptions taken	-	147
Low value lease payments where exemptions taken	-	1,050

Maturity analysis of lease liabilities

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

	2023/24 £000	2024/25 £000
Less than one year	-	7,094
One to five years	-	24,644
More than five years	-	134,690
Total undiscounted liabilities	-	166,428
Analysed by:		
Current	-	7,094
Non-current	-	159,334
	-	166,428

Council as Lessor

The Council leases out land and buildings for a variety of purposes. It also leases out hydrogen buses. The future minimum lease payments due under non-cancellable leases in future years are:

	Land and Buildings		Hydrogen Buses	
	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£'000	£'000	£'000	£'000
Less than one year	5,407	5,352	100	107
One to five years	16,560	15,892	178	50
More than 5 years	171,300	168,634	0	0
	193,267	189,878	278	158

25. Investment Properties

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:

	2023/24	2024/25
	£'000	£'000
Balance at start of the year	169,883	144,220
Additions	86	6
Disposals	(300)	0
Net gains/(losses) from fair value adjustments	(18,949)	(12,134)
Transfers:		
• (to)/from Right of Use Assets	0	(45,200)
• (to)/from Assets Held for Sale	(6,500)	0
Balance at end of the year	144,220	86,892

26. Heritage Assets

I Reconciliation of the Carrying Value of Heritage Assets held

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
Cost or valuation						
At 1 April 2023	608	1,708	17	197,090	300	199,723
Additions	0	0	0	43	0	43
Revaluations	0	240	0	267	0	507
At 31 March 2024	608	1,948	17	197,400	300	200,273
Cost or valuation						
At 1 April 2024	608	1,948	17	197,400	300	200,273
Additions	0	0	0	57	0	57
Revaluations	0	0	0	5,242	0	5,242
At 31 March 2025	608	1,948	17	202,699	300	205,572

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, and Numismatics

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.

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.

27. 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	50,211	203,437	695
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19,264	(54,891)	0		0	(3,393)	0	(39,020)	(4,583)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(58,167)	(52,699)	0		0	(3,410)	0	(114,276)	(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	1,019,795	1,245,607	77,539		52,973	5,527	72,963	2,474,404	191,462
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)	(34,641)	(7,884)		0	0	0	(82,913)	(3,920)
Depreciation written out to the Revaluation Reserve	14,129	13,549	0		0	0	0	27,678	6,344
Depreciation written out to the Surplus / Deficit on the Provision of Services	18,596	14,357	0		0	0	0	32,953	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	(16,493)	(56,393)	(39,849)		0	0	0	(112,735)	(6,078)
Net Book Value									
At 31 March 2024	1,003,302	1,189,214	37,690	291,398	52,973	5,527	72,963	2,653,067	185,384
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 71, the Council has chosen to adopt both Infrastructure Asset overrides for 2023/24 and 2024/25.

Property, Plant and Equipment

Movements in 2024/25:

	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 2024	1,019,795	1,245,607	77,539		52,973	5,527	72,963	2,474,404	191,462
Additions	115,079	38,187	27,601		1,747	0	48,257	230,871	340
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(80,168)	2,936	0		0	26	0	(77,206)	(1,376)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(94,570)	(12,947)	0		0	(328)	0	(107,845)	(709)
Derecognition – Disposals	0	0	(1,688)		0	(571)	0	(2,259)	0
Derecognition – Other	0	0	(3,488)		0	0	0	(3,488)	0
Reclassifications and Transfers	0	(29,539)	0		0	0	0	(29,539)	0
At 31 March 2025	960,136	1,244,244	99,964		54,720	4,654	121,220	2,484,938	189,717
Accumulated Depreciation and Impairment									
At 1 April 2024	(16,493)	(56,393)	(39,849)		0	0	0	(112,735)	(6,078)
Depreciation charge	(46,541)	(33,017)	(9,619)		0	0	0	(89,177)	(3,912)
Depreciation written out to the Revaluation Reserve	22,105	9,674	0		0	0	0	31,779	8,552
Depreciation written out to the Surplus / Deficit on the Provision of Services	14,999	3,097	0		0	0	0	18,096	970
Derecognition – Disposals	0	0	1,644		0	0	0	1,644	0
Derecognition – Other	0	0	3,488		0	0	0	3,488	0
Reclassifications and Transfers	0	(1,429)	0		0	0	0	(1,429)	0
At 31 March 2025	(25,930)	(78,068)	(44,336)		0	0	0	(148,334)	(468)
Net Book Value									
At 31 March 2025	934,206	1,166,176	55,628	304,238	54,720	4,654	121,220	2,640,842	189,249
At 31 March 2024	1,003,302	1,189,214	37,690	291,398	52,973	5,527	72,963	2,653,067	185,384

* As noted on page 71, the Council has chosen to adopt both Infrastructure Asset overrides for 2023/24 and 2024/25.

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 2025, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years. The major commitments amounting to £5 million or more are detailed below with equivalent figures provided for 31 March 2024.

Major Capital Contractual Commitments	As at 31 March 2024 £'000	As at 31 March 2025 £'000
Tillydrone Primary School (work commenced February 2023)	16,900	3,762
Energy from Waste (contract signed August 2019)	4,500	778
Aberdeen Hydrogen Hub (commitment agreed 11 July 2024)	0	11,792
City Centre Masterplan: Union Street Central (contract signed 19 August 2024)	0	15,162
Torry Primary School and Hub (work commenced April 2022)	351	0
Joint Integrated Mortuary (work commenced October 2022)	19,100	3,325
New Build Housing – Summerhill	827	0
New Build Housing – Cloverhill	71,432	42,427
New Build Housing - Craighill	25,058	19,580
New Build Housing - Kincorth	54,358	38,447
New Build Housing - Tillydrone	13,280	1,086
	205,806	136,359

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 Wylie, 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	157,921	0	55,628	304,238	54,720	0	121,220	693,727
Valued at fair value as at:								
31 March 2025	776,285	517,186	0	0	0	4,654	0	1,298,125
31 March 2024	0	24,891	0	0	0	0	0	24,891
31 March 2023	0	262,784	0	0	0	0	0	262,784
31 March 2022	0	361,315	0	0	0	0	0	361,315
31 March 2021	0	0	0	0	0	0	0	0
Total cost or valuation	934,206	1,166,176	55,628	304,238	54,720	4,654	121,220	2,640,842

* 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.

28. 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
	2023/24	2023/24	2023/24	2024/25	2024/25	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement	362,414	1,237,598	1,600,012	454,531	1,249,775	1,704,306
<i>Capital investment</i>						
Property, Plant and Equipment	119,903	112,214	232,117	115,079	143,830	258,909
Heritage Assets	0	43	43	0	57	57
Investment Properties	0	86	86	0	6	6
<i>Sources of finance</i>						
Capital receipts	(129)	(56)	(185)	(13)	(141)	(154)
Government grants and other contributions	(25,702)	(53,473)	(79,175)	(12,331)	(46,221)	(58,552)
Sums set aside from revenue:						
• Direct revenue contributions	494	0	494	498	0	498
• Capital expenditure charged against the General Fund and HRA balances	0	(31,113)	(31,113)	0	(2,564)	(2,564)
• Loans fund principal	(2,449)	(9,796)	(12,245)	(3,386)	(11,307)	(14,693)
• PPP liability/Finance Lease repayments	0	(5,728)	(5,728)	0	(4,741)	(4,741)
Closing Capital Financing Requirement	454,531	1,249,775	1,704,306	554,378	1,328,694	1,883,072
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	92,117	17,905	110,022	99,847	83,660	183,507
Assets acquired under PFI/PPP contracts	0	(5,728)	(5,728)	0	(4,741)	(4,741)
Increase/(decrease) in Capital Financing Requirement	92,117	12,177	104,294	99,847	78,919	178,766

29. 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 28.

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	10,824	1,336	5,809	17,968	664	1,431	1,833	3,928	11,487	2,767	7,642	21,896
Payable within two to five years	28,845	18,283	22,712	69,840	3,458	5,890	6,603	15,951	32,303	24,173	29,316	85,791
Payable within six to ten years	53,243	27,530	23,754	104,527	5,035	8,985	6,503	20,523	58,278	36,515	30,257	125,050
Payable within eleven to fifteen years	36,826	32,408	15,226	84,460	5,498	11,746	4,008	21,252	42,324	44,154	19,234	105,712
Payable within sixteen to twenty years	0	0	0	0	4,365	8,789	915	14,070	4,365	8,789	915	14,070
Payable within twenty one to twenty five years	0	0	0	0	0	0	0	0	0	0	0	0
Total	129,738	79,557	67,501	276,795	19,020	36,841	19,862	75,724	148,758	116,398	87,363	352,519

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:

	2023/24	2024/25
	£'000	£'000
Balance outstanding at start of year	126,038	120,706
Payments during year	(5,332)	(4,308)
Balance outstanding at end of year	120,706	116,398

30. Assets Held for Sale

	2023/24	2024/25
	£'000	£'000
Balance outstanding at start of year	3,150	9,650
Revaluation gains and (losses)	0	0
Disposals	0	(2,150)
Reclassifications and transfers	6,500	0
Balance outstanding at end of year	9,650	7,500

31. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work in Progress		Property Acquired or Constuctured for Sale		TOTAL	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	4,306	4,931	6	12	0	0	4,312	4,943
Purchases	23,453	21,234	44,605	40,405	0	0	68,058	61,639
Recognised as an expense in the year	(22,828)	(21,640)	(44,599)	(40,405)	0	0	(67,427)	(62,045)
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	4,931	4,525	12	12	0	0	4,943	4,537

32. Short Term Debtors

	31 MARCH 2024 £'000	31 MARCH 2025 £'000
Central government bodies	45,452	42,744
Other local authorities	3,925	4,620
NHS bodies	795	18,090
Public corporations and trading funds	5,418	384,475
Other entities and individuals	226,811	206,678
Gross Total	282,401	656,607
Deduct: Provision for Impairment	(90,258)	(94,459)
Net Total	192,143	562,148

33. Short Term Creditors

	31 MARCH 2024 £'000	31 MARCH 2025 £'000
Central government bodies	(10,050)	(12,348)
Other local authorities	(477)	(3,152)
NHS bodies	(1,362)	(407)
Public corporations and trading funds	(1,465)	(2,667)
Other entities and individuals	(133,732)	(536,512)
Total	(147,086)	(555,086)

34. Provisions

	Note 1	Note 2	Note 3	Note 4	
2024/25	Compensation Payments - Equal Pay & VS/ER £'000	Property - Asset Management £'000	Contractual Obligations £'000	Other £'000	TOTAL £'000
Balance at 1 April 2024	(1,484)	(350)	(3,224)	(2,276)	(7,334)
Additional provisions made in 2024/25	(254)	(3,115)	0	(28)	(3,397)
Amounts used in 2024/25	999	0	2,446	1,702	5,147
Unused amounts reversed in 2024/25					0
Balance at 31 March 2025	(739)	(3,465)	(778)	(602)	(5,584)
<i>Represented by:</i>					
Current provisions	(739)	(2,220)	(778)	(602)	(4,339)
Long term provisions	0	(1,245)	0	0	(1,245)

Notes on Provisions

1. Compensation Payments – Voluntary Severance/Early Retirement costs- £0.739 million

This provision is for future severance costs. £1 m of this was used in 24/25 and an additional provision of £0.25m has been added for 25/26.

2. Property-Asset Management - £3.465 million

- 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. An additional £0.065m has been added for 25/26.

Provisions are also held for a number of surplus properties where costs are anticipated and estimated in relation to disposal.

- Asset Demolition - £3.050 million - This provision relates to assets that have been declared vacant and surplus. Estates team have confirmed demolition is the best course of action. Asset Management Team recommend demolition based on health & safety grounds. Demolition is expected to take place during 25/26 and 26/27.

3. Contractual Obligations - £0.778 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 2025/26.

4. Other - £0.6 million

- 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.

- Factoring Response Repair Fund - £0.063 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 - £0.508 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.

35. **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 2025 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 Altens 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 and cost of these.

The Energy from Waste (EfW) facility at Ness formally moved into operation on 12 December 2023 and will run for 20 years. The Council was the lead partner in a project carried out in collaboration with Aberdeenshire and Moray Councils, to procure an EfW facility that will deal with all residual waste from the three authorities.

Litigation in connection with the above

There are currently no outstanding adjudication/litigation actions following settlement of recent adjudications.

Decommissioning costs

The inter-authority agreement covering the EfW plant states that the parties will share any decommissioning costs not taken by the contractor at the end of the project in accordance with their project share percentages. The Council is currently seeking specialists to provide a valuation for these costs which will result in a future financial liability.

- **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. Continued 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.

Now, more recently, there is the potential escalation of a global trade war. It is too early to determine what the impact will be, but if it should continue, the impact will be far reaching.

- **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 ongoing. This appraisal will consider mitigation options such as remedial works or demolition. At a meeting of Council on 21 August 2024, demolition followed by a rebuilding programme was approved as the preferred option. Communities, Housing and Public Protection Committee on 11 March 2025 approved the indicative demolition proposals and sequence of phasing, noting that only vacant terraces/blocks will be demolished. In addition there will be a further report back to Committee on the outcomes of the viability of the alternative options presented by the Torry RAAC Campaign Group Management Committee and landscaping of the site. The financial liability is 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 opened on 8 December 2021 to provide financial and non-financial redress to survivors of historical child abuse in care in Scotland. Fair and meaningful financial contributions are made from organisations historically involved in the care of children. The local government contribution is made on the basis that payments are made to survivors who enter into a waiver which means that litigation cannot then be pursued as a separate matter. The scheme is delivered by Redress Scotland and the Scottish Government (SG). Following negotiation between the COSLA Resources Spokesperson and the now First Minister Mr Swinney MSP, in October 2021 Leaders agreed Local Authorities will contribute £100m to the cost of the Redress Scheme over a 10-year period.

Civil Litigation claims continue, both as lead authority to 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 these 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.

- **Litigation against APSE (Association for Public Sector Excellence) -**

This Council is a member of APSE. Thurrock Council has raised a Court action against 23 member Councils seeking damages in respect of their reliance on APSE advice which they say led to significant losses. Whilst no Scottish Councils are involved in the Court Action there is a potential risk that all Members will become involved in the dispute with a potential liability per Council of up to £200,000. The court case against the 23 Councils has been stayed (suspended) pending the outcome of a separate case. This has withdrawn any immediacy of any litigation risk against other APSE members.

- **Litigation in connection with an Experimental Traffic Regulation Order**

A statutory appeal has been raised against the Council in connection with an Experimental Traffic Regulation Order being made permanent. Having taken preliminary advice from Senior Counsel the Council is comfortable with its interpretation of the legislation, however if the Council is unsuccessful in defending the statutory appeal, repayment of fines seems a low likelihood, but this would have a high impact if required.

36. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

<u>Grant Income</u>					
			2023/24		2024/25
			£'000		£'000
Credited to Taxation and Non Specific Grant Income					
Total revenue Funding Grant			424,275		472,453
			424,275		472,453

		2023/24		2024/25
		£'000		£'000
Credited to Services				
	Department of Work and Pensions			
	Housing Benefit Grant	35,446		33,364
	Housing Benefit Admin Grant	586		604
	National Health Service			
	Integrated care funding	37,869		48,142
	Other	4		-
	Other Local Authorities			
	Western Peripheral Route Works	2,049		-
	Scottish Government			
	S27 Community Justice Grant	5,925		6,385
	Pupil Equity Fund	3,446		2,916
	Scotland's Schools for the Future Design, Build, Finance, Maintain Projects (Lochside Academy)	2,734		2,735
	HEEPS - Home Insulation	1,424		2,394
	No-One-Left Behind / Long term unemployed	1,246		2,361
	Strategic Equity Fund	472		971
	Attainment Challenge	396		583
	Mental Health & Wellbeing Framework	577		571
	Under 5's Healthy Snack & Milk	534		570
	Paths For All	0		411
	School Meal Debt	-		390
	Bairns Hoose Pathfinder	147		384
	Ukrainian Welcome Hub	245		110
	Education Maintenance	242		235
	Electric Vehicles	250		23
	Parental Employability Support	550		724
	ELC Expansion	19,935		-
	Employability Funding	500		-
	Young Person's Guarantee	488		-
	Ukrainian Refugee Education	391		-
	Pay Award Funding	350		-
	Other	684	*	925
Balance to Carry Forward		116,489		104,498

			2023/24		2024/25
			£'000		£'000
Balance Brought Forward			116,489		104,498
	UK Government				
		Ukrainian Integration Support	786		1,512
		Ukrainian Sponsorship	417		354
		Shared Prosperity Fund	374		5,434
		Afghan Bridging Accommodation	279		100
		Other	282		(104)
	Home Office Unaccompanied Asylum Seeking Children		779		1,023
	National Institute for Health & Care		738		883
	Creative Scotland		100		296
	Sport Scotland		650		668
	Transport Scotland				
		Western Peripheral Route Works	40,735		44,781
		De-Trunking AWPR	0		2953
		Other	40		107
	Other		487	**	522
Total			162,156		163,327
					635,780
* 2023/24 'Scottish Government Other' has been restated as Bairns Hoose Pathfinder has been identified separately in 24/25.					
** 2023/24 'Other' has been restated as Creative Scotland has been identified separately and EU funding included in 24/25.					

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:

	2023/24 £000	2024/25 £000
Revenue Grants - Receipts in Advance		
ADEPT Liverpool Live Labs	0	249
Creative Scotland - Place Partnership	96	0
EU - HECTOR	167	170
EU - Hytrec	863	0
EU - Jive	0	809
EU - Pedelecs H2 Bikes	47	0
Home Office UASYP	56	857
Scottish Government - Air Quality Control	59	8
Scottish Government - Bairn's Hoose	15	0
Scottish Government - Care Experienced & Young People	606	406
Scottish Government - Covid Recovery	7	0
Scottish Government - Delivery Equally Safe	70	60
Scottish Government - Electric Vehicle Infrastructure	0	35
UK Government -Health Dept HDRC	0	212
Scottish Government - Green Growth Accelerator	95	95
Scottish Government - Library Improvement Fund	16	1
Scottish Government - No One Left Behind	26	0
Scottish Government - PEF Funding	4	185
Scottish Government - Road Assessment/Parking Prohibitions	70	0
Scottish Government - Skills Fund	97	0
Scottish Government - Strategic Equity Fund	97	108
UK Government - H2 Twin Cities	20	20
UK Government - UK Shared Prosperity Fund	2548	109
Other - Various	82	238
Total	4,944	3,562
Capital Grant - Receipts in Advance		
Cycling Scotland - Cycle Lockers	120	49
LTA Trust - Ruthieston Outdoor Centre	0	2
Scottish Government Denburn Restoration	6	250
Scottish Government Low Emissions Zone	170	0
Scottish Government Place Based Funding	193	232
Scottish Government Inchgarth Community Centre	0	1456
Transport Scotland 20mph Implementation	0	462
UK Government - Levelling UP - Union Street	0	5721
Total	489	8,172

37. 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 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000
Investments				
Loans and receivables	0		10,035	52
Interest in group entities	32,453	32,176	0	0
Total investments	32,453	32,176	10,035	52
Debtors				
Loans and receivables	457	421	0	
Financial assets carried at contract amount	0		192,143	562,148
Total debtors	457	421	192,143	562,148
Borrowings				
Financial liabilities at amortised cost	(1,146,348)	(1,267,190)	(409,806)	(439,352)
Total borrowings	(1,146,348)	(1,267,190)	(409,806)	(439,352)
Other Long term Liabilities				
PPP liabilities	(116,398)	(113,631)	(4,308)	(2,767)
Total other long term liabilities	(116,398)	(113,631)	(4,308)	(2,767)
Creditors				
Financial liabilities carried at contract amount	0	0	(147,086)	(555,086)
Total creditors	0	0	(147,086)	(555,086)

Note:

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 £25.9m 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)	2023/24			2024/25		
	Financial Liabilities Measured at amortised cost £'000	Financial Assets Loans and receivables £'000	Total £'000	Financial Liabilities Measured at amortised cost £'000	Financial Assets Loans and receivables £'000	Total £'000
Interest expense	(74,194)	0	(74,194)	(84,844)		(84,844)
Total expense in Surplus or (Deficit) on the Provision of Services	(74,194)	0	(74,194)	(84,844)	0	(84,844)
Interest income	0	7,462	7,462		2,023	2,023
Total income in Surplus or (Deficit) on the Provision of Services	0	7,462	7,462	0	2,023	2,023
Net Interest	(74,194)	7,462	(66,732)	(84,844)	2,023	(82,821)

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	2023/24				2024/25			
	Classification		Treatment		Classification		Treatment	
	Total	Fair Value through Profit and Loss	Total Impairment Allowance	Adjustment through Profit and Loss	Total	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	38,910		117		25,127		110	
Interest in Group Entity		30,953		(4,234)		30,675		277

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 2025 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.

Fair Value of Liabilities	31 March 2024					31 March 2025			
	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
PWLB – maturity	(609,434)	(7,822)	(617,256)	(558,911)	(484,732)	(729,434)	(10,017)	(739,451)	**
LOBOs	(93,893)	(716)	(94,609)	(105,315)	(85,728)	(93,893)	(705)	(94,598)	**
Bond Issuance	(321,053)	(1,415)	(322,468)	(307,407)	(300,338)	(310,504)	(1,412)	(311,916)	**
Bond EIR	(94,644)	0	(94,644)	(94,644)	(94,644)	(107,556)	0	(107,556)	(107,556)
Bond Premium	(35,147)	0	(35,147)	(35,147)	(35,147)	(33,545)	0	(33,545)	(33,545)
Transfer Interest to Short Term in line with Code requirements		9,953	9,953				12,134	12,134	
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements			10,549					10,560	
Financial Instrument Adjustments			(2,727)					(2,818)	
Total Long Term Borrowing	(1,154,170)	0	(1,146,348)	(1,101,424)	(1,000,589)	(1,274,932)	0	(1,267,190)	(141,101)
Short term borrowing	(381,086)	(6,012)	(387,098)	(363,389)	(363,389)	(408,815)	(5,740)	(414,555)	(390,225)
Transfer Interest from Long Term in line with Code requirements		(12,159)	(12,159)				(14,237)	(14,237)	
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements			(10,549)					(10,560)	
Total Short Term Borrowing	(381,086)	(18,171)	(409,806)	(363,389)	(363,389)	(408,815)	(19,977)	(439,352)	(390,225)

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 2024) arising from a commitment to pay interest to lenders above current market rates.

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 data not yet available

Fair Value of Assets	31 March 2024				31 March 2025			
	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	38,350	55	38,405	38,405	24,600	11	24,611	24,600

The above deposits are shown within Cash and Cash Equivalents and Short-Term Investments in the Balance Sheet.

38. 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 £24.6m 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 2025 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 2024 £'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)
0	Deposits with banks and building societies	24,611	0	0	0
1,343	Customers	50,554	1.44%	1.44%	728
1,343					728

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 £50.6m is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk B	31 March 2024 £'000	31 March 2025 £'000
Less than three months	13,577	13,032
Three to six months	1,610	3,357
Six months to one year	2,697	2,146
More than one year	35,613	32,019
	53,497	50,554

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 2024	31 March 2025
	£'000	£'000
Less than one year	412,533	442,170
Between one and two years	10,560	50,575
Between two and five years	41,750	141,787
Between five and ten years	133,150	113,199
More than ten years	958,161	958,811
	1,556,154	1,706,542

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.

£310.5 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 £4.6 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 2025, 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	446
Impact on Surplus or Deficit on the Provision of Services	(7)
Share of overall impact debited to the HRA	(2)
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)	**
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	N/A

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

** Fair Value data not yet available

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.

39. Low Emission Zone Statement of Account

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 were not fined for entering the LEZ with a non-compliant vehicle. Enforcement of the LEZ started on Saturday 1 June 2024. All costs incurred to date were incurred as a result of planning, designing and implementing the LEZ. These were funded by various grants as detailed below.

The Aberdeen City LEZ was introduced to address air pollution in the city centre, mainly nitrogen dioxide (NO₂), caused by road traffic. An LEZ is an area where only certain vehicles are allowed to enter based on their emissions standards. Low emission zones have now been 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](#).

Expenditure	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£	£	£
Planning	4,722.18	211,592.80	231,753.16	104,324.77	56,088.00	51,732.00	2,600.00
Procurement				547,990.00		40,015.80	
Promotion			242.00	21,663.65		61,310.10	25,744.58
Implementation						67,327.25	136,942.95
Maintenance						130,644.00	
Operational Costs							212,905.00
TOTAL	4,722.18	211,592.80	231,995.16	673,978.42	56,088.00	351,029.15	378,192.53

Income	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£	£	£
CIVITAS PORTIS	4,722.18	19,939.00	14,881.54				
Transport Scotland (LEZ) Revenue		191,653.80	151,389.02	114,231.90		351,029.15	89,045.20
Nestrans			65,724.60	2,756.52			
Scottish Government (Air Quality)				9,000.00	56,088.00		
Transport Scotland (LEZ) Capital				547,990.00			149,540.17
PCN Income							1,386,025.08
	4,722.18	211,592.80	231,995.16	673,978.42	56,088.00	351,029.15	1,624,610.45

40. Restatement of the Comprehensive Income & Expenditure Statement (CIES)

The CIES has been restated to reflect changes that were made to the Council's structure during 2024/25.

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 2024/25, the average interest rates were 4.17% for capital (2023/24, 3.84%), 4.90% for revenue advances (2023/24, 4.98%) and 0.03% for expenses (2023/24, 0.03%) 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

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
General Fund	538,587	667,392	804,437	912,588	939,559	1,008,826	1,085,573	1,100,117	1,199,586
Trading Operations	19,207	15,107	13,083	14,621	14,678	16,071	16,831	16,443	0
Housing Revenue Account	189,118	187,479	202,165	220,468	198,172	248,946	321,822	411,503	517,422
Total	746,912	869,978	1,019,685	1,147,677	1,152,409	1,273,843	1,424,226	1,528,063	1,717,008

Note:-

The Scottish Government issued a financial flexibility that allowed the deferral of the debt repayment instalment for one year. The Council took up this option for 2022/23 and deferred the 2022/23 debt instalment of £9.2m. This will be repaid over 20 years at a rate of £0.46m per annum.

Loans Fund			Loans Fund		
Revenue Account			Balance Sheet as at 31 March		
2023/24 £'000		2024/25 £'000	2023/24 £'000		2024/25 £'000
	Expenditure			Assets	
57,789	Interest paid to External Bodies	65,467		Advances to:	
2,555	Interest paid to Other Council Accounts	4,180	110,021	Aberdeen City Council for Capital Expenditure	183,508
470	General Expenses	552	0	Other Bodies	
60,814		70,199	(398)	Rescheduled Premiums	(397)
	Income		109,623		183,111
	Interest & Expenses charged to Aberdeen City Council			Current Assets	
(42,940)	General Fund	(48,568)	38,350	Temporary Investments	24,600
(13,996)	Housing Revenue Account	(19,344)	55	Sundry Debtors	11
(661)	Trading Operations	0	(1,277)	Bank	3,268
(3,217)	From Temporary Investments	(2,287)	146,751		210,990
(60,814)		(70,199)		Less: Current Liabilities	
			(1,379,136)	Temporary Advances from Council Services	(1,464,572)
			14,337	Sundry Creditors	16,203
			(1,364,799)		(1,448,369)
			1,511,550	Net Assets	1,659,359
				Financed by:	
			(609,434)	Public Works Loan Board	(729,434)
			(93,893)	Market Loans	(93,893)
			(321,053)	Negotiable Bonds	(310,504)
			(35,147)	Bond Premium	(33,545)
			(94,644)	Bond EIR	(107,556)
			(2)	Stock Issue & Gas Annuities	(2)
			(357,377)	Temporary Loans	(384,425)
			(1,511,550)		(1,659,359)

The unaudited financial statements were issued on 8 May 2025.

Jonathan Belford, CPFA
Chief Officer – Finance
8 May 2025

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

2023/24		2024/25	
£'000		£'000	£'000
	Income		
(97,369)	Dwelling Rents	(104,292)	
(2,689)	Non Dwelling Rents	(2,604)	
(3,394)	Other Income	(2,980)	
(103,452)			(109,876)
	Expenditure		
8,582	Staff Costs	8,152	
8,582			8,152
	Premises Costs:		
34,664	Repairs and Maintenance	44,687	
3,883	Maintenance of amenity areas	3,965	
3,277	Bad debts written off/provisions	3,045	
8,696	Loss of rent vacant periods	9,343	
4,347	Other costs	4,996	
54,867			66,036
	Administration Costs:		
7,433	Management and Administration	7,725	
1,026	Other Costs	952	
8,459			8,677
	Supplies and Services:		
6,823	Communal Lighting and Heating, etc	7,667	
236	Information Technology	260	
289	Other Costs	273	
7,348			8,200

2023/24		2024/25	
£'000		£'000	£'000
	Agencies:		
138	Contributions	141	
266	Tenant's Participation/Helplines	272	
404			413
	Capital Charges:		
40,388	Depreciation	46,541	
39,571	Impairment of Non Current Assets	79,570	
79,959			126,111
159,620	Gross Expenditure		217,589
	Net Cost of HRA Services per Council's		
56,168	Comprehensive Income and Expenditure Statement		107,713
257	Corporate and Democratic Core	252	
			252
56,425	Net Cost of HRA Services		107,965
364	(Gain)/Loss on Sale of HRA Non Current Assets	484	
13,994	Interest payable and similar charges	19,344	
(170)	Interest and investment income	(1,173)	
(472)	Pensions interest and return on assets	(532)	
(17,179)	Non Specific Grant Income/Contributions (Affordable	(12,331)	
52,962	(Surplus)/deficit for the year on HRA Services		113,757

Movement on the Housing Revenue Account Statement

2023/24		2024/25
£'000		£'000
0	Transfer to/(from) the General Fund	300
0	Total	300

Housing Revenue Account Disclosures**1. Adjustments between Accounting Basis and Funding Basis under Statute**

2023/24	Notes	2024/25
£'000		£'000
129	Gain or (loss) on sale of HRA non-current assets	13
0	Capital expenditure funded by the HRA	0
(494)	Transfer to/from the Capital Adjustment Account	(498)
(79,959)	Depreciation and Impairment	(126,111)
17,179	Capital Grants and Contributions	12,331
2,449	Repayment of Debt	3,386
99	HRA share of contributions to or from the Pensions Reserve	115
(24)	Adjustment involving the Accumulated Absences Account	6
(3)		0
(60,624)		(110,757)

2. Transfers (to) or from Reserves

2023/24	Notes	2024/25
£'000		£'000
(15,715)	Balance on HRA at start of the year	(14,190)
52,962	(Surplus) or deficit for the year on HRA Income & expenditure statement	113,757
(60,624)	Adjustments between Accounting Basis and Funding Basis under statute	(110,757)
(7,662)	Net (Increase)/Decrease before transfers to/(from) Reserves	3,001
9,187	Transfers to/(from) Reserves	300
1,525		3,301
(14,190)	(Increase) or Decrease in year on HRA	(10,889)

3. Housing Stock

The Council's housing stock at 31 March 2025 was 23,550 (23,258 at 31 March 2024) in the following categories:

2023/24		2024/25
Number		Number
	Type of Property	
1,981	Sheltered Property	1,974
4,243	Cottage	4,368
9,911	Flat	10,008
2,161	Four in Block	2,178
572	Masionette	572
2,237	Multi Storey Flat	2,245
130	Split Level Flat	131
445	Multi Storey Maisonette	450
1,578	Amenity	1,624
23,258	Total	23,550
* Includes 494 for Homeless, 500 Ukrainian		
& 411 off the charge		
	Other Assets	
1	Hostel	1
241	Garage Sites	241
2,023	Lock Up Garages	2,022
907	Parking Spaces	907
21	Travelling Peoples Sites	21
3,193		3,192

4. Rent Arrears

2023/24		2024/25
£'000		£'000
12,552	Current Tenant Arrears	11,309
7,114	Former Tenant Arrears	6,105
19,666	Total Rent Arrears	17,414

5. Impairment of Debtors

In 2024/25 an impairment of £16,451,000 has been provided in the Balance Sheet for irrecoverable rents, an reduction of £1,959,000 from the provision in 2023/24.

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 2024/25, 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 (54.5 pence) and £100,000 (55.9 pence) respectively. In 2023/24, 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.

2023/24		2024/25	
£'000		£'000	£'000
(249,170)	Gross Rates Levied and Contributions in Lieu	(257,107)	(257,107)
	<i>Deduct:</i>		
34,845	Reliefs, remissions, etc.		31,115
	Payment of Interest		
16,304	Write off of uncollectable debts and allowances for impairment		15,631
(198,021)	Net Non Domestic Rate Income		(210,361)
12,415	Adjustment to previous years' National Non Domestic Rates		12,508
(185,606)	Contribution to Non Domestic Rate Pool		(197,853)
(257,797)	Distribution from Non Domestic Rate Pool		(208,768)
	<i>Less:</i>		
418	Charity Relief adjustment		418
(257,379)	Income credited to the Comprehensive Income and Expenditure Statement		(208,350)

Category	Number of Subjects	Rateable Value at 1 April 2025 £'000
Shops	2,176	81,435
Public Houses	155	7,817
Offices Including Banks	3,003	123,007
Hotels etc.	121	14,689
Industrial Factories, Warehouses, Stores	1,968	116,479
Leisure Entertainment, Caravans, Hol.Sites	353	19,145
Garages and Petrol Stations	187	4,262
Cultural	14	1,360
Sporting Subjects	99	1,523
Education & Training	160	34,830
Public Service Subjects	200	17,564
Communications (non Formula)	28	1,896
Quarries, Mines etc	8	221
Petrochemical	2	812
Religious	141	3,848
Health Medical	135	14,000
Other	985	10,761
Care Facilities	113	6,077
Advertising	81	535
Undertaking	22	9,759
Total Non Domestic Rates Subjects	9,951	470,020

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 2024/25, 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

2023/24			2024/25
£000			£000
191,596	Gross Assessments		193,898
980	Net band adjustments		1,283
192,576	Council Tax Collectable		195,181
	Deduct:		
15,564	Exemptions		15,443
97	Disabled relief		97
18,208	Discounts		18,652
7,157	Provision for non-collection		7,026
12,326	Council Tax Reduction		12,628
43	Write Offs		46
70	Other		138
139,110			141,153
	Add:		
1,716	Statutory Additions		1,783
648	Prior Year Adjustments		173
141,475	Net Council Tax Income Transferred to General Fund for the Year		143,109

The calculation of the Council Tax Base 2023/24:

2024/25 Council Tax Base

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)			(3)			(3) 200/360	2
Band A	24,812	(4,885)	(20)	(3,153)	(533)	16,221 240/360	10,494
Band B	29,036	(2,412)	(24)	(3,688)	(414)	22,498 280/360	17,154
Band C	20,297	(1,317)	(30)	(2,120)	(191)	16,640 320/360	14,652
Band D	17,623	(1,765)	(43)	(1,787)	(190)	13,839 360/360	13,704
Band E	15,869	(524)	(35)	(1,325)	(127)	13,859 473/360	18,100
Band F	9,312	(195)	(35)	(585)	(64)	8,433 585/360	13,699
band G	8,404	(110)	(3)	(374)	(46)	7,871 705/360	15,285
Band H	1,127	(16)	0	(38)	(15)	1,059 882/360	2,663
Total							105,752
Council Tax Reduction							(12,628)
Contribution en lieu							
Prov for Bad Debts (2.5%)							(2,644)
Council Tax Base							90,481


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 2024/25 was £1,489.55 (2023/24, £1,489.55)

£ 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 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)
Movement in Reserves during 2024/25			0
(Surplus) or Deficit on provision of services	(2,434)	0	(2,434)
(Surplus) or Deficit on revaluation of investment property	11,289	0	11,289
Total Comprehensive Expenditure and Income	8,855	0	8,855
Balance at 31 March 2025	(109,254) 	(68)	(109,322)

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

2023/24 Net (Income) Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	2024/25 Net (Income) Expenditure £'000
742 Grants & Contributions to External Organisations	1,403		1,403
69 External Organisations Rents	111		111
643 Promoting Aberdeen	562		562
1,375 Grants/Services Provided by Aberdeen City Council	1,633		1,633
1,089 Civic Service Funding	1,211	(18)	1,193
69 Duthie Park HLF	74		74
825 Specific Projects	225	0	225
10 Earmarked Reserves	25		25
4,822 Cost Of Services	5,244	(18)	5,226
(3,245) Sales Income			(4)
55 Cost of Sales			(2,880)
(3,190) Other Operating Income/Expenditure			(2,884)
(6,437) Financing and Investment Income and Expenditure			(4,776)
(4,805) (Surplus) or Deficit on Provision of Services			(2,434)
6,256 (Surplus) or Deficit on revaluation of investment property			11,289
1,451 Total Comprehensive Income and Expenditure			8,855

Balance Sheet

31 March 2024 £'000		31 March 2025 £'000
23,945	Long Term Investments	23,440
75,975	Investment Property	61,762
99,920	Long Term Assets	85,202
0	Finance Leases	4,783
0	Long Term Debtors	4,783
18,442	Investments in Aberdeen City Council Loans Fund	18,916
0	Investment Property Held for Sale	1,030
441	Short Term Debtors	453
18,883	Current Assets	20,399
(626)	Short Term Creditors	(1,062)
(626)	Current Liabilities	(1,062)
118,177	Net Assets	109,322
(118,109)	Common Good Fund	(109,254)
(68)	Reserve Fund	(68)
(118,177)	Total Reserves	(109,322)

The unaudited financial statements were issued on 8 May 2025.

Jonathan Belford, CPFA
Chief Officer – Finance
8 May 2025

The property portfolio was valued internally by Deborah Wyllie, 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 Chief Officer - 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 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 2024 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2025 £'000
Charity						
EEIF	(315)	-	(3)	(10)	19	(309)
Guildry	(2,796)	-	(61)	(107)	46	(2,918)
Bridge of Don	(1,312)	-	(46)	(45)	2	(1,401)
Alexander MacDonald Bequest	(31)	-	-	(2)	-	(33)
Aberdeen Art Gallery Trust	(398)	-	-	17	(23)	(404)
Lands of Skene	(1,145)	-	(46)	(145)	145	(1,191)
Lands of Torry	(1,456)	-	260	(208)	208	(1,196)
McBey Trust	(531)	-	-	(29)	28	(532)
Total - Charitable Trusts	(7,984)	-	104	(529)	425	(7,984)
Non Charity	Balance as at 31 March 2024 £'000		Revaluation of Investments	Income	Expenditure	Balance as at 31 March 2025 £'000
Educational Trusts	(1,419)	-	250	(90)	90	(1,169)
Endowment Funds						
- Educational	(995)	-	(10)	(34)	-	(1,039)
- Social Work	(427)	-	(4)	(14)	5	(440)
Arts & Heritage	(52)	-	-	(3)	2	(53)
Graveyards	(11)	-	-	(1)	2	(10)
Monuments	(8)	-	-	-	-	(8)
John Rickart	(56)	-	-	(3)	0	(59)
McBey Trust	(2)	-	-	-	0	(2)
Glover House Ltd	-	-	-	-	0	-
Aberdeen Japan Trust	(461)	-	-	-	8	(453)
Total - Non Charitable Trusts	(3,431)	-	236	(145)	107	(3,233)
Total	(11,415)	-	340	(674)	532	(11,217)

Investment of Funds

Charitable Trusts	Non- Charitable Trusts	Total		Charitable Trusts	Non- Charitable Trusts	Total
2023/24	2023/24	2023/24		2024/25	2024/25	2024/25
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
4,112	461	4,573	Land & Buildings	3,755	453	4,208
123	886	1,009	Equities - Listed	126	901	1,027
6	39	45	Gilt Edged Securities	6	39	45
-	496	496	Bank	-	539	539
3,874	1,651	5,525	Council Loans Fund	4,238	1,391	5,629
55	-	55	Debtors	55	-	55
(186)	(102)	(288)	Creditors	(196)	(90)	(286)
7,984	3,431	11,415		7,984	3,233	11,217
-	-	-	Share Capital	-	-	-
(5,257)	(2,690)	(7,947)	Unrestricted Funds	(5,461)	(2,446)	(7,907)
(127)	(741)	(868)	Endowment Funds	(137)	(787)	(924)
(2,600)	-	(2,600)	Designated Funds - Common Good Fund	(2,386)	-	(2,386)
(7,984)	(3,431)	(11,415)		(7,984)	(3,233)	(11,217)

The unaudited financial statements were issued on 8 May 2025.

Jonathan Belford, CPFA
Chief Officer – Finance
8 May 2025

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 2023	(155,545)	(1,317,335)	(1,472,881)	(155,204)	(1,628,083)
<u>Movement in Reserves during 2023/24</u>	100,500	22,675	123,175	11,449	134,624
Adjustments between accounting basis & funding basis under regulations	(80,812)	(80,812)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	19,688	103,487	123,175	11,449	(9,056)
Transfers to/from Earmarked Reserves & Statutory Reserves	(22,787)	22,787	0	0	0
Increase/Decrease in Year	(3,099)	126,274	123,175	11,449	134,624
Balance at 31 March 23/24 Carried Forward	(155,545)	(1,345,337)	(1,349,705)	(143,755)	(1,493,459)
<u>Movement in Reserves during 2024/25</u>	142,896	28,829	171,725	10,313	182,038
Adjustments between accounting basis & funding basis under regulations	(125,045)	125,045	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	(45,031)	33,217	171,725	10,313	182,038
Transfers to/from Earmarked Reserves & Statutory Reserves	4,463	167,262	171,725		
Increase/Decrease in Year	4,463	167,262	171,725	10,313	182,038
Balance at 31 March 2025	(151,082)	(1,178,075)	(1,177,981)	(133,442)	(1,311,422)

Group Comprehensive Income and Expenses Statement

2023/24				2024/25		
Restated Gross Expenditure £'000	Restated Gross Income £'000	Restated Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Continued Operation			
213,772	(126,840)	86,932	City Regeneration & Environment	209,403	(109,626)	99,777
161,675	(108,703)	52,972	Corporate Services	121,588	(65,202)	56,386
48,049	(26,683)	21,366	Corporatate	25,293	(28,906)	(3,613)
311,254	(188,523)	122,731	Integration Joint Board	203,399	(71,640)	131,759
469,729	(140,062)	329,667	Familis and Communities	405,864	(51,789)	354,075
57,384	23,513	80,896	HRA	219,997	(112,900)	107,098
1,261,864	(567,300)	694,564	Cost of Services	1,185,545	(440,063)	745,482
364	(4,465)	(4,101)	Other Operating Expenditure	484	(3,642)	(3,157)
51,563	(4,683)	46,880	Financing and Investment Income and Expenditure	63,004	(2,526)	60,478
0	(644,925)	(644,925)	Taxation and Non Specific Grant Income	0	(661,983)	(661,983)
1,313,791	(1,221,373)	92,418	(Surplus) or Deficit on Provision of Services *	1,249,034	(1,108,214)	140,820
		4,416	Share of (surplus) or deficit on the provision of services of Associates and JV			1,199
		96,835	Group (Surplus)/Deficit			142,018
		16,939	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			51,601
			(Surplus)/deficit on revaluation of available for sale financial assets			
		16,439	Actuarial (gains)/losses on pension assets/liabilities			(10,856)
		351	Other unrealised gains and losses			(502)
		37,788	Other Comprehensive (Income) and Expenditure			40,018
		134,623	Total Comprehensive (Income) and Expenditure			182,037

Restated Group Balance Sheet

31 March 2024		31 March 2025
£000		£000
2,667,996	Property ,Plant and Equipment (note xi)	2,655,074
0	Property ,Plant and Equipment Right of Use	34,905
222,168	Investment Property (note xii)	150,477
0	Investment Property-Right of Use	45,200
63,596	Long Term Investments and/or Investments in Associates and Joint Ventures	42,942
200,273	Heritage Assets	205,573
457	Long Term Debtors	5,203
3,154,491	Long Term Assets	3,139,373
10,035	Short Term Investments	18,968
5,637	Inventories	4,459
188,293	Short Term Debtors	557,392
71,582	Cash and Cash Equivalents	83,483
10,011	Assets held for Sale	8,891
285,558	Current Assets	673,193
(386,394)	Short Term Borrowing	(415,032)
(150,904)	Short Term Creditors	(558,292)
(7,284)	Provisions	(4,339)
(4,308)	PPP Short Term Liabilities	(2,767)
(10,442)	Capital Grants Receipts in Advance	(3,563)
(4,944)	Revenue Grants Receipts in Advance	(17,534)
(8,876)	Other Short Term Liabilities	(9,154)
(573,151)	Current Liabilities	(1,010,681)

Restated Group Balance Sheet

31 March 2023 £'000		31 March 2024 £'000
(50)	Provisions	(1,245)
(1,146,348)	Long Term Borrowing	(1,267,190)
(116,398)	PPP Long Term Liabilities	(113,631)
(56,887)	Other Long Term Liabilities	(59,306)
(53,754)	Pension Liabilities	(49,091)
(1,373,438)	Long Term Liabilities	(1,490,463)
1,493,460	Net Assets	1,311,422
(158,644)	Usable Reserves	(154,182)
(1,191,061)	Unusable Reserves	(1,023,800)
(27,106)	Group - Usable Reserves	(7,224)
(116,649)	Group - Unusable Reserves	(126,216)
(1,493,460)	Total Reserves	(1,311,422)

The unaudited financial statements were issued on 8 May 2025.

Jonathan Belford, CPFA
Chief Officer – Finance

8 May 2025

Group Cash Flow

31 March 2024 £000		31 March 2025 £000
(96,835)	Net surplus or (deficit) on the provision of services	(142,018)
138,994	Adjust net surplus or deficit on the provision of services for non cash movements	257,399
(63,315)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(44,816)
(21,156)	Net cash flows from Operating Activities (note 13)	70,565
(155,182)	Net cash flows from Investing Activities (note 14)	(187,494)
162,102	Net Cash flows from Financing Activities (note 15)	128,832
(14,235)	Net increase or (decrease) in cash and cash equivalents	11,902
85,817	Cash and Cash equivalent at the beginning of the reporting period	71,582
71,582	Cash and Cash equivalent at the end of the reporting period	83,483

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 2024 the assets of ASV were revalued and a consolidated adjustment of £32.8m 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 2023 to 31 March 2024, 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 2023, 31 July 2023 and 28 February 2024. 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 eg. 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 2025, AH&P Ltd made a loss of £0.437 million (2023/24, £1.803 million profit) and the net assets of the company were £6.880 million (2023/24

7.514 million). Turnover was £7.673 million (2023/24, £10.534 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 £61.3 million in 2023/24 (2023/24 £61.94 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 2024/25, the partners contributed £444 million in funding to the IJB (£412 million in 2023/24).

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. The net assets of the company in 2024/25 is £7.6m. 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 £133 million (2023/24, increase of £143 million).

Note iv Group Entities

For the financial year 2024/25	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	109,322	2,433	Chief Officer-Finance, 1st Floor West, Marischal College, Broad Street, Aberdeen
Trust Funds	100	100	8,831	142	Chief Officer-Finance, 1st Floor West, Marischal College, Broad Street, Aberdeen
Sport Aberdeen Limited	100	100	3,637	(61)	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	1	0	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Aberdeen Heat and Power Ltd	100	100	6,880	(437)	C/O Brodies LLP, Capital Square, 58 Morrison Street, Edinburgh, EH3 8PB.
Joint Ventures					
Aberdeen Sports Village Limited	50	50	61,351	(450)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Intregation Joint Board	50	50	(1)	(4,917)	Chief Finance Officer, 1st Floor North, Marischal College, Broad Street, Aberdeen
BP Aberdeen Hydrogen Energy Ltd	50	50	7,575	(516)	C/O Johnston Carmichael, Bishop's Court, 29 Albyn Place, Aberdeen, AB10 1YL
Associates					
Grampian Valuation Joint Board	39	39	1,593	393	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 2023/24, Aberdeen City Council contributed £145,000 (2022/23, £92,000) towards the core costs of the organisation. The impact in consolidation using the equity method is therefore nil. The unaudited accounts for 2023/24 show a surplus of £21k (in the 2022/23 audited accounts, £1.89 surplus) 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 2024/25 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 2024 net assets amounted to £0.231 million (2022/23 £0.215 million) with a profit for the year of £0.016 million (2022/23, £0.002 million loss). The accounts for 2024/25 are in the process of being prepared. It is anticipated that there will be no significant changes as at March 2025. 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 2024/25, 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 2024/25, Aberdeen City Council contributed £0.187 million (2023/24, £0.185 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

2023/24 £'000		202/25 £'000
74,110	Interest payable and similar charges	84,825
(19,114)	Pensions interest cost and expected return on pensions assets	(21,821)
(8,116)	Interest receivable and similar income	(2,526)
0	Income and expenditure in relation to investment properties and changes in their fair value	0
0	Other investment income	0
46,880	Total	60,478

Note vii Cash Flow Statement – Group Operating Activities

2023/24 £'000		2024/25 £'000
(96,835)	Net surplus or (deficit) on the provision of services	(142,018)
(96,835)		(142,018)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
98,333	Depreciation	105,444
100,273	Impairment, downward revaluations & non sale derecognitions	101,881
(669)	(Increase)/Decrease in Stock	1,176
(45,862)	(Increase)/Decrease in Debtors	(367,207)
0	Increase/(Decrease) in Creditors	410,320
(6,341)	Payments to Pension fund	6,193
(5,540)	Carrying amount of non current assets sold	2,765
770	Carrying amount of written off assets	0
(1,107)	Contributions to Other Reserves / Provisions	(1,791)
0	Movement in value of investment properties	0
(864)	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(1,383)
138,994		257,399
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(79,176)	Receipt of Capital Grants and Contributions	(58,552)
(1,681)	Proceeds from the sale of PP&E, investment property and intangible assets	(3,039)
17,542	Bond EIR adjustment	16,774
(63,315)		(44,816)
(21,156)	Net cash flows from operating activities	70,565

Note viii Cash Flow Statement – Group Investing Activities

2023/24 £'000			2024/25 £'000
(233,011)		Purchase of property, plant and equipment, investment property and intangible assets	(259,344)
(2,680)		Purchase/(Sale) of short term and long term investments	10,260
2,309		Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,609
(629)		Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(571)
79,176		Capital grants and contributions received	58,552
(347)		Other receipts from investing activities	0
(155,182)		Net cash flows from investing activities	(187,494)

Note ix Cash Flow Statement – Group Financing Activities

2023/24 £'000			2024/25 £'000
(37)		Other receipts from financing activities	(42)
185,408		Repayments of borrowed amounts	150,389
(17,542)		Bond EIR Adjustment	(16,774)
0		New Borrowings	0
(5,728)		Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(4,741)
162,102		Net cash flows from Financing activities	128,832

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 2024 £'000			31 March 2025 £'000
24		Cash held by officers	0
71,558		Bank current accounts	83,483
71,582		Total cash and cash equivalents	83,483

Note xi Group Property, Plant and Equipment*Movements on Balances***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	1,242,928	104,473		50,099	7,625	119,740	2,463,660	202,498
Additions	119,903	21,152	10,193		2,874	5	50,211	204,338	695
Revaluations	(38,902)	(107,591)	0		0	(6,804)	0	(153,297)	(13,992)
Derecognition / Disposals	0	0	(14,736)		0	4,700	0	(10,036)	0
Transfers	0	91,818	0		0		(96,988)	(5,170)	0
At 31 March 2024	1,019,796	1,248,308	99,930		52,973	5,527	72,962	2,499,496	189,202
Accumulated Depreciation and Impairment									
At 1 April 2023	(8,830)	(51,646)	(54,970)		0	0	0	(115,446)	(10,049)
Depreciation Charge	(26,259)	(21,348)	(8,660)		0	0	0	(56,267)	(3,920)
Depreciation & Impairment written out	18,596	14,357	0		0	0	0	32,953	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)	(57,537)	(48,868)		0	0	0	(122,899)	(12,421)
At 31 March 2024	1,003,302	1,190,771	51,062	291,398	52,973	5,527	72,962	2,667,995	176,780
At 31 March 2023	929,965	1,191,281	49,503	277,038	50,099	7,625	119,740	2,625,252	192,449

Movements in 2024/25:

	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 2024	1,019,796	1,248,229	100,011		52,973	5,527	72,962	2,499,498	191,462
Additions	115,079	38,332	27,864		1,747	0	48,257	231,279	340
Revaluations	(174,738)	(10,011)	0		0	(303)	0	(185,052)	(2,085)
Derecognition-Disposals		(114)	(5,215)			(571)		(5,900)	
Derecognition-Other									
Reclassification and Transfers	0	(29,539)			0			(29,539)	0
At 31 March 2025	960,137	1,246,895	122,660		54,720	4,653	121,220	2,510,284	189,717
Accumulated Depreciation and Impairment									
At 1 April 2024	(16,493)	(57,534)	(48,873)		0	0	0	(122,901)	(6,078)
Depreciation Charge	(46,541)	(33,214)	(10,491)		0	0	0	(90,246)	(3,912)
Depreciation & Impairment written out	37,105	12,772	0		0	0	0	49,876	9,522
Derecognition-Disposals		114	5,136					5,250	
Derecognition-Other								0	
Reclassification and Transfers	0	(1,429)	0		0	0	0	(1,429)	0
At 31 March 2025	(25,930)	(79,292)	(54,228)		0	0	0	(159,450)	(468)
At 31 March 2025	934,207	1,167,603	68,432	304,238	54,720	4,653	121,220	2,655,073	189,249
At 31 March 2024	1,003,302	1,190,771	51,062	291,398	52,973	5,527	72,962	2,667,995	185,384

Note xii Investment Properties

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

	2023/24 £'000	2024/25 £'000
Balance at start of the year	253,990	222,168
Additions:		
• Purchases	86	6
Disposals	(2,990)	0
Net gains/losses from fair value adjustments	(22,418)	(23,574)
Transfers:		
• to/from Inventories	0	0
• to/from Property, Right of use	0	(45,200)
• to/from Assets Held for Sale	(6,500)	0
Other Changes		(2,923)
Balance at end of the year	222,168	150,477

Note xiii

Loans and Trading Balances with subsidiaries as at 31 March 2024 and 2025 are as follows:

	Loans			Debtors			Creditors	
	2023/24 £'000	2024/25 £'000		2023/24 £'000	2024/25 £'000		2023/24 £'000	2024/25 £'000
Bon Accord Care Ltd	0	0		0	0		(43)	(62)
Bon Accord Support Services Ltd	0	0		7,828	7,079		(2,173)	(1,554)
Sport Aberdeen	(5,160)	(3,995)		0	0		0	0
Aberdeen Heat and Power Ltd	0	0		0	0		(395)	(653)
Common Good	(17,657)	(18,130)		0	0		0	0
Trust Funds	(6,043)	(6,190)		0	0		0	0
	0	0		0	0		0	0
	(28,860)	(28,315)		7,828	7,079		(2,611)	(2,269)

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

2023/24				
	Share of Operating (surplus)/deficit £'000	Total Assets £'000	Total Liabilities £'000	Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	147	851	(388)	463
Associates Total	147	851	(388)	463
Joint Venture				
Aberdeen Sports Village Limited	(4,320)	35,215	(794)	34,421
Integration Joint Board	7,231	6,324	0	6,324
Joint Ventures Total	2,911	41,539	(794)	40,745
2024/25				
	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	(156)	1,128	(507)	621
Associates Total	(156)	1,128	(507)	621
Joint Venture				
Aberdeen Sports Village Limited	225	34,645	(3,970)	30,676
Integration Joint Board	4,917	0	0	0
BP Aberdeen Hydrogen Energy Ltd	258	4,175	(387)	3,788
Joint Ventures Total	5,400	38,820	(4,357)	34,463

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 2022/23 was £1.583m (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/(Gain) and Expected Return on Pension Assets

	2023/24 £000	2024/25 £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'.

	2023/24 £'000	2024/25 £'000
ACC	(53,635)	(49,091)
<u>Share of Associates</u>		
Grampian Valuation Joint Board	(50)	(50)
Total	(53,685)	(49,141)

As the Sole Trustee



Charitable Trusts

Annual Report and Financial Statements

For the year ended
31 March 2025

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 the Trustee's Responsibilities in respect of the accounts	9
Independent Auditor's Report	12
Statement of Financial Activities	17
Balance Sheet	18
Statement of Cash Flows	19
Notes to the Accounts	20

Aberdeen City Council Charitable Trusts Trustees Annual Report 2024/25

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

Alan Thomson
Interim 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 Kuszniir
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 2025 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 November 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 £493k in 2023/24 to £431k in 2024/25.

Total Expenditure decreased from £383k in 2023/24 to £329k in 2024/25.

The value of Investments decreased by £354k in 2024/25 compared to an increase of £190k 2023/24.

Investments in the Aberdeen City Council Loans Fund have increased from £4.742 million in 2023/24 to £4.855 million in 2024/25.

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 2024/25.

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 £8.600 million which are made up of unrestricted funds of £4.927 million and designated funds of £3.673 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

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

As instructed by Full Council on 17 February 2025, a reorganisation application is soon to be made to OSCR in respect of the Alexander MacDonald Bequest in order to permit the expenditure of its total remaining funds (capital and revenue) on artworks in terms of the trust deed’s provisions and the subsequent winding-up of this trust.

On that same date, Full Council also agreed the establishment of a new charitable trust (to be known as "Aberdeen Archives, Gallery & Museums Trust"), approved the proposed constitution thereof and instructed submission of the necessary application to OSCR for its approval. The Council would be sole trustee of this new trust and, in essence, the purposes of this new trust would be to support the whole operation and delivery of the Aberdeen Archives, Gallery and Museums. This application is currently being prepared and is expected to be submitted soon.

The future of the John Murdoch Henderson Bequest will be reviewed in due course as it has 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 dated 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 2025

			Unrestricted Funds 2024/25 £'000	Restricted Funds 2024/25 £'000	Endowment Funds 2024/25 £'000	Total Funds 2024/25 £'000	Total Funds 2023/24 £'000
	<u>Note</u>						
Income and endowments from:							
Incoming resources from generated funds							
Donations & Legacies			1	-	-	1	-
Investments	2		430	-	-	430	493
Total			431	-	-	431	493
Expenditure on:							
Charitable Activities	3,4		329	-	-	329	383
Total			329	-	-	329	383
Net income/(expenditure)			102	-	-	102	110
Other recognised gains/(losses):							
Gains/(losses) on investment assets			(357)	-	3	(354)	190
Net movement in funds			(255)	-	3	(252)	300
Reconciliation of funds							
Total funds brought forward			8,701	-	151	8,852	8,552
Total funds carried forward			8,446	-	154	8,600	8,852

Aberdeen City Council Charitable Trusts

Balance Sheet as at 31 March 2025

	Note	2025 £'000	2024 £'000
Fixed assets			
Investments	5	3,887	4,241
Total fixed assets		3,887	4,241
Current assets			
Debtors	6	55	55
Investments - City of Aberdeen Loans Fund	7	4,855	4,742
Total current assets		4,910	4,797
Liabilities			
Creditors: Amounts falling due within one year	8	(47)	(36)
		(47)	(36)
Total assets less current liabilities		8,750	9,002
Provision for Liabilities	9	(150)	(150)
Net asset/(liabilities)		8,600	8,852
The funds of the charity			
Endowment funds		137	136
		137	136
Unrestricted income funds:			
Designated Funds:			
Common Good Fund		2,385	2,600
Dr Duncan Liddel's Mortification - Professor of Mathematics		591	719
Dr Duncan Liddel's Mortification - Library of College		30	36
James Cargill Mortification - Bursary Fund		241	293
Patrick Copland's Mortification - Professor of Divinity		289	352
Unrestricted funds		4,927	4,716
Total unrestricted funds		8,463	8,716
Total charity funds	10	8,600	8,852

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 2025

		Total Funds £'000	Prior Year Funds £'000
<u>Note</u>			
Net cash used in operating activities	13	<u>(317)</u>	<u>(386)</u>
Cash Flows from investing activities			
Dividends, interest and rents from investments		430	493
Purchase of investments		-	-
Proceeds from sale of investments		-	-
Net cash provided by investing activities		<u>430</u>	<u>493</u>
<i>Net cash provided by (used in) financing activities</i>			
Change in cash and cash equivalents in the year		113	107
Cash and cash equivalents brought forward		4,742	4,635
Cash and cash equivalents carried forward	14	<u>4,855</u>	<u>4,742</u>

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2025
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 2025 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 2025

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 2025

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 £40,358 was charged in 23/24, £39,211 in 23/24 .

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 2025

	2025 £'000	2024 £'000
2 INVESTMENT INCOME		
Interest receivable	223	259
Rent from Investment Properties	207	234
	430	493
3 CHARITABLE ACTIVITIES		
Donations and expenditures	59	82
Payments to Beneficiaries:		
Common Good Fund	128	147
Dr Duncan Liddel's Mortification - Professor of Mathematics	46	52
Dr Duncan Liddel's Mortification - Library of College	2	3
James Cargill Mortification - Bursary Fund	19	21
Patrick Copland's Mortification - Professor of Divinity	22	25
Property costs	0	1
	276	331
4 GOVERNANCE COSTS		
Accounting and administration	43	42
Audit Fee	10	10
	53	52

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2025

	2025 £'000 Investment Property	2025 £'000 Gilts and Equities	2025 £'000 Total	2024 £'000 Total
5 TANGIBLE FIXED ASSETS				
Market Value at 1 April 2024	4,112	129	4,241	4,051
Net investment gains/(losses)	(357)	3	(354)	190
Disposals	-	-	-	-
Market Value at 31 March 2025	<u>3,755</u>	<u>132</u>	<u>3,887</u>	<u>4,241</u>
Market Value at 31 March 2024	<u>4,112</u>	<u>129</u>	<u>4,241</u>	<u>4,051</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>55</u>
7 INVESTMENTS HELD AS CURRENT ASSETS				
Aberdeen City Loan Funds			<u>4,855</u>	<u>4,742</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>47</u>	<u>36</u>
9 Provisions for Liabilities				
Provision for Thomas Glover House.			<u>150</u>	<u>150</u>

10 ANALYSIS OF NET ASSETS IN FUNDS	Tangible fixed assets £'000	Current assets (liabilities)/provision £'000	Total £'000	Total £'000
Unrestricted funds	<u>3,887</u>	<u>4,713</u>	<u>8,600</u>	<u>8,852</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 2025

	2025 £'000	2024 £'000
12 RELATED PARTY TRANSACTIONS		
Aberdeen City Council provides the accounting services for the trust for which a management fee is charged.	40	39
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)	(252)	300
Adjustments for:		
(Gains)/losses on investments	354	(190)
Dividends, interest and rents from investments	(430)	(493)
Loss/(profit) on the sale of fixed assets	-	-
Decrease/(increase) in debtors	-	(3)
Increase/(decrease) in creditors	11	-
Net cash provided by (used in) operating activities	(317)	(386)
14 ANALYSIS OF CASH AND CASH EQUIVALENTS		
Investments - Aberdeen City Loans Fund	4,855	4,742

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2025

15 ANALYSIS OF CHARITABLE TRUSTS

		Individual Trust Balances					
	Charity Number	Balance as at 1 April 2024 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2025 £'000
EEIF	SC025063	(313)	-	(3)	(10)	19	(307)
Guildry	SC011857	(2,796)	-	(62)	(107)	47	(2,918)
Bridges of Aberdeen Heritage Trust	SC018551	(1,311)	-	(46)	(45)	2	(1,400)
Alexander MacDonald Bequest	SC018568	(33)	-	-	(2)	-	(35)
Aberdeen Art Gallery Trust	SC018575	(398)	-	-	(23)	17	(404)
Lands of Skene	SC018533	(3,815)	-	(151)	(145)	145	(3,966)
Lands of Torry	SC021299	(2,856)	-	509	(182)	182	(2,347)
Total		(11,522)	-	247	(514)	412	(11,377)

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 2024 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2025 £'000
EEIF	SC025063	(313)	-	(3)	(10)	19	(307)
Guildry	SC011857	(1,054)	-	-	(60)	46	(1,068)
Bridges of Aberdeen Heritage Trust	SC018551	(8)	-	-	(9)	2	(15)
Alexander MacDonald Bequest	SC018568	(33)	-	-	(2)	-	(35)
Aberdeen Art Gallery Trust	SC018575	(398)	-	-	(23)	17	(404)
Lands of Skene	SC018533	(4,190)	-	(151)	(145)	63	(4,423)
Lands of Torry	SC021299	(2,856)	-	508	(182)	182	(2,348)
Total		(8,852)	-	354	(431)	329	(8,600)

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2025

ANALYSIS OF CHARITABLE TRUSTS BALANCE SHEETS

Charity Name	Charity Number	Individual Trust Balances								
		Investment					Debtors	Creditors	Provision	Total
		Gilts	Equities	Investments	Heritable	City Council				
		£'000	£'000	£'000	Property	Loans Fund	£'000	£'000	£'000	£'000
EEIF	SC025063	6	126	-	-	175	-	-	-	307
Guildry	SC011857	-	-	1,587	-	1349	-	(20)	-	2,916
Bridges of Aberdeen Heritage Trust	SC018551	-	-	1,190	-	361	-	-	(150)	1,401
Alexander McDonald Bequest	SC018568	-	-	-	-	34	-	-	-	34
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	405	-	-	-	405
Lands of Skene	SC018533	-	-	-	1,434	2,529	6	(1)	-	3,968
Lands of Torry	SC021299	-	-	-	2,321	2	49	(26)	-	2,346
Total		6	126	2,777	3,755	4,855	55	(47)	(150)	11,377

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								
		Investment					Debtors	Creditors	Provision	Total
		Gilts	Equities	Investments	Heritable	City Council				
		£'000	£'000	£'000	Property	Loans Fund	£'000	£'000	£'000	£'000
EEIF	SC025063	6	126	-	-	175	-	-	-	307
Guildry	SC011857	-	-	-	-	1,087	-	(20)	-	1,067
Bridges of Aberdeen Heritage Trust	SC018551	-	-	-	-	165	-	-	(150)	15
Alexander McDonald Bequest	SC018568	-	-	-	-	34	-	-	-	34
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	405	-	-	-	405
Lands of Skene	SC018533	-	-	-	1,434	2,987	6	(1)	-	4,426
Lands of Torry	SC021299	-	-	-	2,321	2	49	(26)	-	2,346
		6	126	-	3,755	4,855	55	(47)	(150)	8,600

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	08 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Update Report
REPORT NUMBER	IA/25/006
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

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Internal Audit

Audit, Risk and Scrutiny Committee Internal Audit Update Report May 2025

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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 2024/25 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:

- Six reviews have been completed.
- Work is underway with regards to delivery of the final reviews as part of the 2024/25 Internal Audit Plan.
- Management continue to work on implementation of agreed actions in response to recommendations.

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 2024/25 Audits

Service	Audit Area	Position
Families and Communities	Adoption, Fostering and Kinship	Final Report Issued
Corporate Services	Creditors Sub-System Payments	Final Report Issued
Council Led HSCP Services	HSCP Commissioning	Final Report Issued
NESPF	Pension Fund Payroll	Review in Progress
Corporate Services	Group Structure Assurance	Review in Progress
Corporate Services	Risk Management	Final Report Issued
Families and Communities	Housing Allocations and Choice Based Letting	Review in Progress
Corporate Services	Right to Work in the UK	Final Report Issued
Corporate Services	Freedom of Information and Subject Access Requests	Final Report Issued
Corporate Services	Prevention of Fraud, Bribery and Corruption	Review Deferred ¹
Families and Communities	Corporate Landlord Responsibilities	Review in Progress

2.2 Audit reports presented to this Committee

Report Title	Assurance Year	Net Risk Rating	Conclusion
AC2513 – Adoption, Fostering and Kinship	2024/25	Major	<p>The level of net risk is assessed as MAJOR, with the control framework deemed to provide LIMITED assurance over the Adoption, Fostering and Kinship allowances.</p> <p>Where controls and procedures are in place, the review identified several areas of weakness where improvements need to be made to improve the framework of control.</p> <p>The following areas of focus are reflected in the report: Written Procedures, Adoption Allowance, Fostering Placements, Payments, and Document Management.</p> <p>It is acknowledged that the Service plans to make more use of Care Management System functionality in the future, which will improve assurance over the application of delegated authority and financial controls. Dates for implementation have yet to be determined.</p> <p>Recommendations have been made covering the establishment and evidencing of a clear and</p>

¹ Initial planning for this work identified plans by the Service to further develop the control framework for Counter Fraud across the Council, whilst also ongoing improvements as a result of frauds, specifically the recent Council Tax case. As such it was agreed to defer the review to allow work the improvements to embed rather than audit to provide assurance over the previous ways of working. However, Internal Audit has met with the Service and, whilst remaining independent, has provided support to help develop the control framework. This support will be continuous.

Report Title	Assurance Year	Net Risk Rating	Conclusion
			evidence-based decision-making framework to ensure consistency and transparency in the Service's approach to financial management. This includes updates to procedures, templates and other documentation; review, and documentation of the exercise of delegated authority; checks to confirm the accuracy of claims and invoices prior to approving payments; and review of document management.
AC2506	2024/25	Moderate	<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 Creditors Sub-System Payments.</p> <p>The Council uses the Creditors System within their Financial Management System to make payments to its suppliers.</p> <p>During 2023/24, 438,716 creditor payments totalling £898.844 million were made. Of this, 87,165 totalling £399.186 million (44%) were processed from eight feeder systems which process invoices / remittances out with the eFinancials Creditors system. One of these sub-systems is used for processing Education Maintenance Allowances and clothing grants – this was not subject to review as it was covered recently in AC2501 – Allowances.</p> <p>In addition, various payments are processed via manual bulk payment where spreadsheet based bulk payment files require to be submitted to the Financial Systems Team (FST) following approval by the relevant budget holder. Early Learning and Childcare (ELC) provider payments and nursery milk payments were not covered when testing bulk payments since they were reviewed in reports AC2501 – ELC Funded Provider Places; and AC2312 – Scottish Milk and Health Snack Scheme respectively.</p> <p>Reasonable assurance was available over the following areas reviewed: Written Procedures, Finance Interface Verification, and BACs Reconciliations.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Delegated Authority, Sub-System Owner Interface Checking, Payroll Creditors Interfaces, BACs Procedures, and Payment Control.</p> <p>Recommendations have been made to address the above risks, including establishing a standardised, and published delegated authority list for purchase order and payment authorisations, aligned to job responsibilities and ensuring purchase ordering and payment systems are aligned to this; introducing sub-system owner checks of uploaded payments; and</p>

Report Title	Assurance Year	Net Risk Rating	Conclusion
			establishing payroll creditors interface checks by Finance back to the payroll system. In addition, a recommendation was made to update the BACS procedure.
AC2514 – Risk Management	2024/25	Moderate	<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 risk management.</p> <p>Risk can be defined as the combination of the likelihood of an event occurring and its impact, should it occur. Local authorities have seen recent pressures due to reducing revenue streams and increasing customer-led demand on services. To meet these challenges, it may be necessary to take calculated risks and to take properly risk-assessed opportunities as they arise.</p> <p>Chief officers and managers across the Council are required to actively manage the risks associated with the performance of their day-to-day operations and delivery of commissioning intentions. Furthermore, all members of staff across the Council are expected to assist with risk management, including the identification, assessment, review, and mitigation of risks that could impact on the delivery of Council outcomes.</p> <p>Internal audits of IJB and Arm's Length External Organisation (ALEO) risks are planned for 2026/27 and 2024/25 respectively and as such risk management arrangements for these areas were not reviewed as part of this audit. Also, Capital Project Management was reviewed in detail in July 2022 as part of Internal Audit AC2118 therefore capital project risk management testing has been limited to adequacy of Project Risk Register monitoring arrangements.</p> <p>Reasonable assurance was available over the following areas reviewed: Risk Management Framework, Risk Registers, Audit, Risk and Scrutiny Committee, Committee Report Template, Central Support, Corporate Management Team, IJB Risks, and Programme/Project Risk Management.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Service Committee Oversight, Risk Board, and Cluster Risk Management.</p> <p>Recommendations have been made to address the above risks, including enhancing Risk Board reporting and monitoring arrangements; ensuring Service Managers are informing accuracy of Cluster Risk Registers; and ensuring Cluster Risk Registers and Assurance Maps are being reported and monitored as required.</p>

Report Title	Assurance Year	Net Risk Rating	Conclusion
AC2512 – HSCP Commissioning	2024/25	Moderate	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to provide REASONABLE assurance over plans and progress with commissioning across the Health and Social Care Partnership.</p> <p>Commissioning principles are being integrated at the strategic level, within strategic documentation, and in practice through the work of the Commissioning Lead engaging with services and service providers. However, there is limited evidence to demonstrate a planned and coordinated approach to embedding the principles across the HSCP's portfolio of contracts and commissioned services. This does not directly drive a more major risk / limited assurance due to the resource allocated to commissioning (both the Commissioning Lead role and the Commercial and Procurement Shared Service), and the governance arrangements provided by the HSCP's Strategic Commissioning and Procurement Board, which currently address more of the operational aspects and risks.</p> <p>Areas where controls would benefit from improvement, to more effectively and transparently demonstrate the alignment of commissioning with strategic intent include: Strategic Planning, Coordination, Strategic Alignment, and Embedding the Commissioning Principles.</p> <p>Recommendations have been made to address the above risks through review of planning, scheduling, reporting, and consistency of presentation of key documentation to better demonstrate plans and activities are aligned with, and on target to deliver, the HSCP's strategic aims and commissioning principles.</p>
AC2519 – Freedom of Information and Subject Access Requests	2024/25	Moderate	<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 Freedom of Information and Subject Access Request handling.</p> <p>Within Aberdeen City Council the Access to Information Team is centrally responsible for such requests, facilitating responses from individual services as required and utilising the govService System. The Central Team² also has responsibility for day to day support, quality assuring responses, providing training across the Council, and performance monitoring and reporting.</p> <p>Analysis of the Council's approach to handling requests provided reasonable assurance over operations, and with the exception of the actual govServices System, discussed below, controls were</p>

² Throughout the report, Central Team is utilised to describe the Access to Information Team.

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>found to be designed effectively. The control framework is supported by detailed procedures, experienced Officers and clear processes on how requests should be handled. Reporting takes place within the Team, amongst Management, and to Committee on the level of requests and their handling, and this was found to be accurate and supportive in terms of facilitating a drive on the importance of services engaging with the Central Team when required. The efforts of the Central Team are also evident in working to clear backlogs, specifically around SARs³.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically in its operation, including: govServices System, Request Handling, and Verification of SARs, and Reviews. Recommendations have been made to address the above risks. Whilst we recognise this as an area with many stakeholders across the Council, specifically in the provision of information to facilitate requests, the Central Team provide oversight and second line control. As such, recommendations have been targeted towards the Access to Information Team, whilst recognising they will need to engage across the business to implement enhancements.</p>
AC2516 – Right to Work	2024/25	Moderate	<p>The level of net risk is assessed as Moderate, with the control framework deemed to provide Reasonable assurance over the arrangements in place to ensure staff have the Right to Work in the UK. This assurance assessment is driven by the controls in place centrally over the process.</p> <p>However, where controls are in place, the review identified areas of weakness where enhancements are required to be made to improve the framework of control and compliance with Right to work in the UK requirements, specifically at the operational level and on the part of individual recruiting managers: Written Procedures, Verifying Original Documents, Incomplete Documentation, and Repeat Checks.</p> <p>Recommendations have been made to address the identified risks including review of procedures, supporting documentation and templates to ensure they are fully aligned with Home Office and internal requirements, and development of more robust mechanisms to provide assurance over compliance. Whilst we recognise this as an area with many stakeholders across the Council, specifically recruiting managers within services, the Central Team sets the procedural requirements and provides</p>

³ The Council are currently being reviewed by the Scottish Information Commissioner in relation to their handling of the backlog of Subject Access Requests. This involved regular reporting to the Commissioner, originally monthly but now quarterly, and set timeframes for clearing historic cases.

Report Title	Assurance Year	Net Risk Rating	Conclusion
			oversight and second line control. As such, recommendations have been targeted towards People and Citizen Services, whilst recognising they will need to engage across the business to implement enhancements

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 28 February 2025 (the baseline for our exercise), 61 audit recommendations were due and outstanding:

- 11 rated as Major
- 42 rated as Moderate
- Eight rated as Minor

As part of the audit recommendations follow up exercise, 27 recommendations were closed:

- Six rated as Major
- 18 rated as Moderate
- Three rated as Minor

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.

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
AC2502 - SEEMIS	Moderate	1.2a	Data Insights should review the User Access Request Form and related retained records for non-school staff and ensure only necessary personal data is being collected and retained for the purposes of granting system access. If the level of necessary personal data differs by job type the User Access Request Form should make this clear. It is understood this is SEEMiS's user access form / process, therefore SEEMiS should be consulted as necessary prior to implementing local changes.	Dec-24	May-25	MIS Team to review with SEEMiS at next SEEMiS Account Meeting in May 2025.	In Progress
AC2313 - Corporate Asset Management	Moderate	1.5	Governance and reporting structures should be clarified, with procedures and their application documented in an accessible format. (Officers to consider the points made regarding process in the review of the Capital Board)	Dec-24	Oct-25	Proposals for improving governance and reporting structures have been tabled and discussed at Capital Board. This work is ongoing and will be considered as part of the review of the work of the Capital Board.	In Progress
AC2313 - Corporate Asset Management	Major	1.1a	The Council should develop a clear Asset Management approach. (Further work is required to document the process around asset management and this will be reviewed as part of the asset transformation programme.)	Dec-24	Oct-25	Work is continuing on the asset transformation programme and on reviewing staffing structures within the Corporate Landlord cluster. The new structure will reflect the requirement to establish a	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						clearer approach to asset management.	
AC2313 - Corporate Asset Management	Major	1.2a	The Service should develop asset management plans, linked to the Council's asset management policy and strategic objectives, for all categories of assets. The Service should develop a strategy and plan to address the backlog of maintenance.	Dec-24	Oct-25	Work is continuing on the asset transformation programme and on reviewing staffing structures within the Corporate Landlord cluster. It is anticipated that the new structure will help to prioritise the development of asset management strategy and plans, which in turn will help address backlog maintenance issues.	In Progress
AC2414 - Financial Assessments	Major	1.2a	The Service should document the procedures and internal controls to be applied	Dec-24	Aug-25	Management spoke with Intern Audit regarding this recommendation and the updates being made to the processes that will require additional time to fully reflect.	In Progress
AC2507 - IJB Budget Setting and Monitoring	Moderate	1.7	All changes to the IJB budget, and each partner's share thereof, should be fully and consistently documented: including calculations, supporting records, and agreement; in advance of changes being applied to budgets and actual payments. Material changes should be noted and	Dec-24	Aug-25	Management spoke with Intern Audit regarding this recommendation and the updates being made to the processes that will require additional time to fully reflect.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			explained to Committee as part of the budget monitoring report.				
AC2407 - Creditors System	Moderate	1.3b	Finance should carry out regular monitoring of supplier standing data amendments. As well as covering superuser changes this should include a reconciliation of changes / new supplier standing data processed by the Virtual Worker as compared to related requests by Services.	Dec-24	Sep-25	Management to liaise with the Accounting Team to take on this duty as the current team cannot check as they are doing the task. Management are looking at sharing the information with them and the responsible people then doing a random percentage check - this should be in practice by end Sept 2025 due to ongoing needs of annual accounts at the moment.	In Progress
AC2407 - Creditors System	Moderate	1.3a	Finance should standardise payee identification and bank account evidence requirements for the purposes of making payments generally and establish a verification process for ensuring this evidence is in place before the related Council system account can be used to make payments to the respective payee. This should be carried out for all systems that can be used to make payments with a view to reducing the risk of fraud. Any exceptional payments in the absence of adequate payee identification and bank statement evidence should be risk	Dec-24	Dec-25	New Finance Controls Improvement Plan through Audit Scotland on the back of the embezzlement - we are looking at identifying a bank account validation tool that will ensure that no employee account is being used inappropriately.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			assessed, clearly defined and approved by the Chief Officer – Finance.				
AC2414 - Financial Assessments	Major	1.4	The Service should ensure supporting evidence, calculations, and explanations are consistently and accurately recorded on the system for both Residential and Non-Residential care. All variations and exceptions should be subject to secondary review and approval.	Dec-24	Sep-25	A common field will be added to record “off system” calculations to ensure consistency. It is anticipated that this will land within the assessment plan screen, which is linked to a case within D365. It is anticipated that excel and appropriate supporting docs will be uploaded to the common field and stored for inspection. Finance will add the appropriate story into ADO with the support of D&T. This will be presented to Product Council for consideration. Quarterly sample checks to be undertaken by team leader. A report will be developed to highlight completed cases for secondary approval. In the meantime, a common notes field in contrOCC will be used to capture off system calculations until a sustainable digital process is elaborated, developed,	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						tested and documented. Work is ongoing to capture this process.	
AC2405 - Care Management System	Moderate	1.1a(ii)	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.	Dec-24	Aug-25	Management spoke with Intern Audit regarding this recommendation and the updates being made to the Care Management System that will require additional time to fully reflect.	In Progress
AC2411 - Attendance Management	Moderate	1.1a	Management should review the Supporting Attendance and Wellbeing Policy, either as a standalone task or as part of a dedicated workstream within the Absence Improvement Project.	Dec-24	Sep-25	Discussions were held between Internal Audit and Management who noted a work in progress and requested a slight extension to allow the Policy to be approved by Committee	In Progress
AC2407 - Creditors System	Moderate	1.2a	Monitoring of users including system administrators should be reviewed and where possible established to evidence compliance with the ICT Access Control Policy. This should be undertaken by officers without administrative / superuser system access and should be done with a view to reduce the risk of fraud.	Dec-24	Sep-25	Management are in discussions around super users of both the council tax and core hr systems.	In Progress
AC2503 - National Fraud Initiative	Moderate	1.8	Finance should ensure emerging fraud risks are adequately monitored using a suitable Council risk register.	Dec-24	Sep-25	Fraud Risk Register is proposed as part of Fraud Risk Group, the ToR of which have still to be	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						finalised. It is progressing though.	
AC2420 - Volunteer Arrangements	Moderate	1.1	A corporate approach to volunteers should 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.	Feb-25	Apr-25	The policy was approved at Staff Gov Committee in Jan – Management are in the process of finalising communications and website update.	In Progress
AC2420 - Volunteer Arrangements	Moderate	1.3	Clear and consistent procedures and documentation should be set out for volunteer activities.	Feb-25	Apr-25	The policy was approved at Staff Gov Committee in Jan – Management are in the process of finalising communications and website update.	In Progress
AC2420 - Volunteer Arrangements	Moderate	1.2	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	Feb-25	Apr-25	The policy was approved at Staff Gov Committee in Jan – Management are in the process of finalising communications and website update.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			implementing a single route for potential volunteers to identify, select and apply for council volunteering opportunities.				
AC2420 - Volunteer Arrangements	Minor	1.4	Performance and outcomes data should be documented and published in respect of volunteering at individual, Cluster, and corporate level.	Feb-25	Apr-25	The policy was approved at Staff Gov Committee in Jan – Management are in the process of finalising communications and website update.	In Progress
AC2422 - Recruitment	Moderate	1.2	The Service should review and confirm all tasks have been completed, recorded as such, and appropriately documented/evidenced prior to setting up an employee on the system	Dec-24	May-25	Extended slightly to allow for finalisation. Discussed with Internal Audit regarding work in progress.	In Progress
AC2503 - National Fraud Initiative	Minor	1.1b	Recruitment and selection guidance and training should be updated to provide information to managers about when and how to undertake security checks required by staff including BPSS checks.	Jan-25	Apr-25	Extended slightly to allow for finalisation. Discussed with Internal Audit regarding work in progress.	In Progress
AC2404 - Stores Stock Control	Moderate	1.2b	Buildings Services and Roads 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.	Oct-24	Sep-25	Service anticipates new system on which procedures will be based to be closer to being live by end of Summer - functionality needs to be determined before reclassifications can be considered.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			Consideration should be given to items which can be reclassified as consumables, and to the continued retention or disposal of slow moving stocks.				
AC2404 - Stores Stock Control	Minor	1.1b(ii)	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. 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. 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.	Dec-24	Sep-25	Service anticipates new system on which procedures will be based to be closer to being live by end of Summer - functionality needs to be determined before reclassifications can be considered.	In Progress
AC2404 - Stores Stock Control	Minor	1.1a(ii)	Written procedures should be revised for Buildings and Roads reflect the current systems, controls and practice which governs the stores functions. These should be reviewed annually to capture system developments and other change.	Dec-24	Sep-25	Service anticipates new system on which procedures will be based to be closer to being live by end of Summer - functionality needs to be determined before reclassifications can be considered.	In Progress
AC2404 - Stores Stock Control	Moderate	1.3	Roads and Buildings services management should review operations and work with staff to	Oct-24	Sep-25	Service anticipates new system on which procedures will be based to be closer to	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			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.			being live by end of Summer - functionality needs to be determined before reclassifications can be considered.	
AC2307 - Contract Management	Moderate	3.1.3b	The Service should ensure that Clusters identify officers who monitor and provide assurance to CPSS and Management Teams regarding compliance with contract management guidance, and ensure this assurance is provided.	Dec-24	May-25	Extend date to end May 2025, report has been prepared to share but taking account of Easter holidays etc. additional time required to seek updates from Clusters.	In Progress
AC2412 - Compliance with Procurement regulations	Major	1.9	c) A review process should be developed and implemented to confirm whether tender exercises with smaller numbers of bids represent best value, before contracts are awarded	Dec-24	May-25	Work is ongoing to finalise and publish revised guidance & training, extend date to end May 2025.	In Progress
AC2412 - Compliance with Procurement regulations	Moderate	1.10	CPSS should develop and implement controls to ensure that frameworks cannot be used until their adoption has been confirmed; relevant call-off contracts have been entered into, following appropriate competition or approved justifications for direct awards; and the call-off	Dec-24	May-25	Work is ongoing to finalise and publish revised guidance & training, extend date to end May 2025.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			contracts with each individual supplier for which approval to spend has been granted have been added to the contracts register system.				
AC2412 - Compliance with Procurement regulations	Moderate	1.1	CPSS should review and update procurement training, guidance manuals and templates, in consultation with relevant stakeholders, to ensure it is sufficiently clear, concise, consistent, accurate and up to date.	Dec-24	May-25	Work is ongoing to finalise and publish revised guidance & training, extend date to end May 2025.	In Progress
AC2412 - Compliance with Procurement regulations	Moderate	1.10	The requirements should be clarified in procedures and guidance to avoid ambiguity over the circumstances in which this should apply	Dec-24	May-25	Work is ongoing to finalise and publish revised guidance & training, extend date to end May 2025.	In Progress
AC2407 - Creditors System	Minor	1.1	The Service should create current training resources for staff on the use of the Financial Management System.	Dec-24	Jun-25	Training programme in progress will deliver by 30/6/25.	In Progress
AC2417 - Cyber Action Plan	Moderate	1.4	a) Apps and software permitted for use to conduct Council business should be formalised, subject to regular review, with any changes clearly communicated to staff, including those apps and software forbidden from use.	Dec-24	Jun-25	Noted as work in progress with extension requested to allow for implementation.	In Progress
AC2417 - Cyber Action Plan	Moderate	1.4	b) Users' actual access to Council systems, software and apps should be subject to regular review in the interests of revoking access where it	Dec-24	Jun-25	Noted as work in progress with extension requested to allow for implementation.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			is deemed unnecessary. This should be automated where possible.				
AC2417 - Cyber Action Plan	Moderate	1.4	c) A system of control should be established to ensure devices used under BYOD are promptly patched with any necessary security updates.	Dec-24	Jun-25	Noted as work in progress with extension requested to allow for implementation.	In Progress
AC2417 - Cyber Action Plan	Moderate	1.4	d) Users of devices under BYOD should be required to install and maintain up to date endpoint security software on their BYOD devices, including anti-malware and anti-virus solutions.	Dec-24	Jun-25	Noted as work in progress with extension requested to allow for implementation.	In Progress
AC2417 - Cyber Action Plan	Moderate	1.4	e) Policy and guidance on the use of WhatsApp and other private communication channels for Council business should be established. Specifically, where the use of WhatsApp is approved for a particular role, two factor authentication must be enabled.	Dec-24	Jun-25	Noted as work in progress with extension requested to allow for implementation.	In Progress

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	08 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2513 – Adoption, Fostering and Kinship
REPORT NUMBER	IA/AC2513
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 Adoption, Fostering and Kinship.

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 Internal Audit has completed the attached report which relates to an audit of Adoption, Fostering and Kinship.

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 AC2513 – Adoption, Fostering and Kinship

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 Adoption, Fostering and Kinship

Status: Final

Date: 24 March 2025

Risk Level: Cluster

Report No: AC2513

Assurance Year: 2024/25

Net Risk Rating	Description	Assurance Assessment
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

Report Tracking	Planned Date	Actual Date
Scope issued	08-Oct-2024	08-Oct-2024
Scope agreed	15-Oct-2024	15-Oct-2024
Fieldwork commenced	21-Oct-2024	21-Oct-2024
Fieldwork completed	25-Nov-2024	04-Dec-2024
Draft report issued	16-Dec-2024	23-Jan-2025
Process owner response	13-Jan-2025	13-Mar-2025
Director response	20-Jan-2025	24-Mar-2025
Final report issued	27-Jan-2025	24-Mar-2025
AR&S Committee	08-May-2025	

Distribution	
Document type	Assurance Report
Director	Eleanor Sheppard – Executive Director – Families & Communities
Process Owner	Isabel McDonnell, Service Manager
Stakeholder	Graeme Simpson, Chief Officer, Children's Social Work & Family Support
	Cathy Buchan - Team Manager (Fostering)
	Chris Morton – Team Manager (Adoption)
	Nicola Clark – Team Manager (Kinship)
Final only	Vikki Cuthbert, Interim Chief Officer - Governance
	Jonathan Belford, Chief Officer - Finance*
	External Audit*
Lead auditor	Sarah Poppe - Auditor

1 Introduction

1.1 Area subject to review

Aberdeen City Council acknowledges that, when families are unable to provide appropriate care, children may sometimes need to be cared for outside of their home. Foster care, kinship care and adoption are options to help ensure positive outcomes and provide a high standard of care for these children.

Allowances can be provided for foster carers, kinship carers and adopters to assist with the expenditure related to caring for a child and to allow the child to benefit from the same opportunities as other children.

Foster carers are eligible for a skills payment, which is made based on one fee per household per annum. In March 2021, a report was submitted to Committee to set out a review that had been undertaken of the fee structure. Rates are reviewed on an annual basis.

Foster carers will also receive an allowance that takes into consideration the general expenditure relating to caring for a child, this includes pocket money, food, accommodation, fees for clubs, activities, and travel. These payments depend on the child's age and are calculated at a weekly rate. Extra weekly payments are made for the week of the child's birthday, Christmas/religious festival, and summer holidays. Since 2023 these rates have been based on the Scottish Recommended Allowance (SRA) rates for kinship and foster Carers which Aberdeen City Council implemented. For some carers, those with children aged 11-15, Aberdeen City Council were already paying a higher rate than the SRA.

Foster carers are issued with a Foster Carer Agreement on registration and if there is a change to their payment level or registration the agreement will be revised.

Foster care is also provided through agencies under the Scotland Excel Fostering and Continuing Care Services Framework. The Framework was established to enable Councils to purchase fostering and continuing care placements from independent and voluntary providers for an agreed fee and under agreed terms and conditions to supplement their internal provision. Different fees apply to different foster care services that are provided under the framework. An Individual Placement Agreement (IPA) is completed in every instance as this is the contract between purchaser and provider. The agreed fee is the amount payable for the core services provided and includes the Foster Carer Fee, Child Allowance and costs incurred by the Provider in the operation of the service. There may also be placements purchased from other Local Authorities or agencies and a contract will be agreed.

Kinship carer is a term used to describe a person who looks after a child when they are unable to live with their parents. They are usually an adult who is either related to the child or is a person known to the child. Kinship carers are eligible for a Kinship Allowance, but eligibility will depend on how the child became to be looked after. Kinship Allowance applies to children with a looked after status or the child is subject to a Section 11 Order and was previously looked after or placed with involvement from the local authority or is at risk of becoming looked after.

Kinship Allowance is paid in line with the fostering allowance rates, less any eligible child related benefits. The Allowance is broken down into four age bands and will increase as the child moves into a higher age band. Like foster carers extra weekly payments are made for the week of the child's birthday, Christmas/religious festival, and summer holidays. Kinship carers receive these additional payments spread over 52 weeks. Kinship Allowance is not means tested.

An Adoption Allowance is paid based on the child's eligibility. This is typically determined at the Adoption and Permanence Panel when the child's adoption plan is considered. The Adoption and Permanence Panel will review the child's eligibility again when considering the match between the child and potential adoptive family. Adopters can also make a request for Adoption Allowance to be considered where a child's changing needs merit this. The eligibility for Adoption Allowance will be based on an assessment of the adopters' financial circumstances and the support needs of the child. The Adoption Allowance is means tested and will consider the adoptive family's relevant income, and household expenses, which are represented as a set 'personal allowance. Consideration can be given to the means test being disregarded where the child's support needs are substantive. An Adoption Allowance can be paid as a regular payment or as a 'one-off' payment to fund specific therapeutic support.

The Council set a budget of £263m for Children and Family Services for 2024/25. £45.9m of this is allocated to Children's Social Work, which includes approximately £12.7m for Family Placement services, including £2.3m for internal foster placements, £7.3m for external placements, £2.6m for kinship allowances, and £0.5m for adoption allowances.

1.2 Rationale for the review

The objective of this audit is to obtain assurance that adequate procedures are in place to control the calculation, award, and payment of allowances for Fostering, Adoption and Kinship Care. It is essential that the calculation and payment of allowances are done correctly to ensure that fostering, adoption, and kinship carers receive the financial support for which they are eligible. Failure to calculate and administer these allowances could result in financial, reputational, and operational risk to the Council.

This area was last audited in 2019/20, report AC2028, which identified that procedures were comprehensive and easily accessible but could benefit from review and updating; forms and agreements did not contain clear and consistent declarations for those in receipt of payments; and improvements were required to ensure allowances were paid at the correct rate, adequately documented, and input correctly into the system. It was also recommended that the service review if all internal and external payments could be system controlled rather than having separate records for each.

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
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

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
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.

2.2 Assurance assessment

The level of net risk is assessed as **MAJOR**, with the control framework deemed to provide **LIMITED** assurance over the Adoption, Fostering and Kinship allowances.

Where controls and procedures are in place, the review identified several areas of weakness where improvements need to be made to improve the framework of control.

The following areas of focus are reflected in the report:

- **Written Procedures** – The procedures for adoption and fostering are generally accessible and up to date. However, potential gaps and areas for improvement have been identified, and are discussed in later sections of the report. The Service has sub-delegated powers / authorisation levels, which are reflected within its procedures, though there is no separate formal documentation of them.
- **Adoption Allowance** – Overall, there is assurance that payments are being made as agreed, with the application process reviewed by the Team Leader and Service Manager when necessary. However, there is no clearly defined and evidenced decision-making procedure or policy regarding the initiation or continuation of an Adoption Allowance. While it may not always be necessary to have a formal document that governs this, the findings highlight a failing that would be remedied by clear 'guidance' and periodic review of its application. In four of ten cases (40%) payments (averaging £5k per annum each) were made contrary to Adoption and Permanence Panel recommendations, and in another three cases (30%) reductions due to means testing results (averaging £3k per annum each) were not applied. Supporting evidence of adopters' circumstances, and of its review, was also weak. The absence of clear criteria or benchmarks for continuing or discontinuing allowances can create inconsistencies and undermines confidence that decisions are applied fairly and consistently. It may also present risks to achieving best value and maintaining budgetary control.
- **Fostering Placements** – Internal (directly contracted) foster carers are used where possible, as they are typically lower cost and more geographically accessible. For external placements there is no comprehensive documentation tracking the referral process from start to finish to confirm why this was necessary, if options were available, and if so how the option was selected and approved. Every external placement should be recorded in an Individual Placement Agreement (IPA), setting out requirements, costs, dates, approvals, and attached documentation which shows the children's care needs and outcomes. The IPA is contractual documentation, and effectively acts as the Purchase Order for the care being provided, but none of the cases reviewed had completed an IPA in advance. Where they had subsequently been completed, four of eight (50%) did not match the providers' agreed framework rates.

Without clear documentation of what has been agreed, at the point the placement commences, there is an increased risk of error in application, presenting a risk to children's needs being effectively communicated and met, the Council's reputation, and to financial control. Placements may be enduring or 'permanent' (until adulthood), and therefore any discrepancies at the outset could have a significant impact on future budgets.

- **Payments** – The Service makes various payments in respect of family placements including internal and external foster care payments, kinship payments, and adoption allowances. Payments to internal (directly contracted) foster carers are managed using D365, through application of a comprehensive process to match placements, dates, and values, following a system controlled approval mechanism, and these typically match. Invoices are received from external fostering agencies, and should be checked and confirmed for accuracy prior to payment. In contrast with payments to internal carers, there is no system record and automated check to ensure the fees correspond to the agreed amount stated in the Individual Placement Agreement (IPA). All such invoices are held pending approval by the Service Manager, making it their responsibility to address any discrepancies in payment amounts. There were over 1,800 invoices worth £7.25m in 2023/24. Of six cases reviewed in detail, three (50%) showed a higher amount invoiced than agreed in the IPA. Kinship and adoption allowances are also manually approved. Minor discrepancies were also identified between published rates and the amounts paid to kinship carers (£200.73 vs £200.75 per week). There are no reconciliations between payments and source system data. Unchecked invoices and payments increase the risk of discrepancies, which can negatively affect overall budget management.
- **Document Management** –Reviews and documentation are regularly signed on behalf of management and service users, reducing assurance over their authenticity. Gaps were also identified in files and system records. A lack of comprehensive records on file can hinder informed decision making, reduces assurance practice is being applied consistently, and could pose challenges in the future if decisions are challenged or questioned. Enhancing these practices would provide greater transparency and assurance that documents are being appropriately reviewed and approved by the relevant individuals.

It is acknowledged that the Service plans to make more use of Care Management System functionality in the future, which will improve assurance over the application of delegated authority and financial controls. Dates for implementation have yet to be determined.

Recommendations have been made covering the establishment and evidencing of a clear and evidence-based decision-making framework to ensure consistency and transparency in the Service's approach to financial management. This includes updates to procedures, templates and other documentation; review, and documentation of the exercise of delegated authority; checks to confirm the accuracy of claims and invoices prior to approving payments; and review of document 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	Adoption Allowance – Overall, there is assurance that payments are being made as agreed, with the application process reviewed by the Team Manager and Service Manager when necessary. However, there is no clearly defined decision-making procedure or policy regarding the initiation or continuation of an Adoption Allowance. The absence of clear criteria or benchmarks for continuing or discontinuing allowances can create inconsistencies and undermines	Yes	Major	13

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>confidence that decisions are applied fairly and consistently.</p> <p>The Service was unable to reference a specific Policy document, though the Aberdeen City Council website states: <i>“Adoption Allowances are the exception rather than the rule, the Council’s overarching philosophy is that prospective adoptive parents are expected to meet the costs usually associated with bringing up a child”</i>.</p> <p>However, considering adoption allowances as the exception rather than the rule does not always align with the decision-making process regarding their approval and continuation. Within a sample of ten cases reviewed where an adoption allowance was in payment, four (40%) did not correspond with the Adoption and Permanence Panel’s recommendation that the child was ineligible for an allowance. These cases incur an additional cost of £20k per year. There is no central record of the total number and cost of such agreed exceptions.</p> <p>A means test is conducted for all applicants, with the amount payable informed by a comparison of declared income against an allowance for expenditure. This has not undergone a comprehensive review in several years. There is no formal procedure for conducting a means test, leading to uncertainty about the basis for deductions, allowances and what should be included.</p> <p>In three of ten cases reviewed (30%) the means test indicated a reduction should be applied, but a decision was made to override the result and grant the full allowance, citing the child’s specific needs as justification. There is no documented reference to what qualifies as an additional need that would warrant support or what family circumstances might define an exception to eligibility for the adoption allowance. These cases incur an additional cost of £9k per year.</p> <p>There is no defined standard for supporting evidence to be provided by applicants, leading to variation in what is being volunteered and accepted. Updates are sought annually, but declared circumstances are rarely reviewed or challenged, and the Service does not consider it has access to</p>			

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>data to prevent fraud or error (e.g. benefits data: which is available to adult social care).</p> <p>Foster and Kinship carers transitioning to adoption follow a different set of legal requirements when applying for Adoption Allowance. Regulations allow for the Adoption Allowance to continue at the same rate as was being paid for fostering or kinship for up to two years and in exceptional circumstances beyond this. Although the service has noted that a professional assessment of the foster carers circumstances is undertaken and presented to the Panel, which will include consideration of their financial circumstances, no formal procedure exists for reviewing and approving extensions. Instead, decisions are made individually and discussed with the Service Manager to determine if an allowance should continue and at what level</p> <p>The absence of a formal procedure creates the risk of inconsistent decision-making regarding expenditure and undermines confidence in the results. Establishing a clear and robust procedure could assist in creating consistency and trust in the means test results and work towards reducing the need to override the means test result.</p> <p>Adoption allowances remain payable until the child reaches 18 years old, and may be extended while they remain at home and in formal education. Adopters may live, or move, outwith the Aberdeen area, making it more difficult to obtain assurance children being paid for, are still benefiting from the payments being made. The Service contacts adopters by email or telephone, but in-person visits are rare. There is a risk payments may continue in cases where it is not appropriate for them to do so.</p>			
1.4	<p>Payments – Invoices are received from external fostering agencies, and should be checked and confirmed for accuracy prior to payment. In contrast with payments to internal carers, there is no system record and automated check to ensure the fees correspond to the agreed amount stated in the Individual Placement Agreement (IPA). All such invoices are held pending approval by the Service Manager, making it their responsibility to address any discrepancies in payment amounts.</p>	Yes		17

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>Only four of eight external placements reviewed (50%) were being paid in line with amounts agreed and recorded on the IPA held on file, with three (38%) exceeding the agreed amounts by up to 4%, and one missing an IPA to confirm what had been agreed for payment.</p> <p>Given the volume of invoices received (over 1,800 invoices, worth £7.25m in 2023/24) and the fact that only one individual is currently authorised to approve payments, it is unrealistic to expect all invoice amounts to be consistently verified against individual IPAs before authorisation, especially considering other responsibilities. Payments to external agencies that are not thoroughly verified could lead to overpayments and increase the risk of the Service failing to comply with budget management requirements.</p> <p>Of the eight cases reviewed, four (50%) have IPAs with fees that do not match the fee schedules provided by their respective agencies. The service has confirmed that three out of the four IPAs require updates. One IPA was not updated from temporary to permanent status, another was completed during a fee uplift but requires to be redone, and the third IPA mistakenly included the amount for short-term care instead of long-term care. This IPA has now been updated. Confirmation that three of the four IPAs require updates highlights the issue of payments being authorised without checking that the amount on the invoice matches with the fee agreed upon in the IPA. Unchecked invoices increase the risk of discrepancies, which can negatively affect overall budget management.</p> <p>The Service intends to transition the payment process for external agencies to the Care Management System, which should improve the approval process. However, no specific timeline has been established for this change. In the interim, it may be necessary to explore delegating responsibilities to ensure invoices are properly checked against the IPA before payment approval.</p> <p>Payments for kinship allowances are also manually approved. Adoption payments are recorded as financial assistance on the care management system, but the facility to set</p>			

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	up, approve, and make payments directly via the system is not yet in place. Instead, spreadsheets record dates, names, and amounts for the relevant periods, and are passed to finance for payment every two weeks. Although initial data is obtained from the care management system there is no reconciliation to confirm that what is being paid matches back to the system. Any changes or errors could result in erroneous payments.			

2.4 Management response

The service acknowledges and welcomes the findings of this audit.

The service recognises that existing guidance and procedures have not been reviewed since the development of D365 and work has been progressed to address this. Given that D365 currently does not cover all aspects of the payments made to foster carers, kinship carers or adopters then guidance will be updated on an iterative basis.

Guidance on Looked After Children (Scotland) Regulations 2009 and the Adoption and Children (Scotland) Act 2007 provides the legal framework for the providing financial support to children placed in foster carers, kinship carers or with adopters. In 2024 Scotland introduced the Scottish Recommended Allowance – a standardised fee paid to foster carers and kinship carers. Scotland Excel, on behalf of all local authorities provides the commissioning framework. At a local level the scheme of payments made to “in-house” foster carers; kinship carers and adopters was agreed by Committee on 11th March 2021. The level of fee paid to foster carers and the allowance paid to adopters is reviewed annually as part of the Councils budget setting process.

Utilisation of D365 - Currently Internal Fostering is the only area of service where finance is managed fully in the D365 system via ContrOCC. It is planned that all Adoption, Kinship and External Fostering payments will move to ContrOCC ensuring that these processes can be managed robustly via the financial mechanisms already in place for external fostering. The current development backlog for D365 and ContrOCC are managed through an agile development process with priorities being set by Social Work management via their respective Product Owners. The current backlog priorities will be reviewed and a plan for integrating the in-house payments will be developed.

The Service is currently working with three different record storage systems, historic paper and O-Drive records and more recent D365 records. D365 records are the only ones now being created. O-Drive records are based on legacy infrastructure and set to read only. Where the records are required as part of a client case record these can be copied across by the social worker into the new folder structure in D365.

Payments made to Foster Carers

Tracking information is being recorded for external fostering placements and is moving to being tracked on D365. Written guidance for this is being developed and will be published, whilst taking account of, and being proportionate to, the fact this is recorded in a child's record. A record that they may come back and read in future.

Variations in payments made to external fostering agencies are always approved at Service Manager level. Variations to the Individual Placement Agreement (IPA) amounts come about due to things such as monthly or three-monthly invoicing based on daily/weekly rates. Other variations are caused by additional of mileage, birthday payments and one-off payments. These items are not predictable given the nature of caring for a child. These variations are often discussed in Looked after reviews for children and the minutes with the recommendations provided to Service Manager to decide as to whether any additional charge for respite or therapeutic support is appropriate, a timescale is attached to the decision for subsequent review to ensure level of monitoring. All foster carers, whether external or internal have

regular supervision meetings as well as Annual Reviews which has a wide-ranging mandate and ensures overarching scrutiny.

As part of well-established assurance checks quarterly monitoring meetings are held with external agencies to review contractual arrangements and ensure all IPAs are up to date. We have never had agencies advise that IPAs are out of date. The IPAs are essential for independent fostering agencies in relation to an inspection by the Care Inspectorate, therefore they will always ensure these are up to date and available. The quarterly meeting also allows for invoice queries to be raised and resolved.

Payments made to Kinship Carers

A draft version of the Kinship Procedures was made available to the auditors. This includes using D365 to record reviews and authorisations. The Service had decided to await the audit outcome before finalising. This will be available on the Children's Social Work Intranet by 1st April 2025, and will be reviewed annually in line with all other intranet pages.

Significant changes have been made in recent years to our practice and recording as a consequence of findings from previous audit recommendations, and our response to those, and changes in systems. These continue to be embedded and may not have been fully reflected in audited cases where they pre-dated these changes.

Payments made to Adopters

There is significant additional cost to the Council maintaining a child in a fostering placement, compared to enabling the child to be adopted and providing Adoption Allowance. Fundamentally all decisions are child centred aimed at delivering the best outcomes for individual children. We know the outcomes for adopted children are generally better than those who remain in the care system.

Decisions are regularly made to ensure children can continue to live with siblings, in line with The Promise and our [Keeping brothers and sisters together - Position Statement | Aberdeen City Council](#). To ensure this can be achieved we will make bespoke arrangements, as was noted within the audit. In every instance where a professional assessment identifies an adoption allowance is required to meet the child's needs then this is considered by the Service Manager. This assessment may be a full written assessment around the child's support needs, or it may take the form of reviewing existing multi-agency documentation. The Service has initiated work to ensure that information is collated and held within the case management system.

Regarding the sample, and statement that 40% of adoption allowances did not correspond with the Adoption and Permanence Panel's recommendation, the Panel also noted should the child's needs change then their eligibility can be reviewed. This is a complex aspect of Adoption and decisions made at Adoption and Permanence Panels are made at a point in time. In the cases examined, changes to circumstances either beyond or subsequent to those reflected in the panel's consideration were determined to result in an allowance being seen as necessary to ensure the lifelong needs of the child were prompted.

It must be noted that the Panel do not have a decision-making responsibility. Responsibility sits either with the Agency Decision Maker or with the Service Manager with oversight of the adoption service.

The Service believes that the changing needs of the child, and the impact this has on the eligibility for Adoption Allowance is clearly stated in the published documentation - [Adoption Allowances - Eligibility for financial support | Aberdeen City Council](#). The Service accepts that an area of improvement would be to record these changing circumstances more explicitly at the point of approval of Adoption Allowances and link this to the evidence provided. In addition, ensuring the annual review evidence that circumstances remain unchanged or not.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Minor
1.1	<p>Written Procedures – The procedures for adoption and fostering are generally accessible to those who need them via SharePoint, making it easy to track their most recent updates. Both sets of procedures have been updated recently, providing confidence that they are being actively maintained. Potential gaps and areas for improvement have been identified and are discussed in later sections of this report.</p> <p>In contrast, the kinship procedure is managed within the operational team rather than being overseen by Business Planning & Development. Kinship currently uses D365 (the Care Management System) for filing and keeping records of their clients, but allowances are calculated manually rather than leveraging the system’s functionality. Kinship payments are expected to transition to D365; therefore, management of kinship procedures may shift to align with fostering and adoption, however no date has been set for this to be resolved. In the meantime, it would be beneficial to include a note on the current kinship procedures indicating their update date and to establish a review schedule to ensure they remain up to date.</p> <p>The Service has sub-delegated powers / authorisation levels, which are reflected within its procedures, though there is no separate formal documentation of them. It may be beneficial to do so, to ensure consistency where required, and to reduce the need to update various procedures in the event of changes to values.</p>		
IA Recommended Mitigating Actions			
<p>The Service should implement a review schedule for Kinship procedures and ensure they are updated with the most recent review date.</p> <p>The Service should review and document approval levels and the circumstances in which they apply.</p>			
Management Actions to Address Issues/Risks			
<p><i>A draft version of the Kinship Procedures had been produced and was made available to the auditors. This includes using D365 to record reviews and authorisations. The Service had decided to await the audit outcome before finalising this and it will be available on the Children’s Social Work Intranet by 1st April 2025. This will be reviewed annually in line with all other intranet pages.</i></p> <p><i>Approval levels are currently set out in each of the procedures. Approval levels will be reviewed and documented in a centralised space by 1st May 2025.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Isabel McDonnell, Service Manager	31 May 2025

Ref	Description	Risk Rating	Major
1.2	<p>Adoption Allowance – Overall, there is assurance that payments are being made as agreed, with the application process reviewed by the Team Manager and Service Manager when necessary. However, there is no clearly defined decision-making procedure or policy regarding the initiation or continuation of an Adoption Allowance. The absence of clear</p>		

Ref	Description	Risk Rating	Major
	<p>criteria or benchmarks for continuing or discontinuing allowances can create inconsistencies and undermines confidence that decisions are applied fairly and consistently.</p> <p>The Service was unable to reference a specific Policy document, though the Aberdeen City Council website states:</p> <p><i>“Adoption Allowances are the exception rather than the rule, the Council’s overarching philosophy is that prospective adoptive parents are expected to meet the costs usually associated with bringing up a child”.</i></p> <p>However, considering adoption allowances as the exception rather than the rule does not always align with the decision-making process regarding their approval and continuation. The Adoption and Permanence Panel considers all of the relevant circumstances and regulations and provides a recommendation if a child’s needs at the time are eligible for the allowance, but the final decision rests with the Adoption Team Leader and Service Manager. Within a sample of ten cases reviewed where an adoption allowance was in payment, four (40%) did not correspond with the Panel’s recommendation that the child was ineligible for an allowance. These four cases incur a cost of approximately £20k per annum combined. There is no central record of the total number and cost of such agreed exceptions. Justification for going against recommendations in general varied and was not well recorded.</p> <p>A means test is conducted for all applicants, with the amount payable informed by a comparison of declared income against an allowance for expenditure. The means test template is updated annually with revised child benefit figures. However, it has not undergone a comprehensive review in several years. The test excludes expenditure, although the template includes a section for it, which is no longer used – instead, a level of ‘personal allowance’ has been set, the basis for which is not recorded. There is no formal procedure for conducting a means test, leading to uncertainty about the basis for deductions, allowances and what should be included. While the adoption allowance procedure on SharePoint provides a general explanation, it recommends consulting the Team Leader in cases where there is uncertainty about what to include.</p> <p>In three of ten cases reviewed (30%) the means test indicated a reduction should be applied, but a decision was made to override the result and grant the full allowance, citing the child’s specific needs as justification. In these three cases, while the children’s needs are varied, there was no documented reference to what qualifies as an additional need that would warrant support or what family circumstances might define an exception to eligibility for the adoption allowance. An additional £9k per annum is being paid in respect of these cases. Again there is no central record of the total number and cost of granting full allowances in cases where test results indicate these should not be paid.</p> <p>There is no defined standard for supporting evidence to be provided by applicants, leading to variation in what is being volunteered and accepted. Updates are sought annually, but declared circumstances are rarely reviewed or challenged, and the Service does not consider it has access to data to prevent fraud or error (e.g. benefits data: which is available to adult social care). The service deducts Child Tax Credit if they are made aware it is in payment, but do not seek confirmation if it is not declared. In two cases reviewed, there is no supporting evidence for statements from adoptive parents that they have had to adjust their work/life balance and reduced income to accommodate an adoption. In another two cases records indicated payments were being made to a couple, but information relating to only one person was included in the calculation. In another case, one partner declared no income and no benefits, indicating other options may not have been explored.</p> <p>Foster and kinship carers transitioning to adoption follow a different set legal requirements when applying for an Adoption Allowance. Regulations allow for the Adoption Allowance to continue at the same rate as was being paid for fostering or kinship for up to two years and in exceptional circumstances beyond this. Although the service has noted that a professional assessment of the foster carers circumstances is undertaken and presented to the Panel,</p>		

Ref	Description	Risk Rating	Major
	<p>which will include consideration of their financial circumstances, no formal procedure exists for reviewing and approving extensions. Instead, decisions are made individually and discussed with the Service Manager to determine if an allowance should continue and at what level. From the sample of ten there were two (20%) kinship carers transitioning to adoption. One was informed in their outcome letter that the allowance would continue for two years, while the other received confirmation only of a shift from kinship allowance to adoption allowance, with no specified timeframe. Foster carers are also treated differently in respect of means-testing. The adoption allowance means-test template reduces carers' relevant income by £10,000. There is no clear policy basis for this variation in approach, which results in foster carers being more likely to attract the full allowance.</p> <p>The absence of a formal procedure creates the risk of inconsistent decision-making regarding expenditure and undermines confidence in the results. Establishing a clear and robust procedure could assist in creating consistency and trust in the means test results and work towards reducing the need to override the means test result.</p> <p>Adoption allowances remain payable until the child reaches 18 years old, and may be extended while they remain at home and in formal education. Adopters may live, or move, outwith the Aberdeen area, making it more difficult to obtain assurance children being paid for, are still benefiting from the payments being made. The Service contacts adopters by email or telephone, but in-person visits are rare. There is a risk payments may continue in cases where it is not appropriate for them to do so.</p>		
IA Recommended Mitigating Actions			
	<ul style="list-style-type: none"> a) A clear and concise decision-making framework should be established for adoption allowances, outlining the criteria for exceptional circumstances and the required evidence to support applications. This framework should align with the principle that adoption allowances are the exception, not the rule. b) Policy decisions should be made by the relevant Committee. Where decisions are made contrary to agreed policy under delegated powers (e.g. provision of an allowance in cases where the Panel has stated the case does not qualify, or overriding the results of a means test), their use and the associated costs should be reviewed and reported periodically to the relevant Committee. c) A formal procedure should be created for the means test. This should provide clear guidance on what should and should not be included as part of the means test, promote consistency of approach, and define the standard of evidence required. The content and values included in the template should be subject to periodic review. d) A risk based and proportionate means of obtaining assurance that adoption allowances only continue in placement where children continue to live with their adoptive family, should be developed and implemented. 		
Management Actions to Address Issues/Risks			
	<ul style="list-style-type: none"> a) <i>The service will review the Adoption Allowance Guidance to take full account of the recommendations from this audit.</i> b) <i>The Service will ensure to document the established decision-making and reviewing processes incorporating examples of what may be considered as exceptional circumstances.</i> c) <i>The Service will review the guidance around the means test to ensure that the guidance is clear and provides consistency.</i> d) <i>The Service is satisfied that a proportionate approach taken when evidencing the continuance of allowances, however will review the operational guidance to take reflect the audits learning.</i> 		
	Risk Agreed	Person(s)	Due Date

Ref	Description		Risk Rating	Major
	Yes	Isabel McDonnell, Service Manager	31 May 2025	

Ref	Description	Risk Rating	Moderate
1.3	<p>Fostering Placements – When allocating children to Foster Families, priority will always be given to internal (ACC approved) carers. However, there are several factors that require consideration before a decision is made. These include the level of care the child requires, whether the child needs to be placed within or outside the local area and the importance of maintaining continuity in their education, such as staying at the same school, college, or university. Placement decisions also depend on whether the child should remain close or be distanced from their family. In many cases there are no available internal carers</p> <p>If the needs of the child cannot be met internally, a referral will be made to agencies within a Scotland Excel Framework. Should these agencies be unable to provide a suitable placement, referrals will then be extended to agencies outside the framework. These agencies typically involve higher costs and require approval from the Service Manager before proceeding. While achieving value for money is important, the needs of the child will always take priority over placement costs, and therefore determination of the ‘best value’ option.</p> <p>From a sample of eight external fostering agencies, there is no comprehensive documentation in any case (100%) tracking the referral process from start to finish. This means there is no record explaining why an external agency placement was necessary, if options were available, and if so how the option was selected and approved.</p> <p>Given the cost difference between placing a child with an external agency versus an internal foster carer, and variations between individual agencies, the rationale for the decision should be documented to confirm the necessity of choosing an external agency at the higher cost, and evidence the best value option is being selected.</p> <p>Every external placement should be recorded in an Individual Placement Agreement (IPA), setting out requirements, costs, dates, approvals, and attached documentation which shows the children’s care needs and outcomes. The IPA is contractual documentation, and effectively acts as the Purchase Order for the care being provided. None of the cases reviewed had completed an IPA in advance. The Service noted that ‘in an emergency situation’ it is not considered a priority to complete these in advance. However, much of the Service’s activities will fall into this category, and therefore this cannot be considered exceptional.</p> <p>Internal carers must complete a Foster Care Agreement, which confirms their acceptance of the conditions and requirements to be met in respect of placements. In one of five cases reviewed (20%), there was no signed copy on file, prior to placements taking place. For kinship care, ‘agreements’ are sent to carers, but there is no place for a signature to be recorded.</p> <p>Without clear documentation of what has been agreed, at the point the placement commences, there is an increased risk of error in application, presenting a risk to children’s needs being effectively communicated and met, the Council’s reputation, and to financial control. Placements may be enduring or ‘permanent’ (until adulthood), and therefore any discrepancies at the outset could have a significant impact on future budgets.</p> <p>IA Recommended Mitigating Actions</p> <p>A comprehensive record should be maintained documenting the reasons, selection process followed, and approval of a specific external agency for a placement.</p>		

Ref	Description	Risk Rating	Moderate
	<p>No placement should commence until it has been formalised in an agreement confirmed in writing by all parties. If the Service anticipates exceptions being required, the circumstances and extent of delegated authority and a mechanism for recording its application should be defined. All such arrangements should be formalised in an agreement confirmed in writing by all parties immediately thereafter.</p>		
	<p>Management Actions to Address Issues/Risks</p> <p><i>Tracking information, documenting the selection process for external placements will as be tracked on the D365 'Care Finding' case on the child's record. Written guidance for this is being developed and will be published by 31st May 2025,</i></p> <p><i>The completion of the IPA for external placements, is now being tracked via D365. We will monitor and sample compliance, to ensure these are being completed within 3 weeks of the placement commencing.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Isabel McDonnell, Service Manager	31 May 2025

Ref	Description	Risk Rating	Major
1.4	<p>Payments – The Service makes various payments in respect of family placements:</p> <ul style="list-style-type: none"> Foster care payments <ul style="list-style-type: none"> Internal: Skills payments; Child related placement payments External: Placement fees Kinship payments Adoption allowances <p>Payments to internal (directly employed) foster carers are managed using D365, through application of a comprehensive process to match placements, dates, and values, following a system controlled approval mechanism. Over £2m of payments were made to such carers in 2023/24. A sample of five cases was reviewed, and all payments for skills and placements (100%) matched to the relevant records. In two of eight cases reviewed (25%), additional payments had been manually calculated and paid in respect of respite days not taken. Supporting evidence for these was not well documented. However, the Service has since implemented a system-based process for recording and calculating these payments, which will improve assurance going forward. In another case an additional 'negotiated rate' was being paid (£718 per annum). The source and approval for this was not clear. Financial reports indicate over £25k of negotiated payments were made in 2023/24.</p> <p>A minor discrepancy was identified between the published rate for foster and kinship carers for children aged 11–15 (£200.73) and the amounts actually being calculated and paid for kinship: £200.75. The Service advised that the correct rate is £200.75 and committed to updating the website accordingly.</p> <p>Invoices are received from external fostering agencies, and should be checked and confirmed for accuracy prior to payment. In contrast with payments to internal carers, there is no system record and automated check to ensure the fees correspond to the agreed amount stated in the Individual Placement Agreement (IPA). All such invoices are held pending approval by the Service Manager, making it their responsibility to address any discrepancies in payment amounts.</p>		

Ref	Description	Risk Rating	Major
	<p>Of the eight cases reviewed, only four (50%) payment records matched the amounts agreed and recorded on the IPA held on file: three (38%) exceeded the agreed amounts by up to 4%, and one had no IPA on file to confirm what had been agreed.</p> <p>Given the volume of invoices received (over 1,800 invoices, worth £7.25m in 2023/24) and the fact that only one individual is currently authorised to approve payments, it is unrealistic to expect all invoice amounts to be consistently verified against individual IPAs before authorisation, especially considering other responsibilities. Payments to external agencies that are not thoroughly verified could lead to overpayments and increase the risk of the Service failing to comply with budget management requirements.</p> <p>Of the eight cases reviewed, four (50%) have IPAs with fees that do not match the fee schedules provided by their respective agencies. The service has confirmed that three out of the four IPAs require updates. One IPA was not updated from temporary to permanent status, another was completed during a fee uplift but requires to be redone, and the third IPA mistakenly included the amount for short-term care instead of long-term care. This IPA has now been updated. Confirmation that three of the four IPAs require updates highlights the issue of payments being authorised without checking that the amount on the invoice matches with the fee agreed upon in the IPA. Unchecked invoices increase the risk of discrepancies, which can negatively affect overall budget management.</p> <p>The Service intends to transition the payment process for external agencies to the care management system, which should improve the approval process. However, no specific timeline has been established for this change. In the interim, it may be necessary to explore delegating responsibilities to ensure invoices are properly checked against the IPA before payment approval.</p> <p>Payments for kinship allowances are also manually approved. Adoption payments are recorded as financial assistance on the care management system, but the facility to set up, approve, and make payments directly via the system is not yet in place. Instead, spreadsheets record dates, names, and amounts for the relevant periods, and are received from finance, reviewed and approved for payment every two weeks. Although initial data is obtained from the care management system there is no reconciliation to confirm that what is being paid matches back to the system. Any changes or errors could result in erroneous payments.</p>		
IA Recommended Mitigating Actions			
<p>a) The Service should ensure sufficient checks are being completed to confirm accuracy prior to approving payments. Any variations (e.g. rates, quantities, additional payments) should be addressed and/or approved at an appropriate level prior to processing.</p> <p>b) Payments should be periodically reconciled back to source data. Variations identified through review should be addressed.</p>			
Management Actions to Address Issues/Risks			
<p>a) <i>The service will continue to ensure vigilance in the processing of payments to external providers. While the IPA is the core document the IPA also recognises children's needs and requirements may have small variance on a monthly basis. The service will continue to ensure they meet regularly with external providers to satisfy themselves of any IPA variations. With these existing mitigations, the Service accepts the risk of not implementing the recommended action.</i></p> <p>b) <i>The requirement to periodically reconcile payments back to source data, and to take appropriate action as required, will be formalised in refreshed guidance by 31st May 2025.</i></p>			
	Risk Agreed	Person(s)	Due Date

Ref	Description		Risk Rating	Major
	Yes	Isabel McDonnell, Service Manager	31 May 2025	

Ref	Description	Risk Rating	Moderate
1.5	<p>Document Management – While conducting the review of adoption, fostering and kinship allowances concerns were identified regarding document management.</p> <p>From a sample of ten kinship allowances, seven (70%) included annual reviews that were either ‘signed on behalf’ of the carer or signed ‘over the phone’. The remaining three (30%) were signed electronically, but it was unclear whether the signatures were obtained in person, over the phone or completed on the carer’s behalf. Signatures produced on behalf of the carer provide limited or no assurance that the review has been discussed and agreed.</p> <p>Within the same sample, three cases (30%) included either an application, an assessment, or, in one instance, both, where the approval signatures had been copied and pasted onto the document. This practise reduces assurance over the authenticity of the signatures and the integrity of the approval process. Similar to signing reviews on behalf of a customer, copying and pasting signatures offers no assurance that the document has been signed by the required individual. This creates a risk that anyone with access to another person’s signature could fraudulently sign on their behalf.</p> <p>In one adoption case there were incomplete sections of the carers’ assessment held on file, with insufficient details to confirm their suitability to adopt. In another, there were insufficient details of the child being placed, with all records relating to the carer’s social care needs instead. The Service stated these would have no impact on determining the payment of, or level of allowance.</p> <p>System records for three of ten kinship cases reviewed (30%) did not have the correct legal status, placement type, or copies of the original application, reducing assurance that records are complete and accurate for all cases where a payment is being made. Another kinship case included an incomplete assessment. This assessment was completed some time ago, and annual reviews have been conducted since then. As a result, the Service considers the risk of an incorrect kinship allowance being paid is low.</p> <p>A lack of comprehensive records on file can hinder informed decision making, reduces assurance practice is being applied consistently, and could pose challenges in the future if decisions are challenged or questioned. Enhancing these practices would provide greater transparency and assurance that documents are being appropriately reviewed and approved by the relevant individuals.</p> <p>IA Recommended Mitigating Actions</p> <p>The Service should review options for obtaining and documenting assurance that all documentation and records have been fully completed, reviewed, approved, and where necessary agreed with carers.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>The Service are currently working with three different record storage systems, historic paper and O’Drive records and more recent D365 records. The auditor was not able to access paper or O’Drive records. These were provided separately when requested. D365 records are the only ones now being created. O’Drive records are due to be migrated into D365, however no date for this has been provided to the service.</i></p> <p><i>Adopters and Foster Carers cannot be approved without full assessments being produced and provided to the relevant Panels.</i></p>		

Ref	Description	Risk Rating	Moderate
	<i>Further exploration will take place on how to capture carer involvement within the Kinship annual review process.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Isabel McDonnell, Service Manager	30 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
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

Aberdeen City Council acknowledges that, when families are unable to provide appropriate care, children may sometimes need to be cared for outside of their home. Foster care, kinship care and adoption are options to help ensure positive outcomes and provide a high standard of care for these children.

Allowances can be provided for foster carers, kinship carers and adopters to assist with the expenditure related to caring for a child and to allow the child to benefit from the same opportunities as other children.

Foster carers are eligible for a skills payment, which is made based on one fee per household per annum. In March 2021, a report was submitted to Committee to set out a review that had been undertaken of the fee structure. Rates are reviewed on an annual basis.

Foster carers will also receive an allowance that takes into consideration the general expenditure relating to caring for a child, this includes pocket money, food, accommodation, fees for clubs, activities, and travel. These payments depend on the child's age and are calculated at a weekly rate. Extra weekly payments are made for the week of the child's birthday, Christmas/religious festival, and summer holidays. Since 2023 these rates have been based on the Scottish Recommended Allowance (SRA) rates for kinship and foster Carers which Aberdeen City Council implemented. For some carers, those with children aged 11-15, Aberdeen City Council were already paying a higher rate than the SRA.

Foster carers are issued with a Foster Carer Agreement on registration and if there is a change to their payment level or registration the agreement will be revised.

Foster care is also provided through agencies under the Scotland Excel Fostering and Continuing Care Services Framework. The Framework was established to enable Councils to purchase fostering and continuing care placements from independent and voluntary providers for an agreed fee and under agreed terms and conditions to supplement their internal provision. Different fees apply to different foster care services that are provided under the framework. An Individual Placement Agreement (IPA) is completed in every instance as this is the contract between purchaser and provider. The agreed fee is the amount payable for the core services provided and includes the Foster Carer Fee, Child Allowance and costs incurred by the Provider in the operation of the service. There may also be placements purchased from other Local Authorities or agencies and a contract will be agreed.

Kinship carer is a term used to describe a person who looks after a child when they are unable to live with their parents. They are usually an adult who is either related to the child or is a person known to the child. Kinship carers are eligible for a Kinship Allowance, but eligibility will depend on how the child became to be looked after. Kinship Allowance applies to children with a looked after status or the child is subject to a Section 11 Order and was previously looked after or placed with involvement from the local authority or is at risk of becoming looked after.

Kinship Allowance is paid in line with the fostering allowance rates, less any eligible child related benefits. The Allowance is broken down into four age bands and will increase as the child moves into a higher age band. Like foster carers extra weekly payments are made for the week of the child's birthday, Christmas/religious festival, and summer holidays. Kinship carers receive these additional payments spread over 52 weeks. Kinship Allowance is not means tested.

An Adoption Allowance is paid based on the child's eligibility. This is typically determined at the Adoption and Permanence Panel when the child's adoption plan is considered. The Adoption and Permanence Panel will review the child's eligibility again when considering the match between the child and potential adoptive family. Adopters can also make a request for Adoption Allowance to be considered where a child's changing needs merit this. The eligibility for Adoption Allowance will be based on an assessment of the adopters' financial circumstances and the support needs of the child. The Adoption Allowance is means tested and will consider the adoptive family's relevant income, and household expenses, which are represented as a set 'personal allowance. Consideration can be given to the means test being disregarded where the child's support needs are substantive. An Adoption Allowance can be paid as a regular payment or as a 'one-off' payment to fund specific therapeutic support.

The Council's set a budget of £263m for Children and Family Services for 2024/25. This includes £45.9m for Family Placement services.

5.2 Rationale for review

The objective of this audit is to obtain assurance that adequate procedures are in place to control the calculation, award, and payment of allowances for Fostering, Adoption and Kinship Care. It is essential that the calculation and payment of allowances are done correctly to ensure that fostering, adoption, and kinship carers receive the financial support for which they are eligible. Failure to calculate and administer these allowances could result in financial, reputational, and operational risk to the Council.

This area was last audited in 2019/20, report AC2028, which identified that procedures were comprehensive and easily accessible but could benefit from review and updating; forms and agreements did not contain clear and consistent declarations for those in receipt of payments; and improvements were required to ensure allowances were paid at the correct rate, adequately documented, and input correctly into the system. It was also recommended that the service review if all internal and external payments could be system controlled rather than having separate records for each.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at **Cluster** 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 Procedures
- Adoption Allowance
- Kinship Allowance
- Fostering Payments
- Reporting and Monitoring

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 practices, this review will primarily be undertaken remotely via electronic meetings and direct access to systems and data, with face to face contact and site visits to premises to obtain and review further records as appropriate.

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:

- Sarah Poppe (**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:

- Eleanor Sheppard, Executive Director – Families and Communities
- Graeme Simpson, Chief Officer Children's Social Work and Family Support
- Isabel McDonnell, Service Manager (**process owner**)
- Cathy Buchan, Team Manager
- Chris Morton, Team Manager
- Nicola Clark, Team Manager
- Karen Steele, Senior Support Assistant
- Lorna Stephen, Business Planning and Development Officer
- Gail Anderson, Senior Accountant

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	08-Oct-2024
Scope agreed	15-Oct-2024
Fieldwork commences	21-Oct-2024
Fieldwork completed	25-Nov-2024
Draft report issued	16-Dec-2024
Process owner response	13-Jan-2025
Director response	20-Jan-2025
Final report issued	27-Jan-2025

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	08 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2506 – Creditors Sub-System Payments
REPORT NUMBER	IA/AC2506
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 Creditors Sub-System Payments.

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 Internal Audit has completed the attached report which relates to an audit of Creditors Sub-System Payments.

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 AC2506 – Creditors Sub-System Payments

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 Creditors Sub-System Payments

Status: Final

Date: 31 March 2025

Risk Level: Cluster

Report No: AC2506

Assurance Year: 2024/25

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	09-Oct-24	09-Oct-24
Scope agreed	16-Oct-24	17-Oct-24
Fieldwork commenced	28-Oct-24	12-Nov-24
Fieldwork completed	22-Nov-24	06-Dec-24
Draft report issued	13-Dec-24	20-Dec-24
Process owner response	17-Jan-25	04-Mar-25
Director response	24-Jan-25	28-Mar-25
Final report issued	31-Jan-25	31-Mar-25
ARS Committee	08-May-25	

Distribution	
Document type	Assurance Report
Directors	Andy MacDonald, Executive Director – Corporate Services
Process Owner	Bernadette Bularan, Deputy Chief Finance Officer
Stakeholders	Jonathan Belford, Chief Officer – Finance
	Lesley Fullerton, Finance Operations Manager
	Angela Crawford, Finance Controls Manager
	Richard Burnett, Senior Accountant
	Steve Roud, Chief Officer – Digital & Technology
	Lesley Strachan, Service Lead - People Services
	Andrea Garden, Team Leader – Payroll
	Vikki Cuthbert, Interim Chief Officer - Governance
Final Only	External Audit
Lead auditor	Agne McDonald, Auditor

1 Introduction

1.1 Area subject to review

The Council uses the Creditors System within their financial management system (eFinancials) to make payments to its suppliers. During 2023/24, 438,716 creditor payments totalling £898.844 million were made. Of this, 87,165 totalling £399.186 million (44%) were processed from eight feeder systems which process invoices / remittances out with the eFinancials Creditors system. These feeder systems are:

1. Confirm – non-HRA property repairs
2. Firmstep – education maintenance allowance / school clothing grants
3. Spydus – library management system
4. Total – HRA building maintenance and roads
5. CorePay – payroll creditors payments
6. Key2 – vehicle maintenance and hire vehicles
7. D365 – social work care packages
8. NDR – refunds of business rates

In addition, various payments are processed via manual bulk payment where spreadsheet based bulk payment files require to be submitted to the Financial Systems Team (FST) following approval by the relevant budget holder. This includes for example kinship/adoption payments; nursery milk payments; and Early Learning and Childcare (ELC) provider payments.

Payment text files are generated from the feeder systems above, either as part of a scheduled automated process, or when instigated by the relevant feeder system administration staff. Similarly, Accounts Payable staff are responsible for generating the BACS payment text file from eFinancials so payment can be processed via the BACS system.

The Financial Systems Team is responsible for ensuring the accuracy of interface files uploaded to the Council's financial management system and for reconciling creditor payments made to the Council's bank account.

1.2 Rationale for review

The objective of this audit is to provide assurance that there are adequate controls over payments originating from creditors sub-systems.

The last full Internal Audit review of this area took place in August 2018 as part of Internal Audit AC1901 Creditor Payments when recommendations were agreed to improve written procedures; reconciliation arrangements; payment control; and limit privileged access rights. More recently Internal Audit AC2203 Financial Systems Interfaces and Reconciliations and AC2407 Creditors System carried out in November 2021 and May 2024 respectively, covered accounts payable interface and payment control processes, with recommendations agreed to restrict and monitor privileged user access (including manual adjustments to payment files); to control changes to supplier standing data affecting payments; and to enhance BACS reconciliation procedures.

This audit has been included in the agreed Internal Audit plan for 2024/25 due to the material value of payments being interfaced from sub-systems into the Creditors System and the risk of fraudulent payments if internal controls are inadequate. For example, in 2016/17, another Scottish Local Authority identified a significant fraud perpetrated by a long serving member of staff, with extensive access to several Council systems. They combined their knowledge of these systems with their unrestricted system access privileges, to insert fictitious invoices into the Creditors System for payment. This fraud perpetrated over a number of years resulted in over £1m of fraudulent payments.

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
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.

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 Creditors Sub-System Payments.

The Council uses the Creditors System within their Financial Management System to make payments to its suppliers.

During 2023/24, 438,716 creditor payments totalling £898.844 million were made. Of this, 87,165 totalling £399.186 million (44%) were processed from eight feeder systems which process invoices / remittances out with the eFinancials Creditors system. One of these sub-systems is used for processing Education Maintenance Allowances and clothing grants – this was not subject to review as it was covered recently in AC2501 – Allowances.

In addition, various payments are processed via manual bulk payment where spreadsheet based bulk payment files require to be submitted to the Financial Systems Team (FST) following approval by the relevant budget holder. Early Learning and Childcare (ELC) provider payments and nursery milk payments were not covered when testing bulk payments since they were reviewed in reports AC2501 – ELC Funded Provider Places; and AC2312 – Scottish Milk and Health Snack Scheme respectively.

Reasonable assurance was available over the following areas reviewed:

- **Written Procedures** – Finance has detailed written procedures in place covering the processing of creditors interfaces from feeder sub-systems and related reconciliation arrangements.
- **Finance Interface Verification** – The Financial Systems Team (FST) checks to ensure that creditor sub-system payment files received are successfully uploaded to the Council's creditors system, with any rejections being notified back to the feeder sub-system Service for correction. The FST maintain a batch register to assist with this process.
- **BACS reconciliations** – BACS run payment values within the BACS system are being reconciled to the creditors system using Business Objects reporting on the creditors system and PTX BACS submission summary reports. A sample of five consecutive days of BACS submissions in December 2024 was fully supported with no reconciling differences.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Delegated Authority** – In breach of the Council's Scheme of Governance, authorisation limits within the Council's corporate purchase ordering and invoice authorisation systems are being determined by line managers, team leaders or budget holders instead of chief officers as required. Also, Finance has advised that sub-system authorisation limits are not aligned with

the corporate purchasing ordering and invoice authorisation system limits risking inconsistency. Where purchase order and payment authorisation systems have incomplete, inconsistent and unauthorised approval limits, which are not linked to authority delegated from chief officers, there is a greater risk of unauthorised payments, payment error and potentially fraud. In addition, the Council's Financial Regulations only permit electronic authorisation of payments within the corporate invoice authorisation system. However, all 30 sub-system payments reviewed were approved electronically out with this system in breach of Financial Regulations.

- **Sub-System Owner Interface Checking** – Reconciliations of payments uploaded to the creditors system are not currently completed by sub-system owners/administrators or relevant staff within the sub-system originating service. Whilst reports are available to FST staff to undertake checks of payment file upload success, relevant sub-system service officers do not have their own independent access to such reports for reconciliation purposes. The FST staff have privileged access to the creditors system and interface files, meaning they can make changes that can affect payments. Independent scrutiny of payment file upload accuracy would be beneficial to further reduce the risk of payment error and reduce the risk of fraud. More generally, a recommendation has already been made as part of Internal Audit report AC2407 Creditors System to monitor privileged user activity, including supplier bank account creation and amendments.
- **Payroll Creditors Interfaces** – Whilst 27 (90%) uploaded creditors sub-system payment batches reviewed, across seven sub-systems, had all been agreed to payment batch control totals from the sub-system by the FST, three (10%) payroll creditors batches relating to employee payroll deductions were not since this information is not available to the FST. This gap impedes control over interface accuracy and increases the risk of incomplete or inaccurate payments.
- **BACS Procedure** – The BACS procedure is detailed and clear, with system screenshots, describing the necessary steps to process BACS payments and some basic instructions for completing the related reconciliation. However, it was noted that the procedure does not specify who can undertake the BACS reconciliation presenting a minor risk an FST member, with privileged system access, may undertake a check of files they have processed in future, invalidating the check. In addition, the BACS procedure includes details of a shared password for Business Objects reports showing BACS details; this should be addressed as sharing passwords is contrary to the Council's Corporate ICT Acceptable Use Policy.
- **Payment Control** – Bank account evidence was absent for two (7%) of 27 payments across seven sub-systems reviewed risking fraud or payment error. Where bank accounts used for payments were supported, the adequacy of related evidence was not assessed as part of this review since a recommendation has already been agreed as part of Internal Audit report AC2407 Creditors System to standardise payee identification and bank account evidence requirements.

Recommendations have been made to address the above risks, including establishing a standardised, and published delegated authority list for purchase order and payment authorisations, aligned to job responsibilities and ensuring purchase ordering and payment systems are aligned to this; introducing sub-system owner checks of uploaded payments; and establishing payroll creditors interface checks by Finance back to the payroll system. In addition, a recommendation was made to update the BACS procedure.

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.
1.3	Delegated Authority – Chief officers have delegated authority to approve officer signatory lists and officer authorisation levels in relation to the raising and approval	Yes	Major	11

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>of purchase orders and the authorisation of payments.</p> <p>Whilst this authority is delegated to chief officers, the authority to approve purchase orders and payments and associated authorisation levels within the corporate purchase ordering system and invoice authorisation system is determined by an employee's line manager, team leader, or the respective budget holder and not the chief officer in breach of the Council's Scheme of Governance.</p> <p>Since corporate purchase ordering and invoice authorisation systems are not linked to chief officer delegated authority, this is a major gap in the system of payment control.</p> <p>A sample of 27 payments across seven sub-systems and three payments processed via manual bulk payment uploads were reviewed. Based on the corporate invoice authorisation system limits, two (14%) sub-system approvals totalling £6k were by officers without delegated authority, one (3%) invoice approved exceeded the approver's value limit by £168k and for another (3%) low value approval of £400, it was not clear if authority existed since an approval limit had not been set within the corporate invoice authorisation system, despite it being appropriate to do so for payment control purposes.</p> <p>Finance advised sub-system authorisation levels are not aligned with the corporate invoice authorisation system authorisation levels risking authorisation inconsistency.</p> <p>Where purchase order and payment authorisation systems have incomplete, inconsistent and unauthorised approval limits, which are not linked to authority delegated from chief officers, there is a greater risk of unauthorised payments, payment error and potentially fraud.</p>			

2.4 Management response

The Council Management appreciates the efforts and findings shared by the Internal Audit Team on this subject. Noting the objective of this audit, i.e. provide assurance that there are adequate controls over payments originating from creditors sub-systems, due attention has to be given on all relevant feeder systems where the payment requisitions originate from in terms of their procedures / authorisation levels and settings / documentation supports. It is worth noting the Financial Regulation clause 3.2 holding each Service Lines' Chief Officers to account as follows: "Chief Officers are responsible for the submission of a Certificate of Assurance on the Effectiveness of Internal Financial Controls to the Chief Officer – Finance on an annual basis." Based on this premise, payment

requisitions from each Service Lines will need to have due diligence and control in place prior to the final payment release done via the Creditors System to meet that level of assurance due.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Written Procedures and Guidance – Comprehensive written procedures and guidance, which are easily accessible by relevant members of staff, can reduce the risk of errors and inconsistency. They provide management with assurance correct and consistent instructions are available, especially in the event of an experienced employee being absent or leaving.</p> <p>The BACS procedure is detailed and clear, with system screenshots, describing the necessary steps to process BACS payments and some basic instructions for completing the related reconciliation.</p> <p>However, it was noted that the procedure does not specify who can undertake the BACS reconciliation, presenting a risk an FST member, with privileged system access, may in future undertake a check of files they have processed, invalidating the check.</p> <p>In addition, the BACS procedure includes details of a shared password for Business Objects reports showing BACS details. This is contrary to both the Council's ICT Acceptable Use Policy and the Council's ICT Access Control Policy, with the latter stating, <i>"passwords must never be shared"</i>.</p> <p>This should be addressed to mitigate the risk of unauthorised access to BACS payment data via Business Objects and to comply with Council policy.</p> <p>IA Recommended Mitigating Actions</p> <p>The BACS procedure should be reviewed and updated where necessary.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Management agrees with the IA recommendation that the BACS Procedures be reviewed, mapped, and updated.</i></p>		
Risk Agreed	Person(s)	Due Date	
Yes	Finance Operations Manager	October 2025	

Ref	Description	Risk Rating	Moderate
1.2	<p>Interfaces – Where payment data is transferred between two systems, a system of control is required to ensure the data transferred is accurate and complete and that no manual amendments have been made that would increase the risk of error and fraud. There are eight feeder sub-systems which process invoices/payments out with the creditors system. Payment text files are generated from these feeder systems, either as part of a scheduled automated process, or when instigated by the relevant feeder system administration staff. Four "sub-systems" rely on manual spreadsheet based bulk payment processing (Kickstart Grants, Kinship/Adoption Payments, Nursery Milk Payments and ELC Provider payments).</p> <p>Education Maintenance Allowance, Clothing Grant, Nursery Milk, and ELC Funded Provider sub-system payments have not been subject to review as part of this audit, since these payments have been covered recently by Internal Audit in standalone reviews.</p>		

Ref	Description	Risk Rating	Moderate
	<p>Kinship/Adoption payments were tested as part of this audit to review related interface controls.</p> <p><u>Finance Interface Checking</u></p> <p>For a sample of thirty payment batches reviewed, whilst 27 (90%) uploaded creditors sub-system payment batches reviewed, across seven sub-systems, had all been agreed to payment batch control totals from the sub-system by the FST, three (10%) payroll creditors batches relating to employee payroll deductions were not since this information is not available to the FST.</p> <p>Upon inquiry, the Financial Systems Team (FST) confirmed that this data is not provided by Payroll. Whilst this is partially mitigated by the FST reconciling the batch values to interface details within the creditors system interface “clink” holding area, provided by ICT each morning, there is no confirmation of totals back to the sub-system (i.e. independent of the creditors system). This gap increases the risk of incomplete or inaccurate payments.</p> <p><u>Sub-System Owner Interface Checking</u></p> <p>Reconciliations of payments uploaded to the creditors system are not currently completed by sub-system owners / administrators or relevant staff within the sub-system originating service. Whilst reports are available to FST staff to undertake checks of payment file upload success, relevant sub-system service officers do not have their own independent access to such reports for reconciliation purposes. The FST staff have privileged access to the creditors system and interface files, meaning they can make changes that can affect payments. Independent scrutiny of payment file upload accuracy would be beneficial to further reduce the risk of payment error and reduce the risk of fraud.</p> <p>The above interface reconciliation issues, reduce control over the accuracy, completeness and existence of payments processed which increases the risk of payment error and potentially fraud.</p>		
IA Recommended Mitigating Actions			
<p>a) Payroll should enhance payroll creditors interface reporting to enable the Financial Systems Team (FST) to gain assurance over the accuracy and completeness of uploaded payroll creditors payment files.</p> <p>b) Finance should grant relevant sub-system staff access to creditors system reports necessary to reconcile sub-system payments to the creditors system and provide instruction on the requirement to verify payment upload accuracy. Any creditors system reports should be accessible without intervention from the FST. Reports should also be made available to staff within the sub-system service without administrator / superuser access to the sub-system for oversight purposes.</p>			
Management Actions to Address Issues/Risks			
<p>a) Agreed.</p> <p>b) Finance will review this recommended mitigating action and act accordingly. Currently, the Finance Team provides reconciliation reports to the sub-system staff for the latter's review and actions; and any additional clarifications from sub-system staff are being attended to.</p>			
Risk Agreed	Person(s)	Due Date	
a) Yes	a) Senior Development Officer	a) Implemented	
b) Yes	b) Finance Operations Manager in collaboration with the Senior Accountant (or FST Team Lead) and the	b) December 2025	

Ref	Description	Risk Rating	Moderate
	Feeder Systems System Administrators and Users		

Ref	Description	Risk Rating	Major
1.3	<p>Delegated Authority – The Council's List of Officer Powers states under the General Delegations to Chief Officers [Chief Officers have the power]:</p> <p><i>"To approve purchase orders and authorise payments; and to approve officer signatory lists and officer authorisation levels in relation to the raising and approval of purchase orders and the authorisation of payments."</i></p> <p>Finance advised that a central delegated authority list is maintained within the corporate invoice authorisation system.</p> <p>However, this authorisation list, which is used for the authorisation levels within the corporate purchase ordering system and invoice authorisation system, is determined by an employee's line manager, team leader, or the respective budget holder and not the Chief Officer, in breach of the Council's Scheme of Governance. The authorisation levels within the corporate purchase ordering and invoice authorisation systems are therefore incorrect.</p> <p>Since corporate purchase ordering and invoice authorisation systems are not linked to chief officer delegated authority, this is a major gap in the system of payment control.</p> <p>A sample of 27 payments across seven sub-systems and three payments processed via manual bulk payment uploads were reviewed. 14 (47%) of the 30 payment approvers reviewed were present on Finance's invoice authorisation system authorised signatory list. According to the invoice authorisation system authorisation list, two (7%) invoice approvals totalling £6k were by officers without delegated authority, one (3%) invoice approved exceeded the approver's value limit by £168k and for another (3%) lower value approval of £400, it was not clear if authority existed for a Service Manager since an approval limit had not been set, despite it being appropriate to do so for payment control purposes.</p> <p>Furthermore, Finance advised sub-system authorisation levels are not aligned with the corporate invoice authorisation system authorisation levels risking authorisation inconsistency.</p> <p>Where purchase order and payment authorisation systems have incomplete, inconsistent and unauthorised approval limits, which are not linked to authority delegated from chief officers, there is a greater risk of unauthorised payments, payment error and potentially fraud.</p> <p>The Council's Financial Regulations also state:</p> <p><i>"Invoices must be processed for payment in accordance with the supplier's credit terms with expenditure authorised by authorised signatories (electronically through PECOS / Infosmart or with original signature)."</i></p> <p>However, all 27 payments reviewed totalling £334k, which were processed outwith PECOS / Infosmart via creditor sub-systems, were not approved by an original signature in breach of Financial Regulations.</p> <p>IA Recommended Mitigating Actions</p> <p>a) The Council's purchase order and payment authorised signatory lists and related authorisation levels should be standardised by job responsibilities, approved by chief officers</p>		

Ref	Description	Risk Rating	Major
	and published. Purchase order and payment authorisation systems should then be updated to ensure authorisation limits are aligned with delegated authority. b) Finance should review "original signature" requirements within Financial Regulations and either instruct authorised signatories to comply with the requirements or revise Financial Regulations to permit electronic payment authorisation outwith PECOS / Infosmart.		
	Management Actions to Address Issues/Risks		
	a) Agreed. b) Agreed.		
	Risk Agreed	Person(s)	Due Date
	a) Yes	Finance Operations Manager	December 2025
	b) Yes		

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

The Council uses the Creditors System within their financial management system (eFinancials) to make payments to its suppliers. During 2023/24, 438,716 creditor payments totalling £898.844 million were made. Of this, 87,165 totalling £399.186 million (44%) were processed from eight feeder systems which process invoices / remittances out with the eFinancials Creditors system. These feeder systems are:

1. Confirm – non-HRA property repairs
2. Firmstep – education maintenance allowance / school clothing grants
3. Spydus – library management system
4. Total – HRA building maintenance and roads
5. CorePay – payroll creditors payments
6. Key2 – vehicle maintenance and hire vehicles
7. D365 – social work care packages
8. NDR – refunds of business rates

Payment text files are generated from the feeder systems above, either as part of a scheduled automated process, or when instigated by the relevant feeder system administration staff. Similarly, Accounts Payable staff are responsible for generating the BACS payment text file from eFinancials so payment can be processed via the BACS system.

The Financial Systems Team is responsible for ensuring the accuracy of interface files uploaded to the Council's financial management system and for reconciling creditor payments made to the Council's bank account.

5.2 Rationale for review

The objective of this audit is to provide assurance that there are adequate controls over payments originating from creditors sub-systems.

The last full Internal Audit review of this area took place in August 2018 as part of Internal Audit AC1901 Creditor Payments when recommendations were agreed to improve written procedures; reconciliation arrangements; payment control; and limit privileged access rights. More recently Internal Audit AC2203 Financial Systems Interfaces and Reconciliations and AC2407 Creditors System carried out in November 2021 and May 2024 respectively, covered accounts payable interface and payment control processes, with recommendations agreed to restrict and monitor privileged user access (including manual adjustments to payment files); to control changes to supplier standing data affecting payments; and to enhance BACS reconciliation procedures.

This audit has been included in the agreed Internal Audit plan for 2024/25 due to the material value of payments being interfaced from sub-systems into the Creditors System and the risk of fraudulent payments if internal controls are inadequate. For example, in 2016/17, another Scottish Local Authority identified a significant fraud perpetrated by a long serving member of staff, with extensive access to several Council systems. They combined their knowledge of these systems with their unrestricted system access privileges, to insert fictitious invoices into the Creditors System for payment. This fraud perpetrated over a number of years resulted in over £1m of fraudulent payments.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Cluster** 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 Procedures
- Segregation of Duties
- Feeder System Controls
- Receiving System Controls
- BACs Interface Controls
- Payee Data Management
- Reconciliations
- Suspense Accounts
- Monitoring Arrangements

Where individual services and risk owners are responsible for elements of the risk management framework, this review is focused on the central controls and the second line operations. As such, where we recognise many different stakeholders in the process, any recommendations made will be targeted at those centrally.

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, and guidance.

Due to hybrid working practices, this review will primarily be undertaken remotely via electronic meetings and direct access to systems and data, with face to face contact and site visits to premises to obtain and review further records as appropriate.

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 5.7 below)
 - Audit, Risk and Scrutiny Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Agne McDonald, Auditor (**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:

- Andy MacDonald, Executive Director – Corporate Services
- Bernadette Bularan, Deputy Chief Officer – Finance (**process owner**)
- Angela Crawford, Finance Controls Manager
- Richard Burnett, Senior Accountant
- Steve Roud, Chief Officer – Digital & Technology
- Aaron Enaburekhan, Business Systems Manager

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	09-Oct-24
Scope agreed	16-Oct-24
Fieldwork commences	28-Oct-24
Fieldwork completed	22-Nov-24
Draft report issued	13-Dec-24
Process owner response	17-Jan-25
Director response	24-Jan-25
Final report issued	31-Jan-25

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	08 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2514 – Risk Management
REPORT NUMBER	IA/AC2514
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 Risk Management.

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 Internal Audit has completed the attached report which relates to an audit of Risk Management.

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 AC2514 – Risk Management

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 Risk Management

Status: Final

Date: 19 February 2025

Risk Level: Corporate

Report No: AC2514

Assurance Year: 2024/25

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	30-Jul-24	30-Jul-24
Scope agreed	06-Aug-24	05-Aug-24
Fieldwork commenced	26-Aug-24	23-Aug-24
Fieldwork completed	20-Sep-24	29-Nov-24
Draft report issued	11-Oct-24	04-Dec-24
Process owner response	01-Nov-24	06-Feb-24
Director response	08-Nov-24	17-Feb-25
Final report issued	15-Nov-24	19-Feb-25
AR&S Committee	08-May-25	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Executive Director – Corporate Services
Process Owner	Vikki Cuthbert, Interim Chief Officer – Governance
Stakeholder	Ronnie McKean, Corporate Risk Lead
	Eleanor Sheppard, Executive Director – Families & Communities
	Gale Beattie, Executive Director – City Regeneration & Environment
	Isla Newcombe, Chief Officer – People & Citizen Services
	John Wilson, Chief Officer - Capital
	Steve Roud, Chief Officer – Digital and Technology
	David Leslie, Strategic Infrastructure Plan Programme Manager
	Jonathan Belford, Chief Officer - Finance*
	External Audit*
*Final only	
Lead auditor	Andy Johnston, Auditor

1 Introduction

1.1 Area subject to review

Risk can be defined as the combination of the likelihood of an event occurring and its impact, should it occur. Local authorities have seen recent pressures due to reducing revenue streams and increasing customer-led demand on services. To meet these challenges, it may be necessary to take calculated risks and to take properly risk-assessed opportunities as they arise.

Risk Management Policy

The Council's Risk Management Policy states:

“Aberdeen City Council (“the Council”) delivers a wide range of services to the citizens of Aberdeen, both in order to meet statutory requirements and to deliver on the outcomes set out within the Local Outcome Improvement Plan and associated strategies. Successful delivery of these services relies on a robust, clearly articulated and strongly embedded system of risk management”.

Directors and chief officers are responsible for implementing the Council's Risk Management Policy and ensuring that appropriate and adequate resource is in place to do so. In addition, all members of staff across the Council are expected to assist with this including the identification, assessment, review and mitigation of risks that could impact on the delivery of the Council's outcomes. Support to this end is available from the Council's dedicated Corporate Risk Lead.

Risk Appetite Statement

The Council has an agreed Risk Appetite Statement setting out the amount of risk that is acceptable in the following risk categories in pursuit of corporate priorities:

- Strategic
- Compliance
- Operational
- Financial
- Reputational
- Environment / Climate

The statement provides various target risk scores which must be considered for the purposes of mitigating risks or justifying why risk scores exceed the Council's risk appetite.

Risk Recording and Reporting

The Council records its risks, with target and current scores and status of related control actions on various Risk Registers as shown in the table below:

Risk Register	Ownership	Review Forum / Reviewer	Frequency of Review
Corporate	Corporate Management Team	Risk Board	Monthly
Cluster	Directors and Chief Officers	Senior Management Team	Monthly
Operational	Optional - Individual Teams	Chief Officer	Regular
Programme and Project	Programme and Project Managers	Programme and Project Manager	Regular

The registers are complemented by assurance maps, which expand on risks and related controls by line of defence (do-er; helper/oversight; checker).

In addition to the above oversight, Audit Risk and Scrutiny Committee is responsible for ensuring the effectiveness of the Council's risk management system and must annually review and approve the Council's Risk Management Policy and Risk Management Statement as well as annually monitor the

Corporate Risk Register and related assurance maps. Furthermore, Cluster Risk registers are scrutinised annually by the respective policy Committee.

1.2 Rationale for the review

The objective of this audit is to provide assurance over the Council's risk management arrangements at each level and ensure risk appetite is utilised across the delivery of operations.

This area was last reviewed in August 2019 as part of Internal Audit AC2004 Risk Management when risk managements were generally found to be adequate. Recommendations were agreed as part of this review to develop the Council's risk appetite statement; enhance written guidance; and formalise and standardise risk register review requirements and outcome recording.

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 2 – 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 risk management.

Risk can be defined as the combination of the likelihood of an event occurring and its impact, should it occur. Local authorities have seen recent pressures due to reducing revenue streams and increasing customer-led demand on services. To meet these challenges, it may be necessary to take calculated risks and to take properly risk-assessed opportunities as they arise.

Chief officers and managers across the Council are required to actively manage the risks associated with the performance of their day-to-day operations and delivery of commissioning intentions. Furthermore, all members of staff across the Council are expected to assist with risk management, including the identification, assessment, review, and mitigation of risks that could impact on the delivery of Council outcomes.

Internal audits of IJB and Arm's Length External Organisation (ALEO) risks are planned for 2026/27 and 2024/25 respectively and as such risk management arrangements for these areas were not reviewed as part of this audit. Also, Capital Project Management was reviewed in detail in July 2022 as part of Internal Audit AC2118 therefore capital project risk management testing has been limited to adequacy of Project Risk Register monitoring arrangements.

Reasonable assurance was available over the following areas reviewed:

- **Risk Management Framework** – The Council's Risk Management Framework is comprehensive, with a Risk Management Policy clearly setting out officer responsibilities. This is complemented by a Risk Appetite Statement approved by Audit, Risk and Scrutiny Committee in February 2024 (see appendix 1), defining risk appetite (i.e. averse, cautious, open, hungry) and the risks deemed relevant for decision making / delivering the Council's strategic outcomes. In addition, detailed guidance is in place describing how to identify, analyse, control and monitor risks. Furthermore, the framework is available to officers via the Council's intranet to raise awareness, with Governance advising this is also the case for Elected Members.
- **Risk Registers** – Corporate, Cluster and Operational Risk Registers are 'SMART' (specific, measurable, attainable, responsible, and time-bound), and are available via the Managing Risk intranet webpages and via the Manager's Portal facilitating awareness.

- **Audit, Risk and Scrutiny Committee** – Audit, Risk and Scrutiny Committee's (AR&SC) responsibility for ensuring the Council has effective risk management arrangements is clearly formalised within the Council's Scheme of Governance. The Council's Corporate Risk Register (CRR), Cluster Assurance Maps detailing controls in place (with the exception of People Services – see below) and the inspections planner (known internal / external audits and third-party regulatory inspections) are being reported annually to AR&SC, most recently in February 2024, for monitoring and scrutiny purposes. This reporting by the Council's Corporate Risk Lead is clear and detailed, with CRR risk score movements explained, and details of CRR risk de-escalations and escalations for tracking / scrutiny purposes.
- **Committee Report Template** – The Council's Committee report template for all reports to Full Council or Council Committees requires report recommendations to be risk assessed in accordance with the Council's Risk Appetite Statement (RAS), informing decision making.
- **Central Support** – The Council has a dedicated Corporate Risk Lead who leads on the Council's system of risk management. The CRL is a key member of the Council's Risk Board (considered further below) and is supporting Leadership Teams across the Council to build risk awareness and effective risk management. In 2024, the CRL worked with the Leadership Teams across the Council to review Cluster Risk Registers following the Council's organisational restructure.
- **Corporate Management Team** – CMT maintain oversight of the Council's risk management arrangements through regular Highlights Reports prepared by the Council's Corporate Risk Lead and presented by the chair of the Council's risk management and control environment oversight body, the Risk Board, covering the Risk Board's performance and agenda points. This complements CMT's monthly monitoring of the Corporate Risk Register, covering the most significant risks to the Council, including civil contingencies (emergency Category 1 Responder compliance); health and safety; financial sustainability; cyber security; and climate change.
- **IJB Risks** – IJB risk management arrangements have not been subject to detailed review as above. However, it was noted the Risk Board monitors the IJB Strategic Risk Register on a quarterly basis.
- **Programme / Project Risk Management** – Whilst not a full programme / project review, evidence was available that the Council's transformation, capital and digital risks are being monitored by the respective chief officers.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Service Committee Oversight** – Service Committees are receiving copies of the Cluster Risk Registers relevant to their respective remits covering open Cluster risks. However, risk deviation from Council risk appetites is permitted by the Risk Appetite Statement and unlike CRR reporting to AR&SC described above, Cluster risk score movements and de-escalations / closures are not identified and explained, reducing accountability for such changes and risking inappropriate closure of Cluster risks. In addition, whilst Assurance Maps detailing controls are being reported to most service Committees and Audit, Risk and Scrutiny Committee, this was not the case in 2024 for People Services, reducing assurance for Staff Governance Committee and AR&SC over the adequacy of controls over People risks.
- **Risk Board** – The Council's Risk Board provides good governance and oversight of the Council's risk management arrangements and control environment generally, meeting regularly to do so. The Corporate Risk Register risks and controls are being monitored by Risk Board and subject to cyclical "deep dive" reviews to ensure control actions are adequate and progressing. In addition, emerging risks and issues are monitored by reviewing the outcomes of external inspections and internal / external audit reports. However, whilst Cluster risks are monitored, Cluster Risk Register risk control action adequacy and progression is not, nor are Council Programme / Project risks and controls, reducing oversight of these risk management areas. In addition, it was agreed it would be beneficial for the Risk Board to enhance monitoring arrangements over significant fraud and health and safety risks.

-
- **Cluster Risk Management** – The Senior Management Teams for Corporate Services, Families and Communities, and City Regeneration and Environment have standing agenda items to facilitate monitoring of Cluster risks. However, four (29%) of 14 chief officers contacted to provide evidence of risk management arrangements at a Cluster level did not respond meaning there is no assurance in these cases that chief officers are monitoring their respective Cluster Risk Registers as required. This reduces assurance over the accuracy of Cluster Risk Registers, and potentially the Corporate Risk Register should risk escalation be missed.

Recommendations have been made to address the above risks, including enhancing Risk Board reporting and monitoring arrangements; ensuring Service Managers are informing accuracy of Cluster Risk Registers; and ensuring Cluster Risk Registers and Assurance Maps are being reported and monitored as required.

2.3 Severe or major issues / risks

No severe or major issues / risks were identified as part of this review.

2.4 Management response

The audit recognises the positive work of the Risk Board, Corporate Management Team and Assurance Team in retaining oversight of the Council's risk management approach, use and scrutiny of risk registers by members and officers, and application of our Risk Appetite Statement including its integration into decision-making. The Risk Board continues to evolve and self-evaluate, with some recent revisions resulting in a split of business between Risk and Compliance/Audit, Inspection and Resilience, as well as a broadening of membership and closer alignment with the Performance Board. Going forward, the Board will also seek assurance on the risk management arrangements in place within programmes and projects across the activity of the Council. Overall, this is an extremely positive audit which we welcome, including the suggested improvements which we continue to implement.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Service Committee Oversight – Cluster Risk Registers (CRRs) are owned by directors and chief officers and cover the risks that may prevent each Cluster from delivering services, commissioning intentions and/or strategic outcomes. CRRs are complemented by Assurance Maps which detail controls in place to mitigate risks affecting the respective Clusters across three lines of defence – “do-ers”, “helpers”, and “checkers”. The Council’s Risk Management Framework requires Cluster Risk Register risks and the related Assurance Map to be reported to the relevant service Committee on an annual basis.</p> <p>Service Committees are receiving copies of the Cluster Risk Registers relevant to their respective remits for open Cluster risks.</p> <p>However, risk deviation from Council risk appetites is permitted by the Risk Appetite Statement and unlike Corporate Risk Register reporting to Audit, Risk and Scrutiny Committee, Cluster risk score movements and de-escalations / closures are not identified and explained, reducing accountability for such changes and risking inappropriate closure of Cluster risks.</p> <p>In addition, whilst Assurance Maps detailing controls are being reported to most service Committees and Audit, Risk and Scrutiny Committee, this was not the case in 2024 for People Services, reducing assurance for Staff Governance Committee and AR&SC over the adequacy of controls over People risks.</p>		
IA Recommended Mitigating Actions			
<p>a) Service Committee Risk Register and Assurance Map reporting should be enhanced in line with Corporate Risk Register reporting to Audit, Risk and Scrutiny Committee, covering risk score movements, escalations, and in particular, de-escalations, for scrutiny purposes.</p> <p>b) P&CS should ensure People Assurance Maps are reported to Staff Governance Committee.</p>			
Management Actions to Address Issues/Risks			
<p>a. <i>We welcome the recommendation to enhance Cluster risk reporting with trends in relation to each risk and will implement with the first report to Committee in 2025.</i></p> <p>b. <i>The assurance map and cluster risk register would normally be reported to Staff Governance Committee on an annual basis, for noting. Given that in 2024/25 the cluster risk was de-escalated to ‘business as usual’, it was determined that there was no requirement to share a ‘for noting’ position to Staff Governance Committee on the assurance map which had minimal updates since the previous year. The Staff Governance Committee business planner for 2025/26 includes the annual report of both risk register and assurance map.</i></p>			
Risk Agreed		Person(s)	Due Date
a. Yes		a. Corporate Risk Lead	a. May 2025
b. Yes		b. Service Lead - People	b. June 2025

Ref	Description	Risk Rating	Minor
1.2	<p>Risk Board – The purpose of the Council’s Risk Board is to monitor the Council’s control environment and lead on the Council’s management of risk. The Risk Board meets every six weeks and undertakes various activities relevant to risk management, including:</p> <ul style="list-style-type: none"> • Development and approval in principle, of the Council’s Risk Appetite Statement. • Corporate Risk Register risks are subject to “deep dives” on a rolling basis to monitor progress with control actions and to assess the accuracy of risk scores and adequacy of proposed control actions to align these risks with the Council’s risk appetite. • Monitoring Cluster risks including emerging, closed and escalated/de-escalated risks. • Monitoring of the IJB Strategic Risk Register on a quarterly basis. • Oversight of planned inspections (e.g. Audit Scotland, Care Inspectorate) and monitoring of emerging risks via a spreadsheet-based tracker. • Overseeing outstanding Internal and External Audit recommendations. • Monitoring the work of Policy Group, the review status of the Council’s policies and approving Council “institutional” policies following consideration by Policy Group. • Considering and ensuring corrective action for significant compliance breaches e.g. data breaches, health and safety breaches requiring referral to Health and Safety Executive. • A quarterly fraud progress report is being presented by the Council’s Counter Fraud Officer. • Preparations for the annual credit rating assessment. • Risk gap checking as a standing item. <p>The Risk Board provides good oversight of the Council’s risk management arrangements and is meeting regularly to achieve the above aims.</p> <p>In addition, to complement Corporate Management Team’s (CMT) monthly monitoring of the Corporate Risk Register, CMT is receiving regular Risk Board Highlights Reports presented by the chair of the Risk Board covering the Risk Board’s performance and agenda points.</p> <p>However, the following issues were noted.</p> <ul style="list-style-type: none"> • The Risk Board recently completed a self-evaluation, the results of which were reported to CMT, who approved the development of a new risk assurance model, based on that of another local authority to address identified weaknesses e.g. oversight of internal and external compliance matters and horizon scanning. The Risk Board workplan for 2025 has been updated as a result, with separate planned quarterly meetings on Audit, Inspection and Resilience matters and separate quarterly meetings on Risk and Compliance. However, a minor matter remains outstanding in that the Terms of Reference for the Risk Board was last reviewed in September 2020 and certain named members on the current Terms of Reference are no longer on the Board. This should be addressed to improve clarity over the Board’s membership and responsibilities. • Corrective action relating to significant health and safety breaches reported to the HSE in 2023 or 2024 have not been reported to the Risk Board. The chair of the Risk Board advises that there have not been any HSE reportable incidents that would require review since there are other forums monitoring this (i.e. Function health and safety groups, Function Senior Management Teams, Staff Governance Committee) and reporting on the same matters would create unnecessary duplication. However, it is agreed that having more oversight of overall health and safety compliance, trends and risk areas would be beneficial and that this can be achieved via a report on service H&S compliance to Risk Board twice a year. 		


Ref	Description	Risk Rating	Minor
	<ul style="list-style-type: none"> The Finance Improvement Action Plan to address fraud risks following the high-profile Council Tax refund embezzlement case has not been reported (albeit this was planned for October 2024). This risks corrective actions not being progressed and further significant fraud. The Service advise in relation to the embezzlement case, a Task and Finish Group was established to monitor the Finance Improvement Plan actions. However, central oversight by the Risk Board would help ensure fraud risks facing the Council are understood and ensure controls improvements are implemented in a timely manner. Whilst the Risk Board is monitoring Cluster Risks, including new and closed risks, the reporting does not include scrutiny of progress with planned Cluster control actions to bring risks in line with the Council's risk appetite. Ineffective Cluster risk control may be missed as a result. It was also noted that the Risk Board does not monitor risks to Council Programmes and Projects which may be beneficial in the interests of enhanced scrutiny and oversight and ensuring risks are in line with the Council's risk appetite. This would also meet the Risk Management Framework requirement for the Assurance Team to regularly monitor Programme and Project Risk Registers which was not evident. <p>The Risk Board is in general providing good governance and oversight of the Council's risks and its control environment. Addressing the above matters would enhance what is already a good system of oversight and governance.</p>		
IA Recommended Mitigating Actions			
<p>a) The Risk Board should update its Terms of Reference based on the outcome of recent work developing the risk assurance model.</p> <p>b) The Risk Board should amend its Terms of Reference to include Cluster risk reporting (particularly risk status and progression of control actions), monitoring of significant fraud events and Health and Safety compliance reporting to improve controls / prevent recurrence.</p> <p>c) The Risk Board should seek assurance in respect of the risk management arrangements in place for Council Programmes / Projects.</p>			
Management Actions to Address Issues/Risks			
<p>a) <i>The Board's role in relation to Compliance dashboards is now reflected within its Terms of Reference.</i></p> <p>b) <i>The Board's role in relation to Cluster risk reporting and health and safety compliance reporting is now reflected within its Terms of Reference.</i></p> <p>c) <i>The Board's role in relation to risk management arrangements for programmes is now reflected in its Terms of Reference. The first opportunity to consider these will be the April meeting.</i></p>			
Risk Agreed		Person(s)	Due Date
a) Yes		a) Corporate Risk Lead	a) Implemented
b) Yes		b) Corporate Risk Lead	b) Implemented
c) Yes		c) Assurance Manager	c) April 2025

Ref	Description	Risk Rating	Moderate						
1.3	<p>Cluster Risk Management – Cluster Risk Registers set out the risks that may prevent each Cluster from delivering services, commissioning intentions and/or strategic outcomes. Risks contained within Cluster Risk Registers may be escalated to the Corporate Risk Register if required. To ensure these risks are adequately monitored, directors / chief officers are required to monitor Cluster Risk Registers monthly at their respective Function Assurance Senior Management Teams Meetings.</p> <p>The Senior Management Teams for Corporate Services, Families and Communities, and City Regeneration and Environment have standing agenda items to facilitate monitoring of Cluster risks.</p> <p>With the exception of the IJB, which has its own Risk Management Policy and will be subject to a separate future planned audit, Cluster chief officers were contacted to gain assurance over Cluster risk management arrangements.</p> <p>However, four (29%) of 14 chief officers contacted to provide evidence of risk management arrangements at a Cluster level did not respond. There is therefore no assurance that the chief officers concerned are monitoring their respective Risk Registers in collaboration with service managers to inform reporting to Function SMT meetings.</p> <p>Also, one (10%) of ten responders confirmed risk management is not on their respective SMT agendas / related action notes, five (50%) did not provide Cluster SMT agendas / minutes to support Cluster Risk Register monitoring confirmed during the course of the review, whilst one of these Clusters confirmed their Cluster Risk Register is not reviewed by the SMT as frequently as required i.e. not occurring monthly.</p> <p>This reduces assurance over the accuracy of Cluster Risk Registers, including identification of emerging risks known to service managers, and potentially impedes the assessment of existing risks for example to determine if they need escalated to the Corporate Risk Register.</p> <p>Whilst the Risk Board monitors Cluster risks, all service managers do not sit on the Risk Board and as described above the reporting to Risk Board does not cover Cluster risk scores and control actions.</p> <p>IA Recommended Mitigating Actions</p> <p>Cluster Risk Registers should be monitored monthly by Cluster SMTs with service manager input to ensure required monthly Cluster Risk Register reporting to Directors is accurate.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Whilst this does currently take place across all Clusters, we recognise that this has not been evidenced for this audit other than through the changes made to risk registers by Chief Officers. Attempts will be made to record the changes to registers, in the longer term using the Compliance dashboards and in the immediate term through a set agenda issued to all Chief Officers.</i></p> <table><tr><th>Risk Agreed</th><th>Person(s)</th><th>Due Date</th></tr><tr><td>Yes</td><td>Assurance Manager</td><td>March 2025</td></tr></table>	Risk Agreed	Person(s)	Due Date	Yes	Assurance Manager	March 2025		
Risk Agreed	Person(s)	Due Date							
Yes	Assurance Manager	March 2025							

4 Appendix 1 – Risk Appetite Statement

4.1 Risk appetite definitions

The following levels and ratings will be used to assess the risk in this report

Appetite Level (determined by risk category)	Approximate Target Risk Score Equivalent	Description	Threat  Opportunity
Averse	1-6 (Low)	Avoidance of risk. Uncertainty in achievement of strategic objectives and delivery of outcomes is critical. Activities undertaken will only be those considered to carry virtually no risk.	
Cautious	8-9 (Medium)	Willing to accept/tolerate a degree of risk when selecting which activities to undertake in order to achieve a significant reward and to achieve delivery of strategic outcomes and objectives. The activities may carry a high degree of risk that will be mitigated and controlled.	
Open	10-12 (Medium)	Undertakes activities by seeking to achieve a balance between a high likelihood of successful delivery and a high degree of reward and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.	
Hungry	15-24 (High)	Eager to be innovative and choose activities that focus on maximising opportunities (additional benefits and goals) and offering potentially very high reward, even if these activities carry a very high residual risk.	

4.2 Overarching Risk Appetite Statement

Aberdeen City Council delivers a wide range of services to the citizens of Aberdeen. Risk management forms a fundamental part of its operations, and the Council recognises that whilst it may be desirable to avoid risks it must also accept risks in order for the Council to evolve and achieve its ambitions for the people and the place.

Strategic	The Council is cautious to risks which may threaten the delivery of critical services, our outcomes and commissioning intentions. The Council is open for taking well managed risks when opportunities provide clear benefits allowing for improvement, innovation, and transformation or when the threat from external factors necessitates a change in strategic direction. The Council has an open appetite for risks that provide and contribute to the economic prosperity of the City.
Compliance	The Council is averse to any risks that will result in non-compliance or breaches in statutory obligations, regulations, and law. Any deviation from our duties will require the appropriate approvals in place in advance.
Operational	The Council is cautious to any risks that may have a negative effect on the health and safety, diversity and equality of its staff, elected members and members of the public. The Council has an open appetite to the risks that allows it to deliver services in the face of growing demand including from external factors, provided these risks are assessed in light of our statutory duties and our agreed service standards.
Financial	The Council is averse to risks associated with impairing financial stewardship, internal controls, and financial sustainability. The Council has an open appetite for short-term risks that support financial performance and mitigate negative external factors. It has a cautious appetite for longer term capital and financial investments provided that the risks are well managed and demonstrate realisable future benefits for delivering the Council's outcomes and commissioning intentions.
Reputational	The Council relies on its reputation to ensure engagement with communities, partner organisations and stakeholders in order to deliver its strategic outcomes. The Council has a cautious appetite to reputational risk but will accept opposition when its activities and projects are on balance designed to secure longer-term benefits and improvements to service delivery, performance, outcomes and commissioning intentions or all of the above.
Environment/ Climate	The Council has an averse appetite for any risks that may have a long-term detrimental impact on the environment but is hungry for well managed risks in order to contribute to a net zero City and target of net zero Council emission by 2045. The Council is cautious to any risks relating to the impact of climate change which may threaten the delivery of critical services, our outcomes and commissioning intentions.

5 Appendix 2 – Assurance Terms and Rating Scales

5.1 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.

6 Appendix 3 – Assurance review scoping document

6.1 Area subject to review

Risk can be defined as the combination of the likelihood of an event occurring and its impact, should it occur. Local authorities have seen recent pressures due to reducing revenue streams and increasing customer-led demand on services. To meet these challenges, it may be necessary to take calculated risks and to take properly risk-assessed opportunities as they arise.

Risk Management Policy

The Council's Risk Management Policy states:

“Aberdeen City Council (“the Council”) delivers a wide range of services to the citizens of Aberdeen, both in order to meet statutory requirements and to deliver on the outcomes set out within the Local Outcome Improvement Plan and associated strategies. Successful delivery of these services relies on a robust, clearly articulated and strongly embedded system of risk management”.

Directors and chief officers are responsible for implementing the Council's Risk Management Policy and ensuring that appropriate and adequate resource is in place to do so. In addition, all members of staff across the Council are expected to assist with this including the identification, assessment, review and mitigation of risks that could impact on the delivery of the Council's outcomes. Support to this end is available from the Council's dedicated Corporate Risk Lead.

Risk Appetite Statement

The Council has an agreed Risk Appetite Statement setting out the amount of risk that is acceptable in the following risk categories in pursuit of corporate priorities:

- Strategic
- Compliance
- Operational
- Financial
- Reputational
- Environment / Climate

The statement provides various target risk scores which must be considered for the purposes of mitigating risks or justifying why risk scores exceed the Council's risk appetite.

Risk Recording and Reporting

The Council records its risks, with target and current scores and status of related control actions on various Risk Registers as shown in the table below:

Risk Register	Ownership	Review Forum / Reviewer	Frequency of Review
Corporate	Corporate Management Team	Risk Board	Monthly
Cluster	Directors and Chief Officers	Senior Management Team	Monthly
Operational	Optional - Individual Teams	Chief Officer	Regular
Programme and Project	Programme and Project Managers	Programme and Project Manager	Regular

The registers are complemented by assurance maps, which expand on risks and related controls by line of defence (do-er; helper/oversight; checker).

In addition to the above oversight, Audit Risk and Scrutiny Committee is responsible for ensuring the effectiveness of the Council's risk management system and must annually review and approve the Council's Risk Management Policy and Risk Management Statement as well as annually monitor the

Corporate Risk Register and related assurance maps. Furthermore, Cluster Risk registers are scrutinised annually by the respective policy Committee.

6.2 Rationale for review

The objective of this audit is to provide assurance over the Council's risk management arrangements at each level and ensure risk appetite is utilised across the delivery of operations.

This area was last reviewed in August 2019 as part of Internal Audit AC2004 Risk Management when risk managements were generally found to be adequate. Recommendations were agreed as part of this review to develop the Council's risk appetite statement; enhance written guidance; and formalise and standardise risk register review requirements and outcome recording.

6.3 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.

6.3.1 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** – including policies, procedures, training, and central support.
- **Risk Registers** – including formation, updating, completeness and their use. This will also include an assessment of any other tools utilised across the Council.
- **Risk Management** – including appetite, mitigating actions and escalation.
- **Operationalisation** – including ensuring that risk management is supported, promoted, and lived across the Council.
- **Monitoring and Reporting** – including ensuring monitoring and reporting is taking place in line with the Council's Risk Management Guidance.

Where individual services and risk owners are responsible for elements of the risk management framework, this review is focused on the central controls and the second line operations. As such, where we recognise many different stakeholders in the process, any recommendations made will be targeted at those centrally.

6.4 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, and guidance.

Due to hybrid working arrangements, this review will be primarily undertaken remotely.

6.5 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)

6.6 IA staff

The IA staff assigned to this review are:

- Andy Johnston, Audit Team Manager **(audit lead)**
- Jamie Dale, Chief Internal Auditor **(oversight only)**

6.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Executive Director – Corporate Services
- Vikki Cuthbert, Interim Chief Officer – Governance **(process owner)**
- Ronnie McKean, Corporate Risk Lead

6.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	30-Jul-24
Scope agreed	06-Aug-24
Fieldwork commences	26-Aug-24
Fieldwork completed	20-Sep-24
Draft report issued	11-Oct-24
Process owner response	01-Nov-24
Director response	08-Nov-24
Final report issued	15-Nov-24

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	08 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2512 – HSCP Commissioning
REPORT NUMBER	IA/AC2512
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 HSCP Commissioning.

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 Internal Audit has completed the attached report which relates to an audit of HSCP Commissioning.

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 AC2512 – HSCP Commissioning

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 HSPC Commissioning

Status: Draft

Date: 7 April 2025

Risk Level: Corporate

Report No: AC2512

Assurance Year: 2024/25

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	25-Oct-24	24-Oct-24
Scope agreed	01-Nov-24	04-Nov-24
Fieldwork commenced	04-Nov-24	04-Nov-24
Fieldwork completed	22-Nov-24	17-Feb-25
Draft report issued	13-Dec-24	06-Mar-25
Process owner response	10-Jan-25	02-Apr-25
Director response	17-Jan-25	03-Apr-25
Final report issued	24-Jan-25	07-Apr-25
AR&S Committee	08-May-25	

Distribution	
Document type	Assurance Report
Director	Fiona Mitchelhill, Chief Officer – Aberdeen City Health and Social Care Partnership
Process Owner	Shona Omand-Smith, Commissioning Lead
Stakeholder	Neil Stephenson, Strategic Procurement Manager
	Craig Innes, Head of Procurement
	Claire Wilson, Chief Social Work Officer
	Katharine Paton, Service Manager
	Kevin Dawson, Service Manager
Final only	Amy McDonald, Chief Finance Officer
	External Audit*
Lead auditor	Rachel Brand, Auditor

1 Introduction

1.1 Area subject to review

The aim of the integration of health and social care services is to ensure that people receive the right care, in the right place, at the right time. Integration seeks to mitigate the historic divide in the delivery of 'health' and 'social care' services. Aberdeen City Integration Joint Board use several commissioned services to assist with providing care to all service users; Commissioning is an overarching term to describe the planning, purchasing, delivery and monitoring of services.

Aberdeen City Health and Social Care Partnership (ACHSCP) Strategic Plan 2022-2025 has seven commissioning principles:

- Commissioning is undertaken for outcomes (rather than for services)
- Commissioning decisions are based on evidence and insight and consider sustainability from the outset
- Commissioning adopts a whole-system approach
- Commissioning actively promotes solutions that enable prevention and early intervention
- Commissioning activities balance innovation and risk
- Commissioning decisions are based on a sound methodology and appraisal of options
- Commissioning practice includes solutions co-designed and co-produced with partners and communities

The IJB's Medium Term Financial Framework 2024/25 indicated a projected spend of £158.7m on commissioning services in 2024/25 (38% of the expenditure budget).

1.2 Rationale for the review

The objective of this audit is to review plans and progress with commissioning across the Health and Social Care Partnership.

Commissioning is a vital part of the HSCP's operations and is a key part of Strategic Planning and has been included in the 2024/25 Plan given this importance. If the HSCP does not get its approach to commissioning correct, this can lead to several risks and negative consequences, including poor service delivery, inefficient use of resources, unmet needs, financial instability, reputational damage and regulatory and legal issues.

Commissioning as a strategic review has not been audited in recent years.

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 Partnership 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 plans and progress with commissioning across the Health and Social Care Partnership.

Commissioning principles are being integrated at the strategic level, within strategic documentation, and in practice through the work of the Commissioning Lead engaging with services and service providers. However, there is limited evidence to demonstrate a planned and coordinated approach to embedding the principles across the HSCP's portfolio of contracts and commissioned services. This does not directly drive a more major risk / limited assurance due to the resource allocated to commissioning (both the Commissioning Lead role and the Commercial and Procurement Shared Service), and the governance arrangements provided by the HSCP's Strategic Commissioning and Procurement Board, which currently address more of the operational aspects and risks.

Areas where controls would benefit from improvement, to more effectively and transparently demonstrate the alignment of commissioning with strategic intent include:

- **Strategic Planning** –The HSCP has produced Market Position Statements in respect of a selection of requirements, to signal demand and key areas of focus to the market. Although these have indicative end dates, there are no recorded plans for their review and update, or for further statements covering other requirements/areas of activity. Their age and potential for variation could impact on providers' willingness to invest in future development based on them. The statements and plans reference data which in many cases is several years out of date by the time they are published. For example, a Population Needs Assessment was produced in 2023, based on 2021 data, in which there were identified gaps. There is no clear plan for updating and reviewing data to inform future requirements. If supporting data is out of date, and (in line with the HSCP's commissioning principles) services are commissioned for an extended period, there is an increased risk the type and quantity of care commissioned will diverge from the HSCP's actual requirements. Action plans linked to key strategic documents are high level, do not always have clear ownership, and are not all being routinely monitored. There is therefore a greater risk these will not be prioritised and progressed. This is most pressing in respect of financial savings through reshaping the approach to commissioning, which are not being delivered in 2024/25 as originally planned (£2.6m in 2024/25 and £16.4m cumulatively by 2028/29).
- **Coordination** – The HSCP's Strategic Commissioning and Procurement Board is intended to ensure effective and forward Strategic Planning of commissioning activity. The Board receives regular reports on progress and changes to requirements and contracts. Forward planning is informed by the use of a Commissioning Workplan. However, the current version is largely

operational – with planned activity driven by contract expiry dates. There is limited narrative to gauge progress towards review and determination of future options, or wider commissioning activities, and limited detail to demonstrate strategic alignment of each activity/contract. For individual contracts, supporting procurement business cases and requests for extension indicate that commissioning activity is required to establish alternative options, but provide no clear timeline for this to take place. Without a clear commissioning work plan, there is a risk that commissioning activity will not reflect the strategic focus required to transform service delivery and integrate the HSCP's commissioning principles at the scale and pace required.

- **Strategic Alignment** – The Strategic Delivery Plan 2022/25 has a list of strategic aims, strategic priorities and enabling priorities. All subsequent plans should then link back to one or more of these strategic aims or priorities, to confirm actions being taken are fulfilling the needs set out in the Strategic Plan. However, there is generally no consistent, clear, explicit line of sight between contracting, commissioning and Strategic Planning. Consistent referencing and explanations throughout strategies, market position statements, the commissioning workplan, procurement business cases, and contracts, would improve assurance that all activities clearly relate back to and contribute towards delivery of the Strategic Plan.
- **Embedding the Commissioning Principles** – In addition to its own commissioning principles, the HSCP regularly references the eight Ethical Commissioning Principles throughout its strategic and operational commissioning and procurement documentation. There is also a stated intention to embed the Getting it Right for Everyone (GIRFE) principles, which further focus on person centred care, human rights, and information sharing (NB these are still in draft nationally). Whilst these reflect positive aspirations, there is limited evidence of how the principles are being embedded in commissioning and contract activity – documentation and narrative varies. If the HSCP intends to apply these principles across all of its commissioning activity, it will need a more robust approach to their implementation.

Recommendations have been made to address the above risks through review of planning, scheduling, reporting, and consistency of presentation of key documentation to better demonstrate plans and activities are aligned with, and on target to deliver, the HSCP's strategic aims and commissioning principles.

2.3 Management response

The report provides areas for improvement and redesign to ensure there is transparency and accountability around the risks, planning and reporting which will better demonstrate the plans and activities to ensure effective and efficient delivery. Further details as to how this will be achieved are detailed in the management response in subsequent sections of this report.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Strategic Planning – The Strategic Delivery Plan (2022-25) sets out the HSCP's overarching aims and priorities. The Relationships priority is a key enabler, including: transformation of the commissioning approach, focusing on social care market stability; and designing, delivering and improving services with people around their needs. These are reflected in the Commissioning Principles, as set out in the introduction to this audit report. The Strategic Plan reflects needs and demands, trends and forecasts, evident at the time of its production.</p> <p>The HSCP has produced Market Position Statements in respect of Stay Well Stay Connected (2020-22), Complex Care (2022-27), and Mental Health and Learning Disabilities Residential and Supported Living (2021-26), the latter of which has been superseded by another statement focused on Independent Living and Specialist Housing Provision (2024-34). These are intended to signal demand and key areas of focus to the market to stimulate development and scaling of activity to meet future requirements. Although these have indicative end dates, there are no recorded plans for their review and update, or for further statements covering other requirements/areas of activity. Their age and potential for variation (e.g. one being superseded before it expired) could impact on providers' willingness to invest in future development based on them.</p> <p>The statements and plans reference data that in many cases is several years out of date by the time they are published. For example, a Population Needs Assessment was produced in 2023, based on 2021 data, in which there were identified gaps. There is no clear plan for updating and reviewing data to inform future requirements. Although newer data (e.g. current caseload) may be noted in procurement business cases, these also often reference historic data and projections (e.g. data from 2019/20). If these are out of date, and (in line with the commissioning principles) services are commissioned for an extended period, there is an increased risk the type and quantity of care commissioned will diverge from the HSCP's actual requirements.</p> <p>An action plan is produced annually, and reflects various goals and projects aimed at progressing implementation of the Strategic Plan. This includes a selection of commissioning activities, though there is limited information on how these were determined as specific priorities for each year. Although there is regular monitoring of progress (reported quarterly to the Risk, Audit and Performance Committee), not all commissioning actions have been recorded as completed, and not all had been carried forward to future years, reducing assurance they had been progressed. Further detail was not available from the Service. Action plans were also appended to the Market Position Statements. However, the actions are high level, do not have clear ownership, and there is no routine monitoring of these actions. There is therefore a greater risk these will not be prioritised and progressed.</p> <p>The Medium Term Financial Framework 2024/25 set out a requirement to make savings of £2.6m in 2024/25, and an additional £3m+ each year rising to £3.7m by 2028/29 (a total of £16.4m) by "Reshaping our approach to commissioning services". This is a substantial reduction (over 10% of current spend), but there is no evidence this has been planned or tracked in detail. A revised approach is planned for tracking all budget savings for 2025/26 onwards.</p> <p>IA Recommended Mitigating Actions</p> <p>The HSCP should ensure there is appropriate forward planning/scheduling to update data and develop future plans.</p>		

Ref	Description	Risk Rating	Moderate
	<p>The HSCP should ensure progress with implementing actions included in existing plans is monitored at a suitable level.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>An action plan for the Market Position Statements (MPS) will form part of the standing items on the Strategic Procurement and Commissioning Board (SCPB) going forward, this will be demonstrated in the action note of the meeting.</i></p> <p><i>Annual reviews of the data within the MPS will be reviewed as part of SCPB, which will be detailed in the action note of the meeting.</i></p> <p><i>Commissioning activity, as detailed in the Strategic Plan, will also be discussed as a standing item on the SCPB meetings and progress will be detailed in the delivery plan updates additionally.</i></p> <p><i>The Medium Term Financial Framework (MTFF) which identified significant savings to be achieved in regard to commissioned service redesign is being monitored by the CFO and Chief Officer for Social Worker through a budget monitoring board. There are regular updates at the Senior Leadership Team meetings, which have a recorded action note, as well as through the Integrated Joint Board.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Commissioning Lead	30 June 2025

Ref	Description	Risk Rating	Moderate
1.2	<p>Coordination – The Commissioning Cycle (see Appendix 3) covers the multitude of commissioning activity required at the strategic and operational level. At the strategic level this encompasses: data and needs analysis, design and planning, market facilitation/procurement, and performance review.</p> <p>The nature and scale of the HSCP's activities, resources, demands and needs, the care market, and data availability, mean that at any given time commissioning activity in respect of different services or outcomes may be at a different point in the cycle. It is therefore essential that this is planned and monitored at an appropriate level, to provide assurance that everything is on track.</p> <p>The HSCP has set up a Strategic Commissioning and Procurement Board, with clear terms of reference setting out its purpose to ensure effective and forward Strategic Planning of commissioning activity. The Board receives regular reports on progress and changes to requirements and contracts.</p> <p>Forward planning is informed by the use of a Commissioning Workplan, held in spreadsheet format. However, the current version is largely operational – with planned activity driven by contract expiry dates. There is limited narrative to gauge progress towards review and determination of future options, until these have been concluded. Wider commissioning activities are also listed, but there are few recent updates. The document does not demonstrate where in the Commissioning Cycle each activity currently sits. There are also no links to wider strategies to provide context for and confirm alignment with commissioning and contracting activity. This contrasts with a similar but extended Workplan document used prior to 2023, which contained additional detail on strategic alignment, plans and progress. The document does not clearly demonstrate longer term planning and prioritisation.</p>		

Ref	Description	Risk Rating	Moderate
	<p>Scottish Government guidance¹ indicates:</p> <p><i>“Although there is a legal requirement for Integration Joint Boards to develop plans that will be reviewed at least every three years, commissioners should be planning at least 10-15 years ahead and considering a mix of the services that will best meet predicted needs, SDS choices and best value”.</i></p> <p>Review of procurement activity, including that considered by the Board and the IJB, shows regular direct awards to current providers (for initial terms of up to five years), and extensions to existing contracts (typically one to two years). Supporting procurement business cases, and requests for extension (which do not have the same level of detail as a full business case) indicate that commissioning activity is required to establish alternative options, but there is no clear timeline provided for this to take place. Except for revised contract end dates, there is no reference to further commissioning action included in the Workplan in respect of these services.</p> <p>Without a clear commissioning work plan, there is a risk that commissioning activity will not reflect the strategic focus required to transform service delivery and integrate the HSCP’s commissioning principles (see Introduction 1.1 above) at the scale and pace required.</p>		
	IA Recommended Mitigating Actions		
	The HSCP should coordinate planning, recording and monitoring progress of all of its commissioning activity, using a consistent mechanism.		
	Management Actions to Address Issues/Risks		
	<p><i>A new reporting template for SCPB has been developed which will enable authors of the report to demonstrate to SCPB that the activity or contract is aligned to the Strategic plan, identify which part of the commissioning cycle it is currently sitting within, what the next steps are, if there are any recommendations, decisions or approvals required by SCPB members, if there are any escalations to SLT to be made and what the next steps are for this work. This form will align to the workplan which details all commissioned work and provide more specific and relevant information relating to each contract.</i></p> <p><i>The SCPB has been in existence since at least 2021 and the work plan has evolved and changed over time. However, it is agreed that there needs to be some development work undertaken to ensure it reflects where in the commissioning cycle the work currently sits, the links to the strategic plan and any longer term re-design in line with the MPS.</i></p> <p><i>Procurement activity including direct awards are always accompanied by a business case, when an extension is requested the existing business case is still relevant and is not required to be reproduced. Individual placements do not come through SCPB but go through the Resource Allocation Panel which is a recorded meeting. It is not always possible due to funding streams, which come on line from Scottish Government for example, which can be unplanned or sporadic however, retrospective business cases are written to ensure governance is followed.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Commissioning Lead	30 June 2025

¹ <https://www.gov.scot/publications/procurement-care-support-services-best-practice-guidance/>

Ref	Description	Risk Rating	Minor
1.3	<p>Strategic Alignment – The Strategic Delivery Plan 2022/25 has a list of strategic aims, strategic priorities and enabling priorities. All subsequent plans should then link back to one or more of these strategic aims or priorities, to evidence that any actions being taken are fulfilling the needs set out in the Strategic Delivery Plan. However, there is generally no consistent, clear, explicit line of sight between contracting, commissioning and Strategic Planning.</p> <p>Market Position Statements reference the Strategic Delivery Plan, however there are not clear connections to specific strategic aims and priorities.</p> <p>The Commissioning Workplan overseen by the Strategic Commissioning and Procurement Board does not include links to specific parts of the Market Position Statements, or specific elements of the Strategic Plan.</p> <p>Procurement business cases regularly reference the Strategic Plan, but this is typically generic, with limited explanation of how the proposed procurement will contribute to the aims. There is limited reference to the Market Position Statements, though it is acknowledged these do not cover all activity.</p> <p>Contracts thereafter vary in how and to what extent they reference the Strategic Delivery Plan, and specific aims. In some cases they simply list all of the aims or the National Health and Wellbeing Outcomes, with no specification of how these are to be targeted.</p> <p>Consistent referencing and explanations would improve assurance that all activities clearly relate back to and contribute towards delivery of the Strategic Plan.</p> <p>IA Recommended Mitigating Actions</p> <p>The HSCP should improve consistency in how all documents reference the Strategic Delivery Plan to demonstrate actions link to the strategic aims.</p> <p>Management Actions to Address Issues/Risks</p> <p>This is a fair recommendation to ensure that the strategic plan is clearly evidenced in the commissioning, contracting and strategic planning and will be better demonstrated through the revised workplan and reporting template for SCPB.</p> <p>The MPS documents will be a standing item agenda on the SCPB going forward and will be reflected in the action notes.</p> <p>The template business case which goes to IJB for approval, specifically in relation to gateway three has been amended to reflect a demand on the author to demonstrate how the business case relates to the specific area of the strategic plan.</p> <p>The workplan will be amended to ensure that all relevant data is captured to reflect that there is reference to the strategic direction and commissioning cycle.</p>		
Risk Agreed		Person(s)	Due Date
Yes		Commissioning Lead	30 June 2025

Ref	Description	Risk Rating	Moderate
1.4	<p>Embedding the Commissioning Principles – In addition to its own commissioning principles (see Introduction 1.1 above), the HSCP regularly references the eight Ethical Commissioning Principles (see appendix 4) throughout its strategic and operational commissioning and procurement documentation. There is also a stated intention to embed the Getting it Right for Everyone (GIRFE) principles (see appendix 4), which further focus on</p>		

Ref	Description	Risk Rating	Moderate
	<p>person centred care, human rights, and information sharing (NB these are still in draft nationally).</p> <p>Whilst these reflect positive aspirations, there is limited evidence of how the principles are being embedded in commissioning and contract activity:</p> <ul style="list-style-type: none"> • Updates to the Strategic Commissioning and Procurement Board do reference discussion with care providers around the Ethical Commissioning themes, however there is no consistent method for capturing the extent to which they are being applied. Instead, highlights focus on a small number of positive and more measurable aspects (e.g. providers offering the real living wage, or developing climate change plans). • Although there is a set question: 'Does the spend support outcomes associated with the LOIP and/or the Council's associated commissioning intentions?', procurement business cases vary in the extent to which they reference the HSCP's commissioning principles and their application. For example, they may or may not reference co-production, outcomes focus, or early prevention. Of nine business cases presented to the IJB during 2024/25, only three referenced commissioning: two noted they had followed a collaborative commissioning approach, and one referenced ethical commissioning (though this covered only one of the eight principles). More consistent referencing of whether, how, and to what extent the principles have been reflected in commissioning activity would provide greater assurance they are being applied appropriately. • Business cases state that service specifications (i.e. contracts) will be designed with GIRFE and Ethical Commissioning Principles at the forefront, and that providers will be required to indicate how they will deliver services in line with these principles, with particular consideration to fair work first and carbon reduction at the tender submission stage, to be evidenced later as part of contract monitoring. Although co-design of services reflects one of the HSCP's commissioning principles, full delegation of implementing ethical commissioning to the provider whose services are being commissioned reduces assurance that the HSCP's requirements are being planned effectively in advance. • The HSCP indicated four contracts currently have the Ethical Commissioning principles embedded, but there is no central record to demonstrate which have, to what extent, and which are being planned. • The resulting contracts include appendices listing the Ethical Commissioning Principles, but do not explicitly reference them or how they are to be implemented. Where development plans are required, the contracts do not specify that the HSCP must approve them, or that they must be implemented. Similarly, performance indicators appended to the contracts do not reflect these requirements. This reduces assurance these will be prioritised and applied, and that subsequent contract monitoring will be able to obtain evidence to support their application. <p>If the HSCP intends to apply these principles across all of its commissioning activity, it will need a more robust approach to their implementation.</p>		
	IA Recommended Mitigating Actions		
	The HSCP should set out clear plans, and embed consistent requirements in commissioning and contractual documentation, for implementing the HSCP and Ethical commissioning principles, and GIRFE.		
	Management Actions to Address Issues/Risks		
	<p><i>Both the Ethical Commissioning and GIRFE principles are in draft and not been finally ratified by Scottish Government. However, the ACHSCP felt they were significantly important to incorporate in the four new contracts we co-designed with providers and should form part of the new contracts going forward.</i></p>		

Ref	Description	Risk Rating	Moderate
	<p><i>There will be development work undertaken to ensure there is proportionate references made to the principles within business cases and other documentation.</i></p> <p><i>Work is progressing with Scottish Government and Health Improvement Scotland Colleagues alongside GIRFE personnel to develop a set of person led questions which will be used to demonstrate that the GIRFE and ethical commissioning principles are being met within the contracts monitoring process.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Commissioning Lead - Shona Omand-Smith	30 June 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
Strategic	This issue / risk level impacts the Partnership 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 Partnership's objectives or could impact the effectiveness or efficiency of the Partnership's activities or processes. Action is considered imperative to ensure that the Partnership 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

The aim of the integration of health and social care services is to ensure that people receive the right care, in the right place, at the right time. Integration seeks to mitigate the historic divide in the delivery of 'health' and 'social care' services. Aberdeen City Integration Joint Board use several commissioned services to assist with providing care to all service users; Commissioning is an overarching term to describe the planning, purchasing, delivery and monitoring of services.

Aberdeen City Health and Social Care Partnership (ACHSCP) Strategic Plan 2022-2025 has seven commissioning principles:

- Commissioning is undertaken for outcomes (rather than for services)
- Commissioning decisions are based on evidence and insight and consider sustainability from the outset
- Commissioning adopts a whole-system approach
- Commissioning actively promotes solutions that enable prevention and early intervention
- Commissioning activities balance innovation and risk
- Commissioning decisions are based on a sound methodology and appraisal of options
- Commissioning practice includes solutions co-designed and co-produced with partners and communities

5.2 Rationale for review

The objective of this audit is to review plans and progress with commissioning across the Health and Social Care Partnership.

Commissioning is a vital part of the HSCP's operations and is a key part of strategic planning and has been included in the 2024/25 Plan given this importance. If the HSCP does not get its approach to commissioning correct, this can lead to several risks and negative consequences, including poor service delivery, inefficient use of resources, unmet needs, financial instability, reputational damage and regulatory and legal issues.

Commissioning as a strategic review has not been audited in recent years.

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:

- **Assessment of Needs** – This will include the overall governance of Commissioning, and the processes in place to assess needs in line with the Strategic Plan.
- **Setting of Priorities** – An extension of the assessment of needs, this will include the process in place across the IJB to ensure that HSCP services are aligned and address the commissioning principles.
- **Planning of Services** – This will include the planning by Management to undertake the Commissioning process, involving the other aspects of this scope, and wider considerations such as resources and service design.

- **Procuring of Services** – This will include the actual procurement processes followed, and ensure they comply with internal regulations and external procurement legislation.
- **Monitoring of Quality** – This will include monitoring at an operational level, reporting to both Management and Committee/the Board, and engagement with providers to feedback on services and improve delivery.

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 practices, this review will primarily be undertaken remotely via electronic meetings and direct access to systems and data, with face to face contact and site visits to premises to obtain and review further records as appropriate.

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:
 - Partnership 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:

- Rachel Brand, Auditor (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Partnership key contacts

The key contacts for this review across the Partnership are:

- Fiona Mitchelhill, Director – Aberdeen Health and Social Care Partnership
- Shona Omand-Smith, Commissioning Lead (**process owner**)
- Neil Stephenson, Strategic Procurement Manager

5.8 Delivery plan and milestones

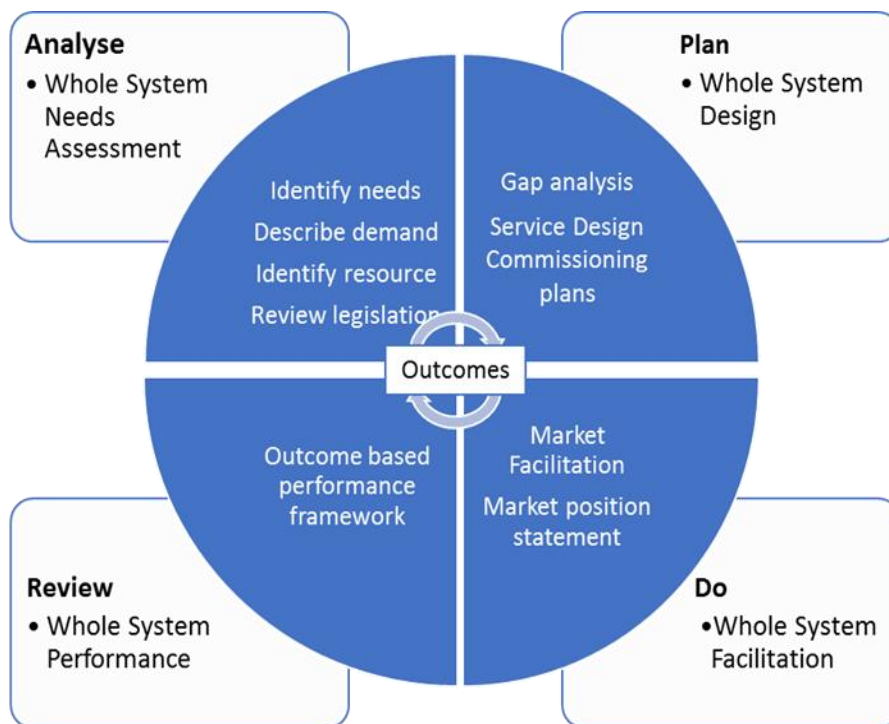
The key delivery plan and milestones are:

Milestone	Planned date ²
Scope issued	25-Oct-24
Scope agreed	01-Nov-24
Fieldwork commences	04-Nov-24
Fieldwork completed	22-Nov-24
Draft report issued	13-Dec-24

² Some dates have been extended to account for the holiday period.

Milestone	Planned date ²
Process owner response	10-Jan-25
Director response	17-Jan-25
Final report issued	24-Jan-25

6 Appendix 3 – The Commissioning Cycle



7 Appendix 4 – Ethical Commissioning

7.1 Ethical Commissioning Principles:

- Person-centred care first:
 - Planning and reviews are opportunities for good conversations where people set goals and reflect on progress towards their own outcomes.
- Full involvement of people with lived experiences:
 - People are at the heart of setting and reviewing outcomes.
- Human rights approach:
 - Identified outcomes go beyond basic needs, towards self-actualisation.
- High quality care:
 - Effectiveness is measured by achievement of outcomes and learning, not adherence to process.
- Fair working practices:
 - Workers learn about what works. Evidence of impact helps them feel well regarded, rewarded, and supported.
- Financial transparency and commercial viability:
 - Service sustainability is supported by fostering innovation, identifying learning, and spreading good practice.
- Shared accountability:
 - Mutual accountability for outcomes is supported within inhouse and outsourced services by proportionate monitoring arrangements and information sharing.
- Climate and circular economy:
 - Measuring outcomes shows a positive impact on people, communities, and the environment.

7.2 Getting it Right for Everyone (GIRFE) Principles (September 2023)

- I have the information that I need to make decisions about my own health and social care, and I am trusted to know what is right for me.
- The people who support me take the time to listen and understand me as a person and we consider my whole life when making decisions about my health and social care.
- I know that I can be clear about what matters to me, and I trust that my choices will be respected and understood by the people who support me.
- Treating everyone with kindness, dignity and respect is the foundation of my health and social care support.
- The people involved in the conversations around my health and social care work together with me to share information and develop a clear understanding of how to support my wellbeing.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	08 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2516 – Right to Work
REPORT NUMBER	IA/AC2516
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 Right to Work.

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 Internal Audit has completed the attached report which relates to an audit of Right to Work.

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 AC2516 – Right to Work

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 Right to Work in the UK

Status: Final

Date: 15 April 2025

Risk Level: Corporate

Report No: AC2516

Assurance Year: 2024/25

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	20-Dec-2024	19-Dec-2024
Scope agreed	10-Jan-2025	19-Dec-2024
Fieldwork commenced	20-Jan-2025	20-Jan-2025
Fieldwork completed	07-Feb-2025	17-Feb-2025
Draft report issued	28-Feb-2025	04-Mar-2025
Process owner response	21-Mar-2025	28-Mar-2025
Director response	28-Mar-2025	15-Apr-2025
Final report issued	04-Apr-2025	15-Apr-2025
AR&S Committee	08-May-2025	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Executive Director – Corporate Services
Process Owner	Lesley Strachan, Service Lead – People
Stakeholder	Isla Newcombe, Chief Officer – People & Citizen Services
	Julie Esson, Operational Lead – HR Service Centre
	Vikki Cuthbert, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer - Finance*
Final only	External Audit
Lead auditor	Sarah Poppe, Auditor

1 Introduction

1.1 Area subject to review

Employers have a duty to prevent illegal working. The law on preventing illegal working is set out in the Immigration, Asylum and Nationality Act 2006 (Sections 15-25) and the Immigration Act 1971 (Sections 24 and 24B).

Employers are legally obligated to prevent illegal employment. Non-compliance with these regulations can result in a civil penalty of £45,000 per illegal worker for a first breach and then £60,000 for each illegal worker for repeat breaches. Additionally, if an employer knowingly employs, or has reasonable cause to believe they have employed, an illegal worker, they may face criminal charges which can lead up to five years in prison or an unlimited fine.

An employer can avoid liability for civil penalties and prosecution by conducting the required document checks on prospective employees to verify their Right to Work in the UK. These checks provide a statutory excuse, which protects employers from civil penalties if an employee is later found to be working illegally, if the employer took reasonable steps to confirm their Right to Work before employment began. For employees with limited permission to remain in the UK, these checks must be repeated periodically to maintain the statutory excuse.

When a manager is hiring a new potential employee, it is the manager's responsibility to confirm if they have the Right to Work in the UK, whether it be permanent, fixed term, relief, casual, full-time or part-time this requirement applies to all candidates. It is the manager's responsibility to obtain, check, and copy the documents that are required, these are detailed within the 'Employing Foreign Nationals – Guidance for Managers' procedure.

The procedure states what documents are required and this is broken down into two lists, one for those who have a permanent Right to Work in the UK and another for those who have a temporary Right to Work in the UK. Those with a temporary Right to Work in the UK will require to be reviewed at least a month before the date of expiry.

1.2 Rationale for the review

The objective of this review is to ensure adequate arrangements are in place to ensure staff have the Right to Work in the UK. It is crucial that the Council conduct proper Right to Work in the UK checks, as failing to do so could lead to reputational damage, financial penalty and potential prosecution should the Council recruit an illegal worker.

This area has not undergone a dedicated audit previously, but it was reviewed as part of the Volunteer Arrangements and Corporate Recruitment audits. Both audits provided some assurance that appropriate checks were in place to verify the Right to Work in the UK for employees and volunteers. However, they did not specifically address the process for conducting repeat checks for individuals with temporary Right to Work status, nor did they thoroughly examine the procedures in place, or how the checks required are monitored and reported.

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 arrangements in place to ensure staff have the Right to Work in the UK. This assurance assessment is driven by the controls in place centrally over the process.

However, where controls are in place, the review identified areas of weakness where enhancements are required to be made to improve the framework of control and compliance with Right to work in the UK requirements, specifically at the operational level and on the part of individual recruiting managers:

- **Written Procedures** – The Council's 'Employing Foreign Nationals Guidance' has not undergone a comprehensive review for some time. Consequently, the list of approved documents for Right to Work checks does not align with current Home Office Guidance. Additionally, the guidance does not address the checks required for internal candidates. While this does not pose a compliance risk due to HR conducting their own checks when they receive recruitment files, internal recruitment is common within the Council. Therefore, incorporating guidance on this process could be beneficial. The procedures relating to sponsored employees need strengthening. It was evident during testing that sponsored employees lacked clarity regarding their responsibilities in the sponsorship process and Right to Work checks. Additionally, the payment process for sponsored employees presented a potential fraud risk, highlighting the need for clearer procedures and oversight.
- **Verifying Original Documents** – Home Office Guidance requires that original documents be reviewed in the presence of the holder, clear copies made, and the date of the check recorded either by adding a dated declaration to the copy or securely maintaining this information in a separate record. The Council's 'Employing foreign Nationals Guidance' reinforces these requirements. However, testing identified weaknesses in compliance. In the majority of cases reviewed (11 of 20: 55%), copies of documents had not been verified, the verification date was missing, or there was no record of the original having been seen. Recruitment and interview paperwork also provided limited assurance that required checks were always taking place.
- **Incomplete Documentation** – Whilst in the majority of cases reviewed (17 of 20 cases: 85%) there was a record of relevant documentation having been obtained (see above regarding confirmation of documentation being checked), in three cases (15%) there were insufficient records to confirm that the correct Right to Work checks had been satisfactorily completed in advance of employment commencing. Assurance over their Right to Work has since been established for these three employees, however employing someone without having checked the appropriate documentation to provide a statutory excuse presents a severe risk to the Council. Failure to maintain complete and accurate personnel files that can be easily provided

on request may result in the Council being unable to confirm an individual's Right to Work in the UK, potentially leading to civil penalties and, in severe cases, criminal charges.

- **Repeat Checks** – Review of a further 20 cases requiring a repeat Right to Work check confirmed that with limited exceptions records are generally being maintained and updated accurately, and appropriate actions taken. There may be benefits to be obtained through revisions to scheduling and monitoring of follow-up action, and potential for automation.

Recommendations have been made to address the identified risks including review of procedures, supporting documentation and templates to ensure they are fully aligned with Home Office and internal requirements, and development of more robust mechanisms to provide assurance over compliance. Whilst we recognise this as an area with many stakeholders across the Council, specifically recruiting managers within services, the Central Team sets the procedural requirements and provides oversight and second line control. As such, recommendations have been targeted towards People and Citizen Services, whilst recognising they will need to engage across the business to implement enhancements.

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>Verifying Original Documents – Home Office Guidance states that original documents must be reviewed in the presence of the holder, clear copies should be made, and the date of the check must be recorded. A review of 20 pre-employment check cases indicated a lack of compliance. In 11 of 20 cases (55%), one or more documents had not been recorded as verified. Where verification had been completed, confirmation was not provided that the original documentation had been seen, and in three cases (15%), the verification was conducted without a recorded date.</p> <p>Interview Return Slip documentation was not always comprehensively completed and does not fully cover Home Office requirements to record the dates specific documents were reviewed and verified. Recruitment checklists were also not always comprehensively completed to indicate whether visas and other checks were required and had taken place.</p> <p>Robust pre-employment checks are essential to secure a statutory excuse that appropriate steps were taken to confirm employees' Right to Work in the UK. The design of controls in this instance impacts their effectiveness, in addition to the compliance issues identified. Employee's Right to Work in the UK needs to be established, to ensure the Council is not at risk of breaching the legislation.</p>	Y	Major	9

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.3	<p>Incomplete Documentation – Whilst in the majority of cases reviewed (17 cases: 85%) there was a record of relevant documentation having been obtained (see 1.2 above regarding confirmation of documentation being checked), in three cases (15%) there were insufficient records to confirm that the correct Right to Work checks had been satisfactorily completed.</p> <p>In each of these three cases, although a Right to Work in the UK has subsequently been established, there is no evidence to demonstrate that this was recorded and had been checked and documented, prior to them commencing employment.</p> <p>Employing someone without appropriate documentation to provide a statutory excuse presents a severe risk to the Council.</p> <p>Complete recording of documentation and checks are essential to secure a statutory excuse that appropriate steps were taken to confirm employees' Right to Work in the UK, to ensure the Council is not at risk of breaching the legislation.</p>	Y	Major	11

2.4 Management response

The Service has welcomed the input of Internal Audit in this area, agrees with the findings, and has collaborated to identify improvement actions. While recognising that all individuals have the right to work in the UK, it is essential to improve compliance with processes and procedures.

The audit findings have highlighted several areas where we need to enhance our processes related to the Right to Work in the UK. Specifically, there is a need to update and finalise our 'Employing Foreign Nationals Guidance' and communicate this to recruiting managers and our team within People Services. This will ensure that recruiting managers comply with the UK Home Office requirements by recording that they have seen the necessary documentation from preferred candidates to evidence their right to work in the UK.

Additionally, the audit has identified the need to review and automate some of our internal recording processes to reduce omissions within checklists due to human error. We are working with colleagues in Digital & Technology to develop and implement a new case management system called Dynamics 365 for HR, which will replace our current HR system, coreHR. The functionality within this system can enable us to build in automated compliance controls and generate automated reminders and performance data for employees and managers. The aim is to have this system in place by the end of 2025.

Issues / Risks, Recommendations, and Management Response

2.5 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Written Procedures – The Council's 'Employing Foreign Nationals Guidance' provides a foundation for conducting Right to Work checks. However, this guidance is not fully up to date: The current published version is dated August 2018, although updates have been made to processes since then in accordance with required changes from the Home Office. The Service have indicated it is currently under review and some elements require updating to align with current Home Office requirements, including e.g. key requirements, and changes to the lists of acceptable documentation for demonstrating applicants' Right to Work in the UK. If the requirements do not align, there is a greater risk of non-compliance which could lead to fines or prosecution. There were three updated versions of the Home Office Employer's guide in 2024 alone, underlining the need for regular review.</p> <p>As part of our review of a sample of 40 cases (20 recruitment and 20 repeat checks), scenarios were identified which are not fully covered by the internal guidance:</p> <ul style="list-style-type: none"> • Internal candidates being hired do not always require further review of documentation. Guidance does not cover this, or the circumstances in which it does/does not apply. This could present a risk in cases where documentation is required but it may be assumed it is not. • Correspondence indicated processes, roles and responsibilities regarding Sponsorship are not well defined or understood by affected employees and line managers. In the cases reviewed this had an impact on the efficiency of responding, and the resulting outcome. Improved awareness of the process could support better planning and signposting for employees. • Home Office guidance includes a recommendation (but not a requirement) to use their 'Right to Work Checklist'. This includes additional checks, including e.g. confirmation that photographs and documents are consistent, and have not been evidently tampered with, which are not well covered in the Council's guidance. <p>Where there is approval to sponsor an individual, there is a cost associated with this for the service/Council, and the Talent Team process the certificate of Sponsorship using the Home Office Sponsorship online system. The cost of sponsorship is £1,000 immigration skills charge (unless an exemption applies) for each year of sponsorship and £239 certification/admin charge made to the UK Visas and Immigration. The payment requires to be made using a credit card via the online Home Office Sponsorship system. The Talent Team, within People Services, does not have a corporate credit card to allow them to make payments so are required to access a corporate credit card via the Finance Transaction Teams process. The written procedure specifies that they must contact a member of the Finance Transactions Team, by raising a purchase order request which details name of the individual being sponsored and the required sponsorship. When the Talent team reach the payment stage in the process, a member of the Finance Transactions Team joins the call who then use screen sharing to enter the payment details and authorise the transaction. This process poses a potential fraud risk, as sharing a screen while entering payment details could expose corporate credit card information to unauthorised users. There may also be a potential risk in respect of the Transactions Team viewing personal data recorded on the form, though the service has advised only limited details are visible and retained on file as required to support the financial transaction.</p>		
IA Recommended Mitigating Actions			

Ref	Description	Risk Rating	Moderate
	<p>a) People Services should review the procedures and supporting documentation to ensure they are fully aligned with Home Office requirements. Updated requirements should be reflected fully and promptly.</p> <p>b) As part of the review, People Services should consider including further detail on requirements for internal candidates, and processes, roles and responsibilities regarding Sponsorship.</p> <p>c) People Services should review the process for making sponsorship payments with Finance to ensure potential risks to financial and personal data are addressed.</p>		
	Management Actions to Address Issues/Risks		
	<p>a) <i>It is acknowledged that the 'Employing Foreign Nationals' guidance is out of date: it is in the process of being reviewed and updated. The Talent Team will continue to attend immigration seminars or briefings from the Home Office if there are any changes made to the system and then make any necessary updates to the guidance and ensure this is communicated to recruiting managers and the HR Service Centre Team to ensure compliance</i></p> <p>b) <i>We only sponsor in exceptional circumstances, for hard to fill roles that meet the eligibility criteria and when we are contacted either by an employee or potential candidate, we provide the required information to them that they need to know and the steps they would need to take. Where a manager contacts us about sponsorship, we have guidance setting out the information and approvals required. We cover sponsorship in the Recruitment and Selection training and if there are any changes in process or requirements the training is updated. We are currently developing guidance to be shared with employees/managers at the outset of sponsorship to enhance awareness of responsibilities.</i></p> <p>c) <i>The process for access to the Corporate credit card sits with the Finance Transactions Team, so we will link with the team to investigate an alternative solution to making payment for sponsorship applications.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Service Lead - People	September 2025

Ref	Description	Risk Rating	Major
1.2	<p>Verifying Original Documents – Home Office Guidance states that original documents must be reviewed in the presence of the holder to confirm their validity. Clear copies should be made, and the date of check must be recorded. This can be done by adding a dated declaration on the document or maintaining a separate record securely. The guidance states:</p> <p><i>"Simply writing a date on the copy document does not, in itself, confirm that this is the actual date when the check was undertaken".</i></p> <p>The Council's own procedure, 'Employing Foreign Nationals Guidance', reinforces these requirements, specifying that copies must be taken, the date of the check recorded, and confirmation provided that original documents were seen. The guidance suggests using the statement: <i>"Certified as a true likeness, original seen by [your name] on [date]"</i>.</p> <p>A review of 20 pre-employment check cases, selected at random from across various Clusters, revealed significant non-compliance across the board. In 11 of 20 cases (55%) one or more documents had not been recorded as verified:</p> <ul style="list-style-type: none"> In 10 cases (50%), copies of the candidate's photo ID were not verified and dated. 		

Ref	Description	Risk Rating	Major
	<ul style="list-style-type: none"> • Of the 10 cases (50%) where photo ID verification was completed, all were confirmed as a true likeness. However, none verified that the original had been seen, and in three cases (15%), the verification was conducted without a recorded date. In one case the verification had been typed rather than signed. • In two cases (10%), birth certificates were provided, but the copies were neither verified nor dated to confirm that the original had been seen. • In one case (5%), a photograph of the candidate's HMRC document (P45) was provided but there was no confirmation that the original had been seen. <p>Two different versions of an Interview Return Slip are in circulation. This covers the outcome of interviews, review of documentation, and approval by line management. Each includes one of the following statements:</p> <p><i>"I confirm that all documents copied at interview are included in this pack. Formal verification has also been obtained for Right to Work ID checks".</i></p> <p><i>"I certify that all original documents stated above were seen at interview and have been certified as correct, accurate and are a true likeness to the preferred candidate named above".</i></p> <p>Neither statement satisfies fully the requirement set out in the Home Office guidance, as although there is space to sign and date the Slip, they do not include the date on which the checks took place. They also omit details of which documents were checked and certified. A tick-list is provided to indicate ID was obtained and attached. Documents are then attached and included within the PDF employee file, however in cases where these documents have not been independently signed and dated, there is no clear audit trail to demonstrate that these are the same documents seen and copied at interview.</p> <p>Completion of the Interview Return Slip also varied, further weakening compliance assurance:</p> <ul style="list-style-type: none"> • In seven cases (35%), the Interview Return Slip did not confirm whether a Right to Work check had been conducted, and ID copies were not verified and dated. • One file (5%) included an unsigned and undated slip. • Another file (5%) did not contain an Interview Return Slip. <p>People & Citizen Services completes a Recruitment Checklist which is also saved in the employee personnel file, and should document completion of key tasks, including Right to Work checks. While Recruitment Checklists are being completed for each candidate, 14 cases (65%) had an incomplete Right to Work section:</p> <ul style="list-style-type: none"> • In 12 cases (55%), no option was selected to indicate whether the candidate required a visa. • In two cases (10%), question marks were present without initials or dates to confirm the check had been completed. <p>Robust pre-employment checks are essential to secure a statutory excuse that appropriate steps were taken to confirm employees' Right to Work in the UK. The design of controls in this instance impacts on their effectiveness, in addition to the compliance issues identified. If an employee's Right to Work in the UK has not been correctly established, the Council may breach employment law, potentially leading to civil penalties or, in more severe cases, criminal charges.</p> <p>IA Recommended Mitigating Actions</p> <p>People & Citizen Services should review and update interview documentation templates to ensure recruiting managers can clearly record the specific documents obtained to demonstrate a Right to Work in the UK, and the dates on which they were reviewed and confirmed.</p>		

Ref	Description	Risk Rating	Major
	Mechanisms should be developed, implemented and consistently applied to ensure key checks are being completed and evidenced.		
	Management Actions to Address Issues/Risks		
	<p>Agreed.</p> <p><i>All individuals had the Right to Work, although documentation was not always held centrally. One check identified that, although one case had their UK sponsorship confirmed by the Home Office, a final short code should have been used to confirm the right to work before commencing employment.</i></p> <p><i>We will issue communications to recruiting managers to highlight and emphasise the importance of adhering to the guidance, will emphasise this specifically in recruitment and selection training and include it within all documentation to managers as part of the recruitment process.</i></p> <p><i>In terms of future developments, as part of our development and implementation of Dynamics 365 for HR, we may be able to automate elements of this process to remove human error.</i></p> <p><i>We are currently working with COSLA to introduce Digital identity document validation technology (IDVT) software into TalentLink (our candidate management system) whereby preferred candidates with a UK passport can provide evidence of their Right to Work in the UK electronically. Once again reducing the risk of human error.</i></p> <p><i>It is also accepted that we need to review our recruitment checklist and to ensure that our team within People Services do not progress preferred candidates until all requirements of the Right to Work check is fully and accurately completed.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Service Lead - People	January 2026

Ref	Description	Risk Rating	Major
1.3	<p>Incomplete Documentation – Whilst in the majority of cases reviewed (17: 85%) there was a record of relevant documentation having been obtained (see 1.2 above regarding confirmation of documentation being checked), in three cases (15%) there were insufficient records to confirm that the correct Right to Work checks had been satisfactorily completed:</p> <ul style="list-style-type: none"> One file (for an internal candidate: Housing) contained a driving license, which is not an approved document, alongside a digital copy of an HMRC document without confirmation that the original had been seen. Following enquiry by Internal Audit, People & Citizen Services was able to source a copy of the employee's passport in a separate archived file from a previous role. Another file (for an external candidate: Education & Lifelong Learning) contained an extract of a birth certificate, but at the time of the check, a full birth certificate was required. Additionally, no government issued document confirming the employee's National Insurance number was on file, meaning that no statutory excuse appeared to be established. Following enquiry by Internal Audit a copy of the employee's passport was later found in an email, but it had not been verified or dated. The Recruitment Checklist indicated Right to Work checks were completed on 8 January 2025, despite the employee starting work on 2 December 2024. In another case (for an external candidate: Education & Lifelong Learning) an employee began working as a teacher on 22 August 2022, but Right to Work checks 		

Ref	Description	Risk Rating	Major
	<p>were not completed until 1 September 2022. The employee contract was created on 2 September 2022 and backdated to 22 August 2022. <i>(NB this was picked up as part of Internal Audit's review of repeat checks undertaken in 2024).</i></p> <p>In each of these three cases, although a Right to Work in the UK has subsequently been established, there is no evidence to demonstrate that this was known and had been checked and documented, prior to them commencing employment. Employing someone without appropriate documentation to provide a statutory excuse presents a severe risk to the Council.</p> <p>These findings highlight the importance of stricter adherence to the Right to Work verification process to ensure compliance and mitigate risk. Failure to maintain complete and accurate personnel files that can be easily provided on request may result in the Council being unable to confirm an employee's Right to Work in the UK, potentially leading to civil penalties and, in severe cases, criminal charges.</p> <p>IA Recommended Mitigating Actions</p> <ul style="list-style-type: none"> a) Processes should be revised to ensure that employment cannot proceed until documentation demonstrating a Right to Work in the UK has been confirmed, verified and recorded. b) Recognising the limited sampling on the part of Internal Audit, Management should develop their own assurance mechanisms to ensure that with existing personnel files there is sufficient evidence employees have a Right to Work in the UK. <p>Management Actions to Address Issues/Risks</p> <ul style="list-style-type: none"> a) <i>Recruitment and Selection Guidance is clear about the process, and roles and responsibilities for recruiting managers and staff within People Services to ensure the correct Right to Work Checks which require to be undertaken for preferred candidates – both internally and externally. The 3 cases identified within the audit sample demonstrate human error either by recruiting managers, or by staff within People Services in checking candidates right to work evidence at preferred candidate stage, in recording that original documentation had been seen, and copies taken or in filing documentation in the correct place, or in recording that the documentation had been received.</i> <p><i>It is accepted that we need to review our recruitment checklist and to ensure that our team within People Services do not progress preferred candidates until all requirements of the Right to Work check is fully and accurately completed.</i></p> <p><i>We will issue communications to recruiting managers to highlight and emphasise the importance of adhering to the guidance, will emphasise this specifically in recruitment and selection training and include it within all documentation to managers as part of the recruitment process.</i></p> <p><i>In terms of future developments, as part of our development and implementation of Dynamics 365 for HR, we may be able to automate elements of this process to remove human error.</i></p> <p><i>We are currently working with COSLA to introduce Identity Verification Technology (IDVT) software into TalentLink (our candidate management system whereby preferred candidates with a UK passport can provide evidence of their Right to Work in the UK electronically. Once again reducing the risk of human error.</i></p> b) <i>Whilst the legal implications are significant if we should employ someone without the relevant documentation, management considers that the overall risk is relatively low. In each of the cases highlighted by Internal Audit we have since been able to source evidence of the employee's right to work in the UK. It is acknowledged this was not held in the correct place at the time, and this has been addressed. To review every</i> 		

Ref	Description	Risk Rating	Major
	<i>existing employee file is impractical and would not represent best use of limited resource. With the mitigations discussed above, management accepts the risk of not taking further action to review existing files.</i>		
	Risk Agreed	Person(s)	Due Date
	a) Yes	Service Lead – People	January 2026
	b) No	N/A	N/A

Ref	Description	Risk Rating	Minor
1.4	<p>Repeat Checks – Where it is identified that a Right to Work may be time limited, People & Citizen Services reviews relevant documentation and records the results and dates of expiry on a ‘Live Checking’ spreadsheet. Review of 20 cases requiring a repeat Right to Work check has provided assurance that the spreadsheet is being kept up to date, and is being reviewed on a regular basis. Initial correspondence to employees requiring a repeat check is sent one month prior to their expiry date. In practice, within the records reviewed by Internal Audit, this was being provided between 23 and 50 days in advance.</p> <p>However, in two cases (10%), instances were identified where additional checks could have been beneficial:</p> <ul style="list-style-type: none"> • One employee whose contract had ended was not removed from the spreadsheet, resulting in them being contacted unnecessarily about providing evidence of their continued Right to Work. • Another employee’s Biometric Residence Permit (BRP) card expiry date was recorded in the spreadsheet, despite a Home Office check confirming they had indefinite leave to remain in the UK. <p>While these cases highlight areas for improvement in updating records and verifying employment status before sending correspondence, neither resulted in missed repeat checks nor increased the risk of an employee working without the Right to Work in the UK.</p> <p>Home Office guidance requires Right to Work documentation to be retained for the length of employment, plus two years. However, review of these cases and further documentation indicates data may be held for longer than required.</p> <p>Although initial correspondence is being sent in the appropriate timescale, reminders are not consistently being issued on time. Procedures indicate these should be sent at least two weeks before the expiry date, however in nine cases (45%), they were sent only a week prior.</p> <p>Providing employees with sufficient notice for their repeat check is important as it will ensure they have enough time to apply for a Right to Work extension. This could help avoid potentially unnecessary termination of employment due to delays in confirming extended eligibility to work in the UK. More complex cases, e.g. those involving sponsorship, can take more time to address. As noted at 1.1 above, there is scope to improve guidance for employees and managers in this regard.</p> <p>There is currently no routine monitoring of performance information including repeat Right to Work checks, the number of sponsorship arrangements, and the number of leavers as a result of rights / sponsorship expiry. Periodic review of data could gauge the effectiveness of the process and help inform planning going forward.</p> <p>IA Recommended Mitigating Actions</p>		

Ref	Description	Risk Rating	Minor
	<p>People & Citizen Services should review scheduling of repeat checks and follow ups to ensure employees and management have sufficient time to act. Consideration should be given to whether automation for this part of the process could further improve accuracy and timeliness, and whether periodic review of associated data would be beneficial to the process.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>Agreed. We are currently in the process of developing and implementing a new case management system called Dynamics 365 for HR which will replace coreHR our current HR system. The functionality within this system may enable us to generate automated reminders to employees and managers, and performance data for periodic review. This is currently being explored as part of our discovery phase. Full implementation is planned for November 2025.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Service Lead - People Services	January 2026

3 Appendix 1 – Assurance Terms and Rating Scales

3.1 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.

4 Appendix 2 – Assurance Review Scoping Document

4.1 Area subject to review

Employers have a duty to prevent illegal working. The law on preventing illegal working is set out in the Immigration, Asylum and Nationality Act 2006 (Sections 15-25) and the Immigration Act 1971 (Sections 24 and 24B).

Employers are legally obligated to prevent illegal employment. Non-compliance with these regulations can result in a civil penalty of £45,000 per illegal worker for a first breach and then £60,000 for each illegal worker for repeat breaches. Additionally, if an employer knowingly employs, or has reasonable cause to believe they have employed, an illegal worker, they may face criminal charges which can lead up to five years in prison or an unlimited fine.

An employer can avoid liability for civil penalties and prosecution by conducting the required document checks on prospective employees to verify their Right to Work in the UK. These checks provide a statutory excuse, which protects employers from civil penalties if an employee is later found to be working illegally, if the employer took reasonable steps to confirm their Right to Work before employment began. For employees with limited permission to remain in the UK, these checks must be repeated periodically to maintain the statutory excuse.

When a manager is hiring a new potential employee, it is the manager's responsibility to confirm if they have the Right to Work in the UK, whether it be permanent, fixed term, relief, casual, full-time or part-time this requirement applies to all candidates. It is the manager's responsibility to obtain, check, and copy the documents that are required, these are detailed within the 'Employing Foreign Nationals – Guidance for Managers' procedure.

The procedure states what documents are required and this is broken down into two lists, one for those who have a permanent Right to Work in the UK and another for those who have a temporary Right to Work in the UK. Those with a temporary Right to Work in the UK will require to be reviewed at least a month before the date of expiry.

4.2 Rationale for review

The objective of this review is to ensure adequate arrangements are in place to ensure staff have the Right to Work in the UK. It is crucial that the Council conduct proper Right to Work in the UK checks, as failing to do so could lead to reputational damage, financial penalty and potential prosecution should the Council recruit an illegal worker.

This area has not undergone a dedicated audit previously, but it was reviewed as part of the Volunteer Arrangements and Corporate Recruitment audits. Both audits provided some assurance that appropriate checks were in place to verify the Right to Work in the UK for employees and volunteers. However, they did not specifically address the process for conducting repeat checks for individuals with temporary Right to Work status, nor did they thoroughly examine the procedures in place, or how the checks required are monitored and reported.

4.3 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.

4.3.1 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 Procedures
- Pre-Employment Checks
- Repeat Checks
- Monitoring and Reporting

4.4 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 practices, this review will primarily be undertaken remotely via electronic meetings and direct access to systems and data, with face to face contact and site visits to premises to obtain and review further records as appropriate.

4.5 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)

4.6 IA staff

The IA staff assigned to this review are:

- Sarah Poppe (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

4.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Executive Director Corporate Services
- Isla Newcombe, Chief Officer, People & Citizen services
- Lesley Strachan, Service Lead – People (**process owner**)

4.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	20-Dec-2024
Scope agreed	10-Jan-2025
Fieldwork commences	20-Jan-2025
Fieldwork completed	7-Feb-2025

Milestone	Planned date
Draft report issued	28-Feb-2025
Process owner response	21-Mar-2025
Director response	28-Mar-2025
Final report issued	04-Apr-2025

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	08 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2519 – FOI and SARs
REPORT NUMBER	IA/AC2519
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 Freedom of Information and Subject Access Requests.

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 Internal Audit has completed the attached report which relates to an audit of Freedom of Information and Subject Access Requests.

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 AC2519 – Freedom of Information and Subject Access Requests

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Assurance Review of Freedom of Information and Subject Access Requests

Status: Final
Date: 15 April 2025
Risk Level: Corporate

Report No: AC2519
Assurance Year: 2024/25

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	22-Jan-2025	22-Jan-2025
Scope agreed	29-Jan-2025	28-Jan-2025
Fieldwork commenced	17-Feb-2025	17-Feb-2025
Fieldwork completed	28-Feb-2025	28-Feb-2025
Draft report issued	14-Mar-2025	04-Mar-2025
Process owner response	04-Apr-2025	19-Mar-2025
Director response	11-Apr-2025	28-Mar-2025
Final report issued	18-Apr-2025	15-Apr-2025
AR&S Committee	08-May-2025	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Director - Corporate Services
Process Owner	Lucy McKenzie, Customer Service Manager
Stakeholder	Isla Newcombe, Chief Officer – People & Citizen Services
	Alice Goodrum, Operational Lead – Customer Feedback and Access to Information
	Grant Webster, Team Leader, Access to Information
	Jonathan Belford, Chief Officer – Finance*
	Vikki Cuthbert, Interim Chief Officer - Governance*
Final only	External Audit
Lead auditor	Jamie Dale, Chief Internal Auditor

1 Introduction

1.1 Area subject to review

“A person who requests information from a Scottish public authority which holds it is entitled to be given it by the authority”.

Freedom of Information (Scotland) Act 2002

The Freedom of Information (Scotland) Act 2002 (FOISA) came into force on 1 January 2005. Under FOISA, a person who requests information from a Scottish public authority which holds it is entitled to be given it by the authority subject to certain conditions and exemptions set out in the Act. The Scottish Information Commissioner is responsible for enforcing and promoting freedom of information (FOI) law in Scotland.

The UK General Data Protection Regulation gives individuals (data subjects) a number of rights including the right to access personal data that an organisation holds about them. The right of access extends to all information held on an individual and includes personnel files, data-bases, interview notes and emails referring to the individual. If an individual makes a request to view their information, it is known as a "Subject Access Request" (SAR).

Freedom of Information law in Scotland also incorporates Environmental Information (Scotland) Regulations 2004 and INSPIRE (Scotland) Regulations 2009. Any requests under such legislation will be within scope but the review will primarily focus on FOI and SARs.

Within Aberdeen City Council the Access to Information Team is centrally responsible for such requests, facilitating responses from individual services as required and utilising the govService System. The Central Team also has responsibility for day to day support, quality assuring responses, providing training across the Council, and performance monitoring and reporting.

1.2 Rationale for the review

The objective of this audit is to obtain assurance that the Council's procedures for dealing with FOI and SARs are appropriate.

This area has been included in the agreed 2024/25 Internal Audit Plan due to the compliance aspects and associated risks of breaching legislation. It is essential that controls are designed appropriately and operating effectively.

Where FOI and SARs have been considered as part of wider corporate reviews, this area has not been audited as a standalone area in recent years.

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 Freedom of Information and Subject Access Request handling.

Aberdeen City Council receives a large volume of requests¹:

- 2023/24 – 1,725 FOI and EIRs
- 2023/24 – 395 SARs
- 2024/25² – 1,483 FOI and EIRs
- 2024/25 – 468 SARs

Within Aberdeen City Council the Access to Information Team is centrally responsible for such requests, facilitating responses from individual services as required and utilising the govService System. The Central Team³ also has responsibility for day to day support, quality assuring responses, providing training across the Council, and performance monitoring and reporting.

Analysis of the Council's approach to handling requests provided reasonable assurance over operations, and with the exception of the actual govServices System, discussed below, controls were found to be designed effectively. The control framework is supported by detailed procedures, experienced Officers and clear processes on how requests should be handled. Reporting takes place within the Team, amongst Management, and to Committee on the level of requests and their handling, and this was found to be accurate and supportive in terms of facilitating a drive on the importance of services engaging with the Central Team when required. The efforts of the Central Team are also evident in working to clear backlogs, specifically around SARs⁴.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically in its operation, including:

- **govServices System** – Analysis of the govServices System, the Council's chosen platform for handling requests, including walkthroughs with the Central Team and review of the handling of

¹ Throughout the report, request is used as an umbrella term for FOI, EIR and SARs.

² 2024/25 figures are as at February 2025.

³ Throughout the report, Central Team is utilised to describe the Access to Information Team.

⁴ The Council are currently being reviewed by the Scottish Information Commissioner in relation to their handling of the backlog of Subject Access Requests. This involved regular reporting to the Commissioner, originally monthly but now quarterly, and set timeframes for clearing historic cases.

individual requests, highlighted a number of concerns, specifically around limitations of the System functionality that requires much processing and monitoring to be completed offline.

- **Request Handling** – As part of the audit 30 requests across 2023-25 were selected for detailed review. The population included Freedom of Information Requests, Environmental Information Requests, and Subject Access Requests. Targeted sampling ensured to select a mix of requests that had been reported as on time, late, outstanding and subject to subsequent review. The sample also included requests which were disclosed in full, refused, and some subject to redaction. Testing worked through the individual processes for the different types of requests and identified: 19 (63%) were found to follow the correct process with no issues noted. However for 11 (37%) of the sample, issues were found with the handling of the request, the level of issue varying but including instances such as requests not being completed, requests being completed offline, and discrepancies between the information held on the System and tracking spreadsheet.
- **Verification of SARs** – Where it is evident that the Central Team take efforts to confirm the legitimacy of requests, complying with legislation, including reviewed instances where the Central Team did not process requests until a signed mandate was received, it is not a requirement of the council's process for identification to be provided when the request is received from a solicitor. There is therefore a risk that information could be released to an individual or party who do not have the authority to receive it. The Central Team advised there had been no instances where complaints had been made to this effect, however, there remains a reputational and compliance risk if such an instance were to occur.
- **Reviews** – The Council utilises a Panel system for reviewing cases that are contested by requestors. There is no set Panel Membership or rota and instead a mailing list is maintained by Committee Services. When a review is required, Committee Services will reach out to those registered members and look for volunteers. Discussions with officers and review of panels identified issues with generating a mix of members and instances where panels were required to go ahead with only two members instead of the desired three.

Recommendations have been made to address the above risks. Whilst we recognise this as an area with many stakeholders across the Council, specifically in the provision of information to facilitate requests, the Central Team provide oversight and second line control. As such, recommendations have been targeted towards the Access to Information Team, whilst recognising they will need to engage across the business to implement enhancements.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. No such issues or risks were identified as part of this review.

2.4 Management response

Management welcomes the audit, which notes the significant number of requests processed and the opportunities for enhancing the handling of requests.

The implementation of a digital platform for managing Freedom of Information (FOI) requests and Environmental Information Regulations (EIR) requests introduced self-serve capabilities, automated emails, and reminders, which increased efficiency in handling time. While service standards have been met each year, it is recognised that there is potential to further streamline and automate processes for continued improvement.

In respect of Subject Access Requests (SARs), the Council has experienced a substantial increase in the number of requests, with a rise of nearly 54% between 2021 and 2024. The Scottish Child Abuse Inquiry (SCAI) has contributed to the increased demand for SARs from adults who were previously looked after. The Council has not received additional funding to manage this increase in requests, which require specialist knowledge and are often time-consuming to complete. There has been a focus in this area and notable progress in addressing these requests.

Since the audit, the team has adjusted their ways of working to keep all FOI requests open where further clarification is required. Work is in progress to ensure that the remaining actions identified are implemented in line with the deadlines set out.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>govServices System – Since September 2020, the Council has utilised the Granicus govServices System for handling requests. Bodies are free to choose their own system and develop their own processes for handling requests, and where the name of the System references the 'government', govServices is provided by a private supplier.</p> <p>Analysis of the System, including walkthroughs with the Central Team and review of the handling of individual requests highlighted a number of concerns, specifically:</p> <ul style="list-style-type: none"> • The System does not allow for handling of requests from start to finish, and requires off-system email escalations, off-system processing, and off-system storing of files. • If a request is identified as requiring clarity from the applicant after it has been assigned to a service, the System does not allow for this to happen. Instead the request must be closed and a new request logged when the clarification is received. This means that the number of requests recorded is artificially inflated as some will be clarity on previous asks. • The System does not allow escalation of cases to senior officers, either for approval or where responses have not been provided. • The System does not allow for a 'workable' download to be extracted of cases, nor does the System's Dashboard functionality allow for the Team to review tasks and their status, and as such a manual tracker spreadsheet is required to be maintained. This creates a twin track System and testing identified discrepancies, e.g. status of requests, between the System and spreadsheet. • The Council's approach to handling SARs cannot be fulfilled by the System. Where such requests are opened and closed on the System, all other handling happens offline. • The System does not facilitate active chasing by the Central Team for updates to request from services, and as such this takes place via email. Instances were identified as part of testing where emails were not stored for future review and also instances of emails being missed and cases remaining open when these could have been processed and finalised. <p>There is a risk that the current system's limitations are creating additional workload, specifically the twin track approach discussed above, which creates additional pressures and contributes to the backlog of cases.</p> <p>Management advised an awareness of the System limitations and already have plans in place to replace the System. Management were able to share their plans, which included analysis of the current system limitations, review of users stories, and criteria sets that they desire from the new System.</p> <p>On a net basis, the current System is considered to drive a Major Risk but this is mitigated to a Moderate level by the current plans in place to replace the current govServices process.</p> <p>IA Recommended Mitigating Actions</p> <p>Management should ensure that the new System addresses the issues noted in this report, along with other known issues from the Central Team and other users across the Council. Plans should be finalised a robust timeframe put in place for the roll out of the new System.</p> <p>Management Actions to Address Issues/Risks</p>		

Ref	Description	Risk Rating	Moderate									
	<p>1) The Service, in association with Digital and Technology colleagues, are committed to address the current system limitations through a process redesign. The requirements have been documented and will form part of the Citizen Transformation programme currently being scoped. The overall plan will be provided in September 2025 and subject to available funding.</p> <p>2) Analysis indicates that in 2024/25, there were 15 instances where a request was closed and subsequently reopened due to requested clarification. Since the audit, the team have adjusted their way of working and requests requiring clarification are no longer closed and then reopened as a new request. Since the spreadsheet is the data master, cases stay open and statistics remain accurate.</p>											
	<table><tr><th>Risk Agreed</th><th>Person(s)</th><th>Due Date</th></tr><tr><td>1) Yes</td><td>Customer Services Manager</td><td>September 2025</td></tr><tr><td>2) Yes</td><td>Customer Services Manager</td><td>Complete</td></tr></table>	Risk Agreed	Person(s)	Due Date	1) Yes	Customer Services Manager	September 2025	2) Yes	Customer Services Manager	Complete		
Risk Agreed	Person(s)	Due Date										
1) Yes	Customer Services Manager	September 2025										
2) Yes	Customer Services Manager	Complete										

Ref	Description	Risk Rating	Moderate
1.2	<p>Request Handling – Aberdeen City Council receives a large volume of requests:</p> <ul style="list-style-type: none"> 2023/24 – 1,725 FOI and EIRs 2023/24 – 395 SARs 2024/25 – 1,483 FOI and EIRs 2024/25 – 468 SARs <p>However, the System limitations discussed at 1.1 above reduce overall confidence in the reported figures:</p> <ul style="list-style-type: none"> Without a workable extract of all cases, it was not possible to verify that all cases in the System are logged on the separate spreadsheet. To facilitate the audit, the spreadsheet has been utilised and the figures/status/other such information reported going forward comes from this. The number of requests received will be artificially inflated as some will have been duplicated where clarity has been requested on previous asks. <p>As part of the audit 30 requests across 2023-25 were selected for detailed review. The population included Freedom of Information Requests, Environmental Information Requests, and Subject Access Requests. Targeted sampling ensured to select a mix of requests that had been reported as on time, late, outstanding and subject to subsequent review. The sample also included requests which were disclosed in full, refused, and some subject to redaction.</p> <p>Testing worked through the individual processes for the different types of requests and identified: 19 (63%) were found to follow the correct process with no issues noted.</p> <p>However for 11 (37%) of the sample, issues were found with the handling of the request, the level of issue varying but specifically:</p> <ul style="list-style-type: none"> One instance where email correspondence relating to the request, held outwith the System, had not been filed. Two instances where the request was answered late. Analysis showed that limited efforts had been made to request the required information from services to allow for completion of the request. Management advised the System issues frequent automated reminders to the responding officers. In addition, the Access to Information Team will make contact with officers by email or Teams out with the 		

Ref	Description	Risk Rating	Moderate
	<p>system where capacity allows. The team do not have capacity to solely rely on manual reminders..</p> <ul style="list-style-type: none"> • One instance where the Service provided all the required information but the Team did not pick up the response or complete the request until the following month. • One instance that was handled completely off system and then input and backdated. Further analysis identified that the responsible Service that received the request had initially not treated this as an FOI request and instead planned to respond directly. This highlights a lack of awareness across the Council of the need for all requests to be notified to the Central Team. • Two instance where the request was classified as still outstanding but had been completed. This was not reflected on the tracker spreadsheet or the System. • One instance classified as still outstanding from March 2024. Analysis found that all information had been provided by the requested services but not picked up for review and finalisation by the Central Team. A further instance was identified from April 2024 where all information had been provided after chasing but had yet to be reviewed and finalised. • One instance where sensitivity of the requested data had been queried internally. This had been resolved but the request not finalised. • One instance where the spreadsheet noted a request as subject to a Panel Review but was actually a Service review. These are different processes and follow different resolution routes. Management however advised that Panel Reviews and Service Reviews are terms used internally and are not part of the statutory FOI process. For statistical purposes both types of reviews are classed as Reviews in the 2nd stage of the FOI process and as such an error of this sort on the spreadsheet regarding whether it was a 'Panel' or 'Service' Review would have no impact. <p>These delays, and variations in recording, along with limited capacity within the Central Team to consistently review and address all overdue requests promptly, present risks to the Council's compliance with the legal requirements.</p> <p>Analysis of the Spreadsheet Tracker identified that requests are regularly being responded to late (2023/24 FOIs/EIRs: 9.9%, SARs: 23.8%). The Council is also still processing historic requests and working through a backlog (57 cases (3.3%) which remain open from 2023/24).</p> <p>It is evident that the Central Team are dealing with a high volume of requests, which vary in terms of complexity. It is also evident that the Central Team are heavily reliant on services across the Council providing information to allow for the handling of requests. This impacts the Central Team's ability to manage workload. However the audit has identified issues in the current operations of the controls that Management should look to address to support the handling of requests.</p> <p>IA Recommended Mitigating Actions</p> <p>Management should ensure that requests are processed appropriately, complying with legislation and internal council policies. Efforts should be made to address the issues noted above and also increase awareness across the Council of the need to respond to requests for information.</p> <p>Management Actions to Address Issues/Risks</p> <p>1) <i>There are existing mechanisms in place to monitor performance around FOI/EIR and it is ECMT's and Service Managers' responsibility to monitor outstanding requests within their own areas through the PowerBI report available on the Manager's dashboard. The Performance Board is also utilised to escalate poor performance and ensure that this is addressed. As recognised above, improvements to the existing process to streamline and automate escalations will increase capacity within the team to intervene where automated reminders and escalations fail. The removal</i></p>		

Ref	Description	Risk Rating	Moderate
	<p><i>of spreadsheets and manual processes will also reduce risk of human error when recording information.</i></p> <p>2) <i>Process to be implemented to address existing historic cases. Resource has been identified to assist.</i></p> <p>3) <i>Blog to be published on the intranet and through the Leadership Forum to promote timely handling of requests and emphasise statutory obligations.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Customer Services Manager	1) September 2025 2) May 2025 3) May 2025

Ref	Description	Risk Rating	Moderate
1.3	<p>Verification of SARs – Legislation allows for SARs to be made by individuals or a third party; this will often be parents on behalf of children, or solicitors on behalf of clients.</p> <p>Legislation does not stipulate how a body should specifically handle a request, other than satisfying itself that the requestor has the right to do so. At present the Central Team will assess requests on a case by case basis and as follows:</p> <ul style="list-style-type: none"> Where it is an individual or family member (e.g. parent of a child aged under 12), the Central Team will review Council records (e.g. D365) to confirm identity or the relation and authority to request the information. Where it is a solicitor making the request, the Central Team will look for a signed mandate to be provided. This does not need to come directly from the individual and can come from the requesting party. <p>Where it is evident that the Central Team take efforts to confirm the legitimacy of requests, complying with legislation, including reviewed instances where the Central Team did not process requests until a signed mandate was received, it is not a requirement of the Council's process for identification to be provided. There is therefore a risk that information could be released to an individual or party who does not have the authority to receive it. This would be a breach of the UK General Data Protection Act (UK GDPR). The Central Team advised there had been no instances where complaints had been made to this effect, however, there remains a reputational and compliance risk if such an instance were to occur, and current controls would not prevent it.</p> <p>IA Recommended Mitigating Actions</p> <p>Where the Council is compliant with legislation, it is recommended that the current approach is assessed, with consideration given to requiring identification for all SARs where ID is available.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>The ICO have comprehensive guidance around whether to request identification and what is considered reasonable, especially when there is an ongoing relationship with the applicant.</i></p> <p>https://ico.org.uk/for-organisations/uk-gdpr-guidance-and-resources/individual-rights/right-of-access/what-should-we-consider-when-responding-to-a-request/#ID</p> <p><i>The guidance states that you should not request formal identification documents unless necessary. First you should think about other reasonable and proportionate ways you can verify an individual's identity.</i></p>		

Ref	Description	Risk Rating	Moderate						
	<p><i>It is also important to recognise that not everyone has a form of ID and we would not want to disadvantage against anyone in these circumstances where we are satisfied that they are who they say they are through other means.</i></p> <p><i>Given the ICO guidance, the continued approach will be to consider each request and identification verification on a case by case basis.</i></p>								
	<table><tr><th>Risk Agreed</th><th>Person(s)</th><th>Due Date</th></tr><tr><td>No</td><td>N/A</td><td>N/A</td></tr></table>	Risk Agreed	Person(s)	Due Date	No	N/A	N/A		
Risk Agreed	Person(s)	Due Date							
No	N/A	N/A							

Ref	Description	Risk Rating	Minor
1.4	Reviews – As part of the appeals process, applicants can request a review of how their case has been handled. This will often be in situations where information has been refused or redacted. Analysis of the data held by the Central Team found that limited cases reach this stage.		
	There is no set Panel Membership or rota and instead a mailing list is maintained by Committee Services. When a review is required, Committee Services will reach out to those registered members and look for volunteers.		
	Discussions with officers and review of panels identified issues with generating a mix of members ⁵ and instances where panels were required to go ahead with only two members instead of the desired three.		
	IA Recommended Mitigating Actions		
	Management should promote Panel Membership and look to increase the numbers available. Efforts should be made to ensure that panels include a mix of individuals from across the Council.		
	Management Actions to Address Issues/Risks		
	<i>Exercise to be undertaken through the Leadership Forum to increase membership.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Customer Services Manager	June 2025

⁵ Members refers to Panel Membership of officers across the Council, and not Elected Members.

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

“A person who requests information from a Scottish public authority which holds it is entitled to be given it by the authority”.

Freedom of Information (Scotland) Act 2002

The Freedom of Information (Scotland) Act 2002 (FOISA) came into force on 1 January 2005. Under FOISA, a person who requests information from a Scottish public authority which holds it is entitled to be given it by the authority subject to certain conditions and exemptions set out in the Act. The Scottish Information Commissioner is responsible for enforcing and promoting freedom of information (FOI) law in Scotland.

The UK General Data Protection Regulation gives individuals (data subjects) a number of rights including the right to access personal data that an organisation holds about them. The right of access extends to all information held on an individual and includes personnel files, data-bases, interview notes and emails referring to the individual. If an individual makes a request to view their information, it is known as a "Subject Access Request" (SAR).

Freedom of Information law in Scotland also incorporates Environmental Information (Scotland) Regulations 2004 and INSPIRE (Scotland) Regulations 2009. Any requests under such legislation will be within scope but the review will primarily focus on FOI and SARs.

Within Aberdeen City Council the Access to Information Team is centrally responsible for such requests, facilitating responses from individual services as required and utilising the govService System. The Central Team also has responsibility for day to day support, quality assuring responses, providing training across the Council, and performance monitoring and reporting.

5.2 Rationale for review

The objective of this audit is to obtain assurance that the Council's procedures for dealing with FOI and SARs are appropriate.

This area has been included in the agreed 2024/25 Internal Audit Plan due to the compliance aspects and associated risks of breaching legislation. It is essential that controls are designed appropriately and operating effectively.

Where FOI and SARs have been considered as part of wider corporate reviews, this area has not been audited as a standalone area in recent years.

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:

- **Policy and Procedures** – Ensuring that policies and procedures are available, up to date, and in line with relevant legislation

- **Publication Scheme** – Ensuring the Council maintains and delivers a Publication Scheme as required by legislation, including any proactive publication to reduce the number or need for requests.
- **Request Handling** – Reviewing a sample of requests to assess their logging, tracking and response. This will include reviewing how requests and responses are documented. This will also include any charges applied.
- **Exemptions and Redactions** – Reviewing the application of any exemptions or redactions to information, including justification.
- **Complaints and Appeals** – Reviewing the process for handling complaints and appeals related to requests.
- **Performance Monitoring** – Ensuring the Council monitors and reports on its handling of requests and compliance overall.

Whilst it is understood individual services are responsible for their own information and facilitating requests, this review is focused on the central controls and the second line assurance arrangements. As such, whilst we recognise many different stakeholders are involved in the process, any recommendations made will be directed centrally.

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 practices, this review will primarily be undertaken remotely via electronic meetings and direct access to systems and data, with face to face contact and site visits to premises to obtain and review further records as appropriate.

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:

- Jamie Dale, Chief Internal Auditor (**audit lead**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Executive Director – Corporate Services
- Lucy McKenzie – Customer Service Manager (**process owner**)
- Alice Goodrum – Operational Lead – Customer Feedback and Access to Information
- Isla Newcombe, Chief Officer – People & Citizen Services

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	22-Jan-25
Scope agreed	29-Jan-25
Fieldwork commences	17-Feb-25
Fieldwork completed	28-Feb-25
Draft report issued	14-Mar-25
Process owner response	04-Apr-25
Director response	11-Apr-25
Final report issued	18-Apr-25

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	08 May 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	External Audit Report – Annual Audit Plan – 2024/25 Audit
REPORT NUMBER	EA/25/001
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 Committee with External Audit's Annual Audit Plan for the 2024/25 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 2024/25 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 £547,070 in respect of the 2024/25 audit. This is split between the council £536,880 and the charitable trusts £10,190.

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

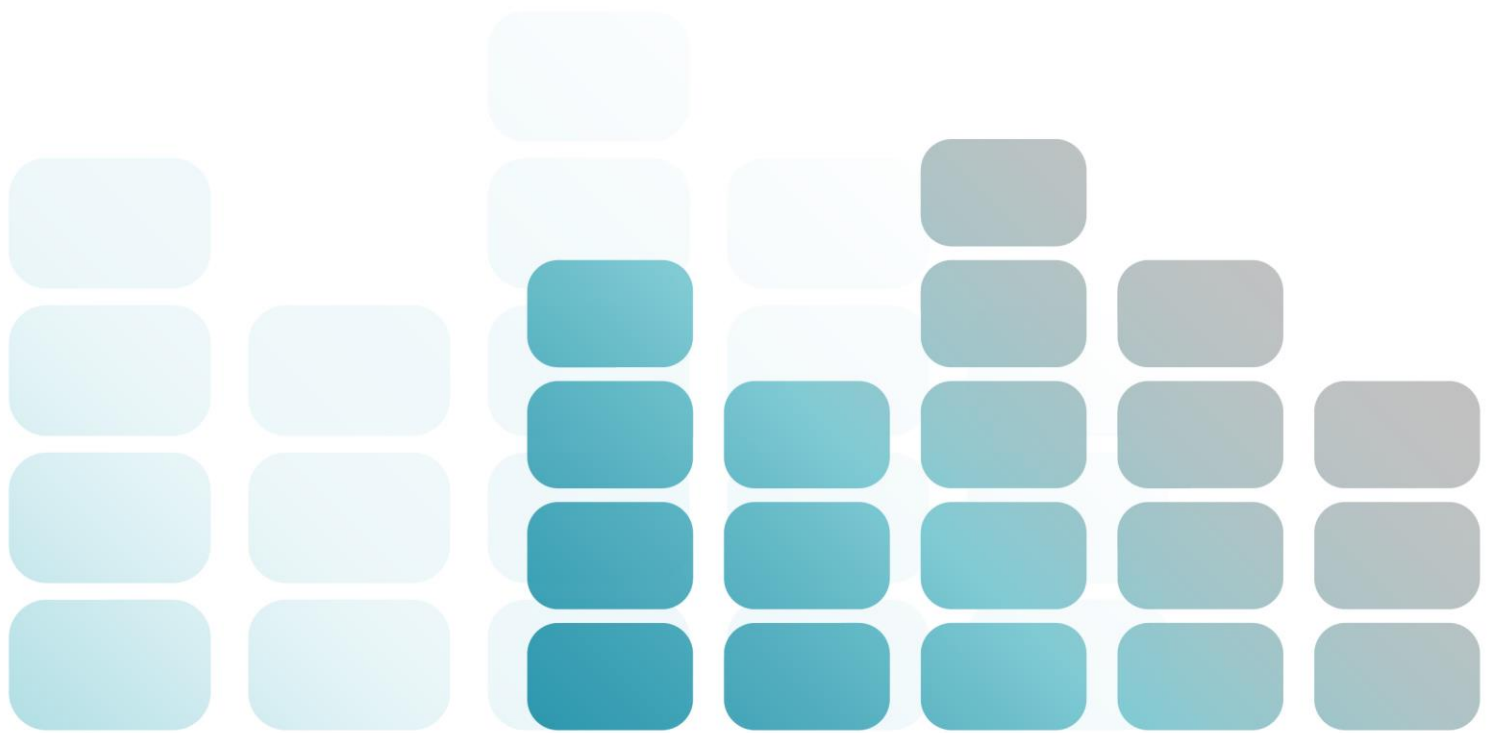
- 11.1 Appendix A: External Audit – Annual Audit Plan: 2024/25 audit.

12. REPORT AUTHOR CONTACT DETAILS

Name	Anne MacDonald
Title	Senior Audit Manager, Audit Scotland
Email Address	amacdonald@audit-scotland.gov.uk
Tel	0131 625 1903

Aberdeen City Council

Annual Audit Plan 2024/25



Prepared for Aberdeen City Council
March 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of Aberdeen City Council's (the council's) annual accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. We have been appointed by the Accounts Commission as external auditors of the council for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

3. We are independent of the 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. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the council to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, the Management Commentary, the Annual Governance Statement, and an opinion on the audited part of the Remuneration Report.
- Reporting on the council's arrangements for securing Best Value.
- An Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice.
- Providing assurance on the Housing Benefit Subsidy Claim and the Non-Domestic Rates Income Return.
- A review of the council's arrangements for preparing and publishing statutory performance information.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of the council and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the council's arrangements for the wider scope areas.

The council's responsibilities

8. The council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and

establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the Annual Accounts

Introduction

9. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor’s professional judgement.

12. The materiality levels determined for the audit of Aberdeen City Council and its group are outlined in [Exhibit 1](#). Based on our assessment of the group ([refer paragraph 25](#)), we did not consider it necessary to set separate materiality values for the council’s group accounts.

Exhibit 1 2024/25 Materiality levels for the council and its group

Materiality	Amount
Materiality – 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 2025, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2023/24.	£24 million

Materiality	Amount
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 65% of planning materiality.	£15.6 million
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£600,000

Source: Audit Scotland

Key audit matters

13. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

14. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

15. The matters determined to be key audit matters will be communicated in the Annual Audit Report. [Exhibit 2, page 8](#) outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Significant risks of material misstatement to the financial statements

16. The risk assessment process draws on the audit team's cumulative knowledge of the council, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

17. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are also outlined in Exhibit 2.

18. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the council and those charged with governance, where relevant.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</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. • Assess the council's internal control framework and conclude on the adequacy of scrutiny over the operation of fundamental controls*. • Review the financial ledger to identify cost centres and account codes which may be more susceptible to fraud and consider further audit procedures. • 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 accruals and prepayments to ensure transactions are recorded in the correct financial year.

Source: Audit Scotland

*Fundamental controls

- Segregation of duties: ensuring access to systems are restricted to appropriate levels and/or user activities are regularly reviewed (to negate the possibility of individuals processing transactions all the way through the payments process).
- Reconciliations: ensuring feeder systems are effectively reconciled to other systems (e.g., general ledger); using third-party information (suppliers' statements) and reconciling with payment systems.

- System documentation: system documentation should be maintained which details key controls to be carried out by staff to prevent fraud or error.
- Monitoring: scrutiny monitoring should be at a level that would allow managers to identify anomalous payments at an early stage.
- Counter-fraud arrangements: counter-fraud and whistle blowing policies should be regularly refreshed and promoted with staff.

Other areas of audit focus

19. 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.

20. 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 audit

21. 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.

22. As the parent in the group, the council prepares group financial statements which comprises subsidiaries, associates and joint ventures. Audit procedures have been undertaken to identify if there are any risks of material misstatement to the group financial statements, or any components where audit procedures are required for the purposes of the group audit. The outcome from these procedures is outlined in [Exhibit 3](#).

23. We will be liaising with the component auditors as appropriate to agree group audit instructions and set expectations around any potential audit procedures. We are currently planning to take only limited assurance from the work of component auditors but will keep this under review as the audit progresses.

24. Non-current assets, reserves and staff costs are the key material balances in the group. Given the nature of these balances, we will seek valuations for significant non-current assets, review the level of reserves held and undertake analytical procedures in respect of staff costs. We will also consider the assurances the council obtains for its group accounts including year-end reconciliations and the consolidation process.

25. 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, page 6](#).

Exhibit 3

Outcome of risk assessment procedures on the group audit

Group component	Accounting treatment	Risk of material misstatement	Audit procedures required	Auditor
Aberdeen City Council (Parent)	Consolidated on a line-by-line basis	Yes – Exhibit 2	Yes – full scope audit	Audit Scotland
Aberdeen Common Good (100% subsidiary)	Consolidated on a line-by-line basis	Yes – risk of material misstatement due to property valuations	Yes – part of parent body audit	Audit Scotland
Bon Accord Care/Support Services (100% subsidiaries)	Consolidated on a line-by-line basis	No, but is material to group financial statements	Yes – analytical procedures at group level	Anderson, Anderson & Brown

Group component	Accounting treatment	Risk of material misstatement	Audit procedures required	Auditor
Aberdeen Sports Village (Joint Venture)	Accounted for on equity basis	Yes – risk of material misstatement due to property valuations	Yes – analytical procedures at group level	Anderson, Anderson & Brown

Source: Audit Scotland

Audit of the trusts registered as Scottish charities

26. 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.

27. Members of Aberdeen City Council are the sole trustees for seven trusts registered as Scottish charities, with total assets of some £9 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.

28. 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 charities' accounts.

Materiality levels for the 2024/25 audit of trusts registered as Scottish charities

29. Materiality levels for the various trusts are set out in [Exhibit 4, page 12](#).

30. 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 4**2024/25 Materiality levels for Aberdeen City Council Charitable Trusts**

Charitable trust	Planning Materiality	Performance Materiality	Reporting Threshold
Overall materiality	£177,000 (Based on 2% of audited 2023/24 net asset value)	£132,750 (Based on 75% of planning materiality)	£9,000
Secondary materiality (for the Statement of Financial Activities)	£10,000 (Based on 2% of audited 2023/24 income)	£7,500 (Based on 75% of planning materiality)	£500

Source: Audit Scotland

Wider scope and Best Value

Introduction

31. The Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The Code broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial management** – this means having sound budgetary processes. Factors that can impact on the council being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering the council's medium- to longer-term planning for service delivery.
- **Vision, leadership and governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering the council's arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

32. A conclusion on the effectiveness and appropriateness of the council's arrangements for each of the wider scope areas will be reported in the Annual Audit Report. Alongside our consideration of financial management above, a follow up review will be undertaken to assess progress against the council's improvement plan which was developed in response to a significant fraud identified in September 2023. The fraud was the subject of a statutory report by the Controller of Audit in January 2025.

Best Value

33. Under the Code of Audit Practice, the audit of Best Value in councils is integrated within the annual audit. Auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value, including follow up of findings previously reported in relation to Best Value.

34. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews are conducted, as directed by the Accounts Commission. The thematic review for 2024/25 will focus on transformation by considering how the council is redesigning services to maintain outcomes and deliver services more efficiently. Conclusions and judgements on the thematic review will be reported in a separate management report and summarised in the Annual Audit Report.

35. There will also be follow up audit work to assess the council's progress in implementing recommendations from earlier thematic work covering scrutiny, elected member relationships and delegated powers.

36. At least once over the five-year appointment, the Controller of Audit will report to the Accounts Commission on the council's performance in meeting its Best Value duties. The second year of this programme runs from October 2024 to August 2025. While the running order may be subject to change, the council is currently included in the 2026/27 reporting programme.

Significant wider scope risks

37. The risk assessment process has identified significant risks in the wider scope areas as outlined in [Exhibit 5, page 15](#). This also includes the planned audit procedures in response to the risks.

Exhibit 5

Significant wider scope risks

Description of risk	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 2024/25 is approx. £560 million. This reflects proposed savings and efficiencies of some £50 million. Longer term, the council's funding 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"> • Discussion with officers. • Continue to monitor the financial position and provide an update in our Annual Audit Report. • Assess the alignment of financial plans with the Council Plan and Priorities.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

38. The outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to the council and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to the council and the controller of audit setting out significant matters identified from the audit of the annual accounts, conclusions on the wider scope and Best Value audit, and recommendations, where required.

39. The matters to be reported in the outputs will be discussed with relevant officers for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which will be included in the audited annual accounts.

40. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates, consideration is given to the statutory date for approving the annual accounts, which is 30 September 2025 for local government bodies

Audit fee

41. The audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for 2024/25 is £547,070 (2023/24 £536,810). This is split between the council £536,880 (2023/24 £526,810) and the charitable trusts £10,190 (2023/24 £10,000).

42. In setting the audit fee, it is assumed that the council has effective governance arrangements in place and that the complete annual accounts package will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Audit timetable

43. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit in line with agreed target dates. [Exhibit 6](#) includes a timetable for the audit, which has been agreed with management. This will be kept under review as the audit progresses.

Exhibit 6 2024/25 audit timetable

Audit activity	Council target date	Audit team target date	Audit, Risk and Scrutiny Committee date
Issue of Annual Audit Plan	31 March 2025		8 May 2025
Annual accounts:			
• Consideration of unaudited annual accounts by those charged with governance	1 May 2025	-	8 May 2025
• Submission of unaudited annual accounts and all working papers to audit team	By 9 May 2025	-	-
• Latest date for audit clearance meeting	5 June 2025		-
• Issue of draft Annual Audit Report to officers for comment	-	10 June 2025	-
• Agreement of audited and unsigned annual accounts	19 June 2025		
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report to Audit, Risk and Scrutiny Committee.	19 June 2025		26 June 2025
• Approval by those charged with governance and signing of audited annual accounts	-	-	26 June 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report	-	By 30 June 2025	-

Source: Audit Scotland

Other matters

Using the work of internal audit

44. The council is responsible for establishing an internal audit function as part of an effective system of internal control. Services are provided by the chief internal auditor of Aberdeenshire Council under a shared service arrangement. As part of the audit, the audit team will obtain an understanding of internal audit's plans, including its nature, responsibilities and activities.

45. While internal audit and external audit have differing roles and responsibilities, external auditors may use the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could use its work. The audit team opted not to use the work of internal audit but will review their reports and assess the impact of their findings on the audit.

Audit quality

46. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

47. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 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. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant

judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

48. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

49. Audit Scotland may periodically seek the council's views on the quality of audit services provided. The audit team would also welcome feedback at any time.

Aberdeen City Council

Annual Audit Plan 2024/25



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot