

# Public Document Pack



To: Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Allard, Alphonse, Bonsell, Buchanan, McLellan, McRae and 1 vacancy.

Town House,  
ABERDEEN 18 June 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, 26 JUNE 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**

3.1 Members are requested to intimate any declarations of interest

### **DEPUTATIONS**

4.1 There are no requests at this time

## **MINUTE OF PREVIOUS MEETING**

- 5.1 Minute of Previous Meeting of 8 May 2025 (Pages 5 - 18)

## **COMMITTEE PLANNER**

- 6.1 Committee Business Planner (Pages 19 - 22)

## **NOTICES OF MOTION**

- 7.1 There are none at this time

## **REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES**

- 8.1 There are no referrals at this time

## **COMMITTEE BUSINESS**

### **Risk Management**

- 9.1 ALEO Assurance Hub - CORS/25/168 (Pages 23 - 54)

### **Scrutiny**

- 9.2 Procurement Compliance Audit Update - CORS/25/170 (Pages 55 - 68)
- 9.3 Scottish Public Services Ombudsman Decisions and Inspector of Burial, Cremation and Funeral Directors Complaint Decisions - CORS/25/167  
(Pages 69 - 76)

### **Annual Reports and Accounts**

- 9.4 External Audit Annual Report 2024-25 - EA/25/002 (Pages 77 - 124)
- 9.5 Audited Annual Accounts 2024/25 - CORS/25/169 (Pages 125 - 340)

### **Internal Audit**

- 9.6 Internal Audit Progress Report - IA/25/009 (Pages 341 - 360)

- 9.7 Housing Allocations and Choice Based Lettings - AC2517 (Pages 361 - 382)
- 9.8 Group Structure Assurance - AC2508 (Pages 383 - 398)
- 9.9 Corporate Landlord Responsibilities - AC2518 (Pages 399 - 424)
- 9.10 Internal Audit Annual Report 2024/25 - IA/25/010 (Pages 425 - 446)

**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](#)

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## AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 8 May 2025. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Allard, Alphonse, Bonsell, Greig (as substitute for Councillor Bouse), McLellan, McRae and Massey.

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 OR 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 Greig advised that he had a connection in relation to agenda item 9.3 (ALEO Assurance Hub Workplan and Terms of Reference) by virtue of being a Council appointed member of the Aberdeen Performing Arts Board, 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 20 FEBRUARY 2025

2. The Committee had before it the minute of its meeting of 20 February 2025.

#### **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.

### CORPORATE RISK REGISTER, CLUSTER ASSURANCE MAPS AND INSPECTIONS PLANNER - CORS/25/086

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

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### **The report recommended:-**

that the Committee -

- (a) 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;
- (b) note the Cluster Assurance Maps provided at Appendix B; and
- (c) note the Inspections Planner provided at Appendix C;

In response to a question seeking clarification on how the current impact of the risk was assessed, the Interim Chief Officer – Governance advised that the current risk score was an assessment of how effective the mitigations were against the initial risk score, resulting in an initial, current and target risk score for each risk.

In response to examples where risk scores looked to have been scored negatively, the Interim Chief Officer – Governance advised that the most significant risks were included in the Corporate Risk Register. The Chief Officer – Finance advised that in relation to the Financial Sustainability Risk, the risk was based on factors outwith the Council's control and that various mitigations were in place as outlined in the Assurance Map.

In response to a question relating to whether there was another way in which information could be presented for each of the risks, the Interim Chief Officer – Governance advised that the Council used a fairly dynamic approach to risk management which presented live risk registers that were available 24 hours per day and updated daily via Power Bi enabling risks to be monitored in real time with additional mitigations added where required. She further advised that she would look at the style of the graphical information to identify potential improvements on how the information was displayed for future reports.

In response to a question relating to the Cyber Security Risks and whether emerging technologies such as Generative AI was having an impact on the external risk to the Council, the Chief Officer – Digital and Technology advised that the level of threats were not new and that tracking and mitigation was in place across the network to manage the threats.

In response to a question relating to the Financial Sustainability Risk and the creation of a Fraud Group, the Chief Officer – Finance advised that the group were formed to enable detailed collation of information relating to potential fraud activity with the ability to escalate to the Board if required. He advised that officers already working on counter fraud activities were involved with the group providing an enhanced control environment to remain sighted on potential fraudulent activity.

In response to a question relating to £1m threshold quoted for a serious risk rating and whether this was set too low, the Chief Officer – Finance advised that he would look at the materiality figures for the Corporate and the Cluster Risk Registers.

### **The Committee resolved:-**

to approve the recommendations in the report.

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### **RISK APPETITE ANNUAL REVIEW - CORS/25/087**

5. The Committee had before it a report by the Executive Director of Corporate Services which presented the Council's updated Risk Appetite Statement to Committee for approval.

**The report recommended:-**

that the Committee -

- (a) approve the updated Risk Appetite Statement, attached at Appendix A; and
- (b) note the continued progress towards embedding the Risk Appetite Statement during 2024 and the training and engagement activities planned for 2025.

**The Committee resolved:-**

- (i) in response to a question regarding how the benefits of the current and future methods for embedding the Risk Appetite Statement within the Council were measured, to note that the Interim Chief Officer – Governance advised that this was an area that would be developed for inclusion in the annual report in 2026; and
- (ii) to otherwise approve the recommendations contained in the report.

### **ALEO ASSURANCE HUB WORKPLAN AND TERMS OF REFERENCE - CORS/25/088**

6. The Committee had before it a report by the Executive Director of Corporate Services which presented the ALEO Assurance Hub workplan for 2025 including the dates for reporting.

**The report recommended:-**

that the Committee -

- (a) note the workplan for the ALEO Assurance Hub in 2025 which had been consulted upon with the ALEO's and the relevant Conveners; and
- (b) note the Terms of Reference for the ALEO Assurance Hub which had been reviewed with no changes.

In response to a question regarding how issues were reported and actioned, the Interim Chief Officer - Governance advised that there were various methods of scrutinising ALEO's including strategic business plans, monitoring by the Corporate Management Team, and the Assurance Hub looked in more detail at various aspects and revisited those with the ALEO's in order to gain assurance.

In response to a question regarding whether the Review of ALEO's had resulted in any changes to the Terms of Reference, the Interim Chief Officer advised that there had been no changes to the terms of reference following this review.

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### **The Committee resolved:-**

to approve the recommendations contained in the report.

### **USE OF INVESTIGATORY POWERS QUARTER 1 REPORT - CORS/25/084**

7. With reference to article 4 of the minute of its meeting of 20 February 2025, the Committee had before it a report by the Executive Director of Corporate Services which was provided to ensure that Elected Members reviewed the Council's use of investigatory powers on a quarterly basis and had oversight that those powers were being used consistently in accordance with the Use of Investigatory Powers Policy.

### **The report recommended:-**

that the Committee -

- (a) note the Council's use of covert surveillance activity during Q1; and
- (b) note there had been no applications to acquire communications data during Q1.

In response to a question regarding the statement at section 5.4 and what was done to follow up on this requirement, the Team Leader – Regulatory and Compliance Team advised that the Committee received an annual report in February of each year which contained the Policy for members to scrutinise and confirm it was fit for purpose. She further advised that the Committee received quarterly reports to enable members to have an oversight of covert activities.

In response to a question regarding a number of money laundering situations involving tobacco in England and whether the Council considers these to manage the risks, the Team Leader – Regulatory and Compliance advised that Trading Standards consider these when intelligence has been circulated nationally.

In relation to a question regarding investigation work in licensed premises and whether this was just for retail premises, the Team Leader – Regulatory and Compliance Team advised that this work was connected to guidelines from the Scottish Government relating to tobacco and vape products where 10% each year of all premises that open up received a routine visit from Trading Standards to monitor age verification policies with additional visits throughout the year. She further advised that investigations would be carried out where intelligence had been received on specific premises.

In relation to a question regarding clarification on whether the additional requirements relating to authorisation for the use of Covert Human Intelligence Source were new to Authorised Officers, the Team Leader – Regulatory and Compliance advised that the additional requirements were not new, rather that they were not used often therefore a refresher on the requirements would be provided.

### **The Committee resolved:-**

- (i) in response to a question regarding whether information could be provided to Councillors, for assurance purposes, relating to covert surveillance activities, to

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note that the Team Leader – Regulatory and Compliance advised that information relating to the Enterprise Act 2002 – Information Disclosure would be circulated to members outwith the meeting; and

- (ii) to otherwise approve the recommendations contained in the report.

### **SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS AND INSPECTOR OF CREMATORIA COMPLAINT DECISIONS - CORS/25/085**

8. 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 a question regarding whether the Council had provided evidence to the SPSO that the complaint handling process had been reviewed, the Customer Services Manager advised that there was a complaint handling process in place and that in this case there had been some errors made whilst dealing with the complaint. She further advised that the service had received complaint training and briefings to ensure they would be fully compliant with the procedure in the future, and that the SPSO had been provided with this information.

In response to a question regarding whether the training addressed the need to protect the organisation but also protect the individual, the Customer Services Manager advised that the training covered this and that the Customer Feedback team who provided the responses were independent and able to ensure the responses were unbiased and measured. The Executive Director of Corporate Services advised that there were a low number of complaints referred to the SPSO and that there were lessons learnt from each case.

#### **The Committee resolved:-**

- (i) in response to a question regarding the number of applications that had been made to the Scottish Welfare Fund, to note that the Customer Services Manager advised that she would provide the information to the Councillor outwith the meeting; and
- (ii) to otherwise approve the recommendation contained in the report.

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### UNAUDITED ANNUAL ACCOUNTS FOR 2024/25 - CORS/25/089

9. The Committee had before it a report by the Executive Director of Corporate Services which (1) provided Elected Members with an overview of the Council's 2024/25 unaudited Annual Accounts; (2) presented the Annual Governance Statement for scrutiny and approval; and (3) presented the unaudited Annual Accounts for those registered charities where the Council was the sole trustee and was subject to statutory requirements for separate accounts and audit opinions.

#### **The report recommended:-**

that the Committee -

- (a) approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2024/25;
- (b) consider the Council's unaudited Annual Accounts 2024/25;
- (c) consider the unaudited Annual Accounts 2024/25 of the Council's registered charities;
- (d) note that following the meeting the Council's and the registered charities' unaudited Annual Accounts would be finalised, signed by the Chief Officer - Finance and submitted to the Council's external auditors, Audit Scotland;
- (e) note that the Audit, Risk and Scrutiny Committee on 26 June 2025 would 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;
- (f) note that the Audit, Risk and Scrutiny Committee on 26 June 2025 would also receive the external auditor's report on the annual accounts for debate and consideration and that the report would 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
- (g) note that the Audit, Risk and Scrutiny Committee on 26 June 2025 would 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.

In response to a question regarding the dates with tbc next to them within the table at section 3.16, the Chief Officer – Finance advised that these were indicative dates based on the previous year and that the dates for submission of the accounts would be announced by the Scottish Government in due course.

In response to a question regarding whether the governance arrangements for the London Stock Exchange had changed since the Council had joined, the Chief Officer – Finance advised that quarterly reports and scrutiny of the credit rating had been introduced from the start.

In response to a question regarding the increase in the level of debt, the Chief Officer - Finance advised that the debt was spread between housing and non housing investment

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programmes and that the figure was expected to rise based on the current Prudential Indicators.

In response to a question regarding re-payments of short term debt and how this was rolled over and paid off, the Chief Officer – Finance advised that using short term borrowing reduced the burden of locking in higher levels of debt over a longer period of time.

In response to a question regarding the leasing arrangements for Hydrogen Buses that were currently not operational, the Chief Officer – Finance advised that the buses were leased to First Bus which was shown as a liability on the accounts. The Executive Director of Corporate Services advised that the hydrogen hubs were due to be operational by the end of the calendar year which would result in the buses being back in use.

In response to a question regarding whether the sources of funding outlined on page 139 was different to the pie chart information on core funding, the Chief Officer – Finance advised that they were different with the figures in the pie chart being the spending and income for the operation of the general fund with the additional funding relating to capital funding from a variety of sources.

In response to a question regarding whether the grants received from government funded the IJB, the Chief Officer – Finance advised that all funding provided to the IJB came from government grants, non domestic rates, Council Tax or reserves. He further explained that non domestic rates although collected locally were given to the Scottish Government for them to issue grant funding to each local authority on a similar level to the money collected.

In response to a comment regarding Councillors not being aware of politically sensitive decisions before they appeared in local media and how this would be addressed in the future, the Executive Director of Corporate Services advised that where possible, all Councillors would be notified in advance before released to the local media.

In response to a question regarding the statement on member to member working together and where the problems were, the Interim Chief Officer – Governance advised that the statement within the Annual Governance Statement was a recommendation from Audit Scotland which required some consideration to improve cross party working.

In response to a question regarding Section 75 monies and whether the Council could revoke planning where monies were not paid, the Executive Director for City Regeneration and Environment advised that as written this would be the case however there was a process where developers could request to vary the agreement and this was where there would be an impact on the accounts. She outlined the process involved for developers to request a variation and the appeals process if required.

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In response to a request for more information on RAAC and the risks associated with this and the liabilities to the Housing Revenue Account (HRA) and the General Fund, the Chief Officer – Finance advised that there liabilities across both accounts due to the split between tenants and the costs associated with the HRA and the General Fund would be impacted based on the outcome of the ongoing discussions with homeowners. He further advised that it was not possible to provide a percentage at this time against either of the accounts due to various unknown factors.

In response to a question regarding litigation in connection with the experimental traffic regulation order and whether there would be a requirement to repay grant funding to the Scottish Government, the Chief Officer - Finance advised that at the end of the financial year information from Transport Scotland indicated that there was no requirement to pay back any funding based on the decisions made to continue with the proposals and that where there were any changes to the position, Transport Scotland would be notified. He further advised that this item sat within the contingent liabilities to advise committee of the position and that the Council were aware of the financial environment they were operating under. The Interim Chief Officer – Governance advised that it was too early in the process to know what the impact would be and that the Council were not in a position to quantify any losses at this stage.

### **The Committee resolved:-**

- (i) in response to a question regarding the Common Good Fund balance sheet showing a decrease in the value of its net assets and the reasons for this, to note that the Chief Officer – Finance would circulate by email information relating to the assets;
- (ii) in response to a question regarding the significant difference to note to debtors for public corporations and trading funds from the previous year, to note that the Chief Officer – Finance would circulate by email details relating to the debtors information; and
- (iii) to otherwise approve the recommendations contained in the report.

### **INTERNAL AUDIT PROGRESS REPORT - IA/25/006**

**10.** With reference to article 8 of the minute of its previous meeting, the Committee had before it a report by the Chief Internal Auditor which provided an update on the progress against the approved Internal Audit plans, audit recommendations follow up and other relevant matters for the Committee to be aware of.

### **The report recommended:-**

that the Committee -

- (a) note the progress of the Internal Audit Plan; and
- (b) note the progress that management have made with implementing recommendations agrees in Internal Audit Reports.



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**The Committee resolved:-**

to approve the recommendations contained in the report.

**ADOPTION, FOSTERING AND KINSHIP - AC2513**

11. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Adoption, Fostering and Kinship which was undertaken to obtain assurance that adequate procedures were in place to control the calculation, award, and payment of allowances for Fostering, Adoption and Kinship Care.

**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 regarding whether using the D365 system for all payments would make a difference due to the complexities of the system, the Chief Officer – Children's Social Work and Family Support advised that the system was designed to be agile and responsive to changing needs with an element of Social Work related data and a financial system attached for making payments. He further advised that consideration was being given to moving kinship and adoption payments to the same system.

In response to a question regarding the controls in place to prevent over payments, the Chief Officer – Children's Social Work and Family Support advised that for each child within foster care, an invoice was received which was checked manually to ensure they were accurate. He further advised that there were quarterly meetings with fostering agencies.

In response to a question regarding further verification from adopters and what this entailed, the Chief Officer – Children's Social Work and Family Support advised that the adopters were asked to submit a school record to show the child lived at the same address as the adopter.

In response to a question regarding how often the service were reviewing procedures, the Chief Officer – Children's Social Work and Family Support advised that they were working to implement the audit recommendations and the Adoption Scheme would be presented to Committee in September with reviews continuing on an ongoing basis. He further advised that allowances were reviewed on an annual basis as part of the budget process.

In response to a question regarding whether the management responses would fully meet the recommendations for the adoption allowance, the Chief Officer – Children's Social Work and Family Support advised that a report would be submitted to committee on Adoption Allowance and that the system required to be adaptive to the needs of the child as these may not be known at the time of adoption, meaning that adopters may request at a later date for an allowance to support the child.

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In response to a question regarding whether consideration would be given to delegate authority for approving payments, Chief Officer – Children’s Social Work and Family Support advised that sub-delegation would be considered to improve the process.

### **The Committee resolved:-**

- (i) to note that the Chief Officer – Children’s Social Work and Family Support would provide a report to this committee in September setting out the timeline for the development of D365 to enable the payment of allowances to kinship carers, adopters and external foster carers; and
- (ii) to otherwise note the report and the attached internal audit report.

### **CREDITORS SUB-SYSTEM PAYMENTS - AC2506**

**12.** The Committee had before it a report by the Chief Internal Auditor which presented an audit on Creditors Sub System Payments which was undertaken to provide assurance that there were adequate controls over payments originating from creditors sub-systems.

### **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 regarding whether the Scheme of Governance and Delegation of Powers were considered as part of the audit, the Chief Internal Auditor advised that the Scheme of Governance documentation was considered as part of any audit and also where payments had been approved by those not authorised to do so.

In response to a question regarding whether management had any other concerns around delegation, the Chief Officer – Finance advised that there was an opportunity to make improvements to policies and procedures in order for those using the systems to follow correct process and for management to be able to oversee the process.

In response to questions regarding the next steps for making improvements, the Chief Officer – Finance advised that to look at all sub systems would be a challenge and that the guidance around the systems required to be fit for purpose to ensure payments from the systems were accurate. He further advised that where processes and controls were strengthened, training for users would be required to ensure they were aware of the new way of working and that there would be various adjustments required across the numerous sub systems in place.

### **The Committee resolved:-**

to note the report and the attached internal audit report.

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**RISK MANAGEMENT - AC2514**

13. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Risk Management which was undertaken to provide assurance over the Council's risk management arrangements at each level and ensure risk appetite was utilised across the delivery of operations.

**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 regarding whether the recommended action relating to significant fraud events had been considered by management, the Interim Chief Officer Governance advised that this had been omitted from the management response and that monitoring of fraud was already reported to the Risk Board.

**The Committee resolved:-**

to note the report and the attached internal audit report.

**HSCP COMMISSIONING - AC2512**

14. The Committee had before it a report by the Chief Internal Auditor which presented an audit on AHSCP Commissioning which was undertaken to review plans and progress with commissioning across the Health and Social Care Partnership.

**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 regarding the range of Commissioned Services, the Commissioning Lead, advised that there were a range of services which included - Care Homes, Substance Misuse Services, Learning Disability Services and Residential Services.

**The Committee resolved:-**

to note the report and the attached internal audit report.

**RIGHT TO WORK IN THE UK - AC2516**

15. The Committee had before it a report by the Chief Internal Auditor which presented an audit on the Right to Work in the UK which was undertaken to ensure adequate arrangements were in place to ensure staff had the Right to Work in the UK.

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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 concern regarding automation of processes and the potential for the system to refuse an individual, the Chief Internal Auditor advised that the automation was for documentation only and not for making decisions on eligibility. The People Development Manager advised that the technology mentioned in the report was a method to verify someone's identity by them uploading details of their passport into the system. She further advised that this would be for those with a UK or Northern Ireland passport only with all other preferred candidates going through the manual process.

In response to a question regarding whether the automated process could be reviewed at different stages to eliminate any errors, the Executive Director of Corporate Services advised that where technology declined a person's identification, this would be classed as an exemption which would enable the individual to challenge the outcome. He further advised that all exemptions would be checked and validated manually.

### **The Committee resolved:-**

- (i) to note that the People Development Manager would circulate by email, information relating to the total number of employees appointed during the Internal Audit testing period to compare against the number in the sample; and
- (ii) to otherwise note the report and the attached internal audit report.

## **FREEDOM OF INFORMATION AND SUBJECT ACCESS REQUESTS - AC2519**

**16.** The Committee had before it a report by the Chief Internal Auditor which presented an audit on Freedom of Information (FOI) and Subject Access Requests (SARs) which was undertaken to obtain assurance that the Council's procedures for dealing with FOIs and SARs were appropriate.

### **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 regarding whether a mandate similar to those for solicitors would be required for Councillors, MSP's and MP's, the Customer Services Manager advised that data protection regulations set out the process required for elected members enquiries relating to consent and being confident that it had been given. She further advised that using the corporate system to log enquiries gave additional assurance that consent had been given.

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In relation to a question regarding the process for a Councillor representing constituents outwith their ward, the Customer Services Manager advised that third party mandates would be required.

### **The Committee resolved:-**

- (i) to note that the Customer Service Manager would provide a response to the member, relating to the number of Freedom of Information requests that were currently being processed; and
- (ii) to otherwise note the report and the attached internal audit report.

### **EXTERNAL AUDIT REPORT - ANNUAL AUDIT PLAN FOR 2024/25 AUDIT - EA/25/001**

17. The Committee had before it a report by the External Audit Director which presented the External Audit's Annual Audit Plan for the 2024/25 audit.

### **The report recommended:-**

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

In relation to a question regarding liabilities that may arise and the high materiality level and how these were dealt with, the External Audit Director advised that a key part of external audit's work was to look at what the Council had included as a provision in their accounts, whether it was a contingent liability that is disclosed but due to circumstances may not be able to be quantified. He further advised that external audit pay close attention to this to ensure that they were comfortable with the Council's judgement.

In response to a question regarding the audit of registered Charities and whether all trusts would be audited, the External Auditor advised there was a set number of charities where the Council were the trustee and those came under the legislation for auditing purposes. The Chief Officer – Finance advised that there were a number of registered charities where all 45 Councillors were trustees. The Interim Chief Officer – Governance advised that individual Trusts where Councillors are appointed as Trustees were different to those where all Councillors were classed as the Trustee.

In response to a question regarding whether a list of the Trusts and Charities could be provided to show which ones were included, the Chief Officer – Finance advised that those registered charities where the Council were the Trustees had been included in the papers and those were the ones subject to the separate audit process.

### **The Committee resolved:-**

to note the content of the report and the attached External Audit Plan 2024/25.

- **COUNCILLOR M.T MALIK, Convener**

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	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER</b> <b>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.</b>								
2	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
3	<b>26 June 2025</b>								
4	Use of Investigatory Powers Quarter 2 report	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2	R	A Service Update will be provided due to nothing significant to report
5	SPSO Decisions, Inspector of Crematoria Complaint Decisions - CORS/25/167	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	ALEO Assurance Hub Update Report - CORS/25/168	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.	a report is on the agenda	Vikki Cuthbert	Governance	Corporate Services	1.3		
7	External Audit Annual Report 2024/25 - EA/25/002	To present the External Audit annual report	a report is on the agenda	Anne MacDonald	Governance	Corporate Services	3.1		
8	Audited Annual Accounts for 2024/25 - CORS/25/169	To present the audited 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		
9	Internal Audit Annual Report 2024-25 - IA/25/010	To present the Internal Audit Annual Report for 2024-25	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.1		
10	Internal Audit Update Report IA/25/009	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		
11	Procurement Compliance - CORS/25/170	<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.	a report is on the agenda	Melanie Mackenzie	Commercial & Procurement Services	Corporate Services	6.1		
12	Housing Allocations and Choice Based Letting - AC2517	The objective of the audit was to provide assurance that the Housing Waiting List is maintained efficiently, and allocations are made in accordance with policy, including the choice based letting process.	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER</b> <b>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.</b>								
2	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
13	Group Structure Assurance - AC2508	The objective of the audit is to ensure the Council's approach to its Group structure provides appropriate assurance and the necessary control framework is in place, both overall and for individual bodies.	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
14	Corporate Landlord Responsibilities - AC2518	The objective of this audit is to ensure that the Council has systems in place that provide assurance over compliance with the legal requirements in relation to its Corporate Landlord role for operational properties.	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
15	<b>11 September 2025</b>								
16	Use of Investigatory Powers Quarter 3 report	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		
17	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		
18	Business Continuity Annual Report	To provide the annual assurance report on the Council's Business Continuity arrangements		Ronnie McKean	Governance	Corporate Services	1.2		
19	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		
20	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		
21	Internal Audit Reports	Reports that have been finalised will be submitted to the Committee		Jamie Dale	Governance	Corporate Services	2.2		



	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER</b> <b>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.</b>								
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22	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			
23	<b>27 November 2025</b>								
24	Use of Investigatory Powers Quarter 4 report	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		
25	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		
26	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		
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	Annual Effectiveness Report	To present the committee's annual effective report for 2024-25		Karen Finch	Governance	Corporate Services	GD8.5		
30	<b>TBC</b>								
31	ETRO2 Lessons Learnt CRE/25/091	Delayed from May 2025 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		

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	26 <sup>th</sup> June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	ALEO Assurance Hub
<b>REPORT NUMBER</b>	CORS/25/168
<b>DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Vikki Cuthbert, Interim Chief Officer – Governance
<b>REPORT AUTHOR</b>	Vikki Cuthbert, Assurance Manager
<b>TERMS OF REFERENCE</b>	Remit 1.3

### 1. PURPOSE OF REPORT

- 1.1 To provide assurance on the governance arrangements, risk management, and financial management of Arm's Length External Organisations (ALEOs) as detailed within the ALEO Assurance Hub's terms of reference.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the level of assurance provided by each ALEO on governance arrangements, risk management and financial management respectively and the risk ratings applied by the ALEO Assurance Hub, as detailed in appendices B-H;
- 2.2 Notes that the ALEO Assurance Hub will discuss any outstanding issues specified in the appendices with ALEO representatives, with a view to maintaining low/very low risk ratings and improving any medium risk ratings to low/very low; and
- 2.3 Note the additional support to be offered by the ALEO Assurance Hub to each ALEO outlined at paragraph 3.5 to respond to changes in legislation and other legal developments.

### 3. CURRENT SITUATION

- 3.1 The report provides an overview of the ALEO Assurance Hub's most recent cycle of scrutiny following the Committee's endorsement of an oversight approach which balances the Council's need for assurance with an ALEO's right to govern itself as an independent entity.
- 3.2 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 ALEO risk to the Council. The reporting is based on the

degree of assurance provided on each ALEO's governance arrangements, risk management and financial management. The ALEO Assurance Hub provide high level, strategic oversight of ALEOs but does not undertake quality checks on the operation of ALEOs. The ALEO Assurance Hub has recorded additional notes on its discussions, in response to an internal audit recommendation on our Group Assurance arrangements (on this agenda).

- 3.3 The Hub met in October and identified the following key assurance areas, in accordance with the workplan previously reported to the Committee and in response to some actions agreed as part of the same internal audit referenced at paragraph 3.2 above. Specific follow-ups were sought from each ALEO in furtherance of gaps in assurance from the previous cycle, and these are referenced specifically in the appendices.

### **Governance Arrangements**

1. Assurance that all employment practices are in alignment with employment legislation, the ALEO's people policies and employment best practice. **Not applicable to BP Joint Venture**
2. 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. **Not applicable to BP Joint Venture**
3. Evidence of public liability and employer's liability insurance, internal governance procedures relating to procurement and risk assessment process in relation to assessing procurement fraud and evidence of fraud prevention measures and any gaps (the Economic Crime and Corporate Transparency Act 2023 comes into force in autumn).

#### **BP Joint Venture only -**

1. A short written summary of any policies and procedures in place in respect of procurement, in order to ensure that the relevant controls are in place.
2. Evidence of fraud prevention measures and any gaps (the Economic Crime and Corporate Transparency Act 2023 comes into force in autumn).
3. Updates on governance arrangements and risk management arrangements including any progress in emergency planning and business continuity arrangements.

### **Risk & Resilience Management**

1. Assurance that risks are being regularly reviewed in accordance with the ALEO's agreed risk management policy through provision of a short written summary of your current risk environment, including any risks added to your register, escalated, de-escalated or closed, since the last update to the Hub.
2. Assurance on internal audit plans for the year 2025/26, an update on any overdue recommendations and advise whether, in the year 2024/25 there were any internal control failures recorded. 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. **Not applicable to BP Joint Venture.**
3. Assurance on plans for implementation of the Terrorism (Protection of Premises) Act 2025.

## **Financial Management**

1. Through provision of 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.
  2. 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.
  3. Through provision of audited annual accounts, 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.
- 3.4 The Assurance Standards and Risk Ratings are set out at Appendix A. The Hub's overall assessment of each ALEO, based on the information returned, has been attached within the summary report at Appendix B. Appendices C-H provide a summary of requests to and responses from, each ALEO, along with a breakdown of risk ratings. These have been agreed with the ALEOs.
- 3.5 Assurance was sought from each ALEO on the extent of their preparedness for both the Terrorism (Protection of Premises) Act 2025, expected to come into force later this year with the intention of ensuring that premises and certain events are protected from the threat of terrorist activity (the Protect Duty), and the Economic Crime and Corporate Transparency Act 2023 (the 2023 Act) coming into force in autumn to consolidate and enhance legislative provision on financial crime. Both pieces of legislation apply to our ALEOs to differing extents dependent on their activities and assets. The ruling of the Supreme Court on the meaning of sex in the Equality Act 2010 will also impact each organisation. The Hub agreed to offer additional support as follows:
- In respect of the Protect Duty, Council officers have provided briefings to ALEOs and continue to be available to support. For Aberdeen Performing Arts, Aberdeen Sports Village and Sport Aberdeen, it is recommended to each ALEO that they request a Counter Terrorist Security Advisor assessment, via Police Scotland, to ensure that actions taken are adequately managing the risk.
  - The Council's Fraud Team will schedule a briefing for all ALEOs on the requirements of the 2023 Act to ensure that they are ready to comply with these new requirements and that the appropriate controls are in place to protect them against financial fraud.
  - As the Council reviews its policies and procedures to respond to the anticipated updated Equality and Human Rights Commission Code of Practice being issued in response to the Supreme Court ruling, guidance will be provided to ALEOs.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations in 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 continue to review 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 ALEO Assurance 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 a further layer of assurance to the Council's existing Bond governance arrangements.

## 6. ENVIRONMENTAL IMPLICATIONS

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

## 7. RISK

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

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	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.  Council's remit includes oversight of ALEO business plans and performance, which would support	M	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?
		achievement of the target risk score in this category.		
<b>Compliance</b>	<p>ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.</p> <p>Non-compliance against GDPR, Health and Safety and other statutory responsibilities.</p>	<p>Commercial and Procurement Services has reviewed ALEO service level 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'</p>	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?
		management of this risk.		
<b>Operational</b>	Failure of ALEOs to deliver services according to agreed Service Level Agreements	Monitored by Strategic Commissioning Committee which has oversight of ALEO strategic business plans.	L	Yes
<b>Financial</b>	Financial failure of ALEOs impacting on the Council and its credit rating.	<p>ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor.</p> <p>One of the Hub's key functions is to provide assurance to Committee on the financial management of Council ALEOs.</p> <p>City Growth and Resources Committee monitors financial performance and viability, including business planning.</p>	L	Yes
<b>Reputational</b>	Impact of performance or financial risk on reputation of ACC.	Regular reporting to this Committee from the Hub provides adequate control.	L	<b>Yes</b>
<b>Environment / Climate</b>	Service delivery or operations impacting negatively on	Regular reporting to this Committee from the Hub provides adequate control.	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?
	City net zero targets.			

## 8. OUTCOMES

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

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	The Interim Chief Officer – Governance has confirmed that this is not required.
<b>Data Protection Impact Assessment</b>	Not required.

## 10. BACKGROUND PAPERS

None.

## 11. APPENDICES

- 11.1 **Appendix A** – Assurance Standards and Risk Ratings  
**Appendix B** – Summary of ALEO Risk Ratings  
**Appendix C** – Aberdeen Heat and Power  
**Appendix D** – Aberdeen Performing Arts  
**Appendix E** – Aberdeen Sports Village  
**Appendix F** – Bon Accord Care  
**Appendix G** – bp Aberdeen Hydrogen Energy Limited  
**Appendix H** – Sport Aberdeen

## 12. REPORT AUTHOR CONTACT DETAILS

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## Appendix A

Assurance Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

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Appendix B

	Overall Risk Rating													
	June-22		Dec-22		June-23		Nov-23		June-24		Nov-24		June-25	
Aberdeen Heat and Power	Low/	Medium	Medium		Low/	Medium	Low		Low/	Medium	Low		Low/	Medium
Aberdeen Performing Arts	Low/	Medium	Low/	Medium	Low/	Medium	Low/	Medium	Low/	Medium	Low		Low/	Medium
Aberdeen Sport Village	Low/	Medium	Low/	Medium	Low/	Medium	Very Low/	Low	Low/	Medium	Low/	Medium	Low/	Medium
Bon Accord Care	Very Low/	Low	Low		Low		Medium/	High	Low/	Medium	Low/	Medium	Low/	Medium
Sport Aberdeen	Low/	Medium	Low/	Medium	Low/	Medium	Low/	Medium	Low/	Medium	Low/	Medium	Low/	Medium
bp Aberdeen Hydrogen Energy	N/A		Low/	Medium	Low/	Medium	Low/	Medium	Low		Low/	Medium	Low/	Medium

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Area of Assurance	Purpose	Hub Commentary	Risk Rating
<b>Governance</b>	Assurance that all employment practices are in alignment with employment legislation, the ALEO's people policies and employment best practice.	AH&P are currently updating their Staff Handbook and provided a copy of the current draft. HR policies will be updated in conjunction with the Staff Handbook and reviewed and approved by AH&P Board, which will subsequently be audited by AH&P internal auditors .	<b>Low</b>
	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.	The Hub noted that there had been no further change to the Equality and Diversity Policy and Helping Vulnerable Customers booklet. Given the small size of the workforce, this is considered to be an area of low risk for AH&P.	<b>Low</b>
	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.	The Hub received copies of the relevant insurance certificates and was sufficiently assured in regard to these. In respect of procurement fraud and readiness for Economic Crime and Corporate Transparency Act 2023 coming into force in autumn, more assurance is required. The Hub will offer a briefing from the Council's counter-fraud team. All major procurement / frameworks are advertised and secured on the Procurement Scotland Portal.	<b>Medium</b>
<b>Risk Management</b>	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.	AH&P confirmed that the on-going monitoring of risk has continued and noted that risks associated with Energy Costs and Decarbonisation have been escalated since the last reporting cycle. These risks are addressed via specific Working Groups.	<b>Very Low</b>
	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.  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.	AH&P provided a copy of the Audit Strategy and Annual Plan which prepared by AH&P Internal Auditors TIAA. The plan is risk based and comprehensive covering 2024 to 2027. The annual plan for 2025/26 covers the following areas: - Corporate Governance - Business Continuity - Procurement  The Hub will monitor the progress and outcomes of these audits, including progress with overdue recommendations.	<b>Low</b>

	<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>	<p>The Hub will offer further guidance to AH&amp;P on any requirements under the Protect legislation however the impact is expected to be minimal.</p>	Low
Finance	<p>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.</p>	<p>The Hub confirmed that an extensive set of Management Accounts is regularly reviewed by the Board.</p> <p>The most recent set of accounts, examined during the Board meeting in March 2025, includes the Profit &amp; Loss statement, Balance Sheet, Working Capital summary, Profit &amp; Loss forecast, and Cash Flow forecast for the 12 months leading up to March 2025.</p> <p>The economy is being affected by a series of significant events, including high interest rates and ongoing global conflict. These increased costs present a challenging financial situation for the company.</p>	Medium
	<p>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.</p>	<p>AH&amp;P has developed a five-year Business Plan covering the financial years from 2024 to 2029. The underlying assumptions in the Business Plan appear to be reasonable.</p> <p>Every year, the company prepares a two-year budget for presentation to the board and to monitor actual network returns against expected outcomes.</p> <p>The company aims to maintain cash reserves equivalent to three months' worth of gas costs, calculated based on the previous year's results.</p>	Medium



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.

The Hub confirmed that the annual accounts for 2023-24 were submitted to Companies House by the required deadline and in compliance with the Companies Act. The auditors' report found no issues of concern and concluded that the organisation's use of the Going Concern basis of accounting was appropriate. 2024/25 accounts will be reviewed by the Hub when the draft accounts for 2024-25 become available.

**Low**

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Area of Assurance	Purpose	Hub Commentary	Risk Rating
<b>Governance</b>	Assurance that all employment practices are in alignment with employment legislation, the ALEO's people policies and employment best practice.	The Hub received a summary of activity across all people policies and practices, including Real Living Wage, staff communications, Equality, Diversity and Inclusion and workforce development. This provided strong assurance that APA's employment practices are aligned with Scottish employment legislation and the principles of Fair Work First.	<b>Very Low</b>
	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.	<p>Following the last reporting cycle, Aberdeen Performing Arts (APA) participated in the ACC-led ALEO workshop in December 2024, which provided a comprehensive overview of the Public Sector Equality Duty (PSED). APA then engaged in a follow-up session, facilitated by Council officers, to explore in greater depth the application of PSED in practice, particularly in relation to decision-making and data use.</p> <p>As a result, APA have worked closely within their People &amp; Culture and Marketing teams to strengthen the availability and use of equality-related data. This has improved their ability to demonstrate due regard to people with protected characteristics in decision-making processes, particularly through the application of appropriate metrics and consideration of impact. This supports data led decision making when it comes to external service provision (affecting our audience, creative engagement participants) or internally (affecting the workforce).</p> <p>APA also have a dedicated internal role, Change Maker for Inclusion and Relevance, with responsibility for embedding equality, diversity, and inclusion both externally, through community engagement, and internally. This role actively contributes to organisational decisions by advising on equality impacts and supporting staff awareness and development around protected characteristics.</p> <p>APA remains committed to meeting the requirements of the Equality Act 2010 and the PSED by ensuring that all significant decisions are informed by relevant equality data and by fostering a culture of inclusion across the organisation. The Hub concluded that assurance in this area was strong, with APA demonstrating innovative methods for compliance with the PSED.</p>	<b>Very Low</b>
	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.	<p>The Hub received assurance in the following governance areas:</p> <ol style="list-style-type: none"> <li>1. Public Liability and Employers Liability insurance cover up to appropriate values.</li> <li>2. APA provided a copy of Financial Regulations which outlines approach to procurement, which include reference to segregation of duties and levels of delegated authority and evidences controls in place around placing of orders. Some controls around early consideration of fraud would supplement this.</li> <li>3. APA provided evidence of financial control, anti-fraud training and policies for handling whistleblowing and anti-bribery. However, the response did not identify what changes have been made to policy or training to account for the new offence under the Economic Crime and Corporate Transparency Act 2023 coming into force in autumn.</li> </ol>	<b>Medium</b>

<b>Risk Management</b>	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.	<p>APA reported to the Hub that two areas have shown a reduced risk profile since the last reporting cycle:</p> <p>(1) External Funding Landscape: APA's successful award of Multi-Year Funding from Creative Scotland in the latest funding cycle provides indicative funding until 2027/28, along with the positive outcome of ACC Cultural Investment Funding, which also offers indicative funding through 2027/28, APA now has greater visibility and improved certainty for its medium-term financial planning. Consequently, they have been able to de-escalate the risk associated with this item on the Corporate Risk Register.</p> <p>(2) IT Infrastructure Investment Upgrade - The organisation has made a significant investment in IT infrastructure over the past six months. The project aims to improve the security of the APA's IT estate and ensure its digital assets are prepared for the future. Whilst APA recognise that the risks from external threats remains, the recent investment has supported risk reduction in this area.</p>	<b>Low</b>
	<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>	<p>APA confirmed that during the 2024/25 Financial Year, no internal control failures were recorded. Additionally, there are no outstanding recommendations from the 2024/25 .</p> <p>APA confirmed that Internal Audit focal areas for 2025/26 as follows:</p> <p>1) Value Added Tax (VAT) - Conduct a comprehensive review of processes, procedures, and the organisations VAT structure.</p> <p>2) People and Culture Process and Policy Audit - Perform a thorough audit and review of procedures and policies.</p> <p>3) Policy Tracker - Evaluate the new policy review tracker to ensure its effectiveness.</p>	<b>Very Low</b>
	<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>	<p>The Hub received reasonable assurance from APA in relation to its preparations for the Protect duty:</p> <p>APA attends the monthly North East Scotland Bridge Call which is hosted by Police Scotland and updates participants with changes in legislation and offers support and guidance.</p> <p>A Security Plan has been created on the APA SharePoint page for all staff to access. This is a work in progress and additional content will be added as more information is shared with organisations around "Martyn's Law" and the Terrorism (Protection of Premises) Act 2025. An external health and safety audit has been actioned for July 2025 across our three venues which will be conducted by Worknest who specialise in workplace safety and compliance, of which security of the venues will be considered. APA has an account on the ProtectUK website and is signed up to receive important updates.</p> <p>The Hub recommends that APA request a Counter Terrorism Security Adviser assessment is</p>	<b>Medium</b>

<b>Finance</b>	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.	The Hub noted that Budget monitoring and updated cashflow reports continue as agenda items at each Board Meeting. The review of budgets and finance are supported by the organisation's Finance, Audit and Property Sub Committee. The organisation continues to review customer behaviour and spending patterns to support Cash Flow and budget monitoring. Current year monitoring information and Board papers confirm that APA continue to operate within a challenging financial environment and continues to analyse its operations to identify opportunities for growth or cost mitigation.	<b>Low</b>
	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.	A detailed Business Plan covering 2024/25 to 2027/28 was presented at the February 2024 Board meeting for Board input/comment. This was reviewed by the ALEO Hub. The Business Plan provides clear links to both the recent financial performance of the organisation as well as the assumptions upon which the Business Plan is based and what actions are being carried out to support the achievement of the Business Plan. Reference has been made within the Plan to funding changes and potential reductions.	<b>Low</b>
	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.	The Hub confirmed that the 2023-24 annual accounts were submitted to Companies House and OSCR by the required deadline and in accordance with the appropriate regulations. The auditors' report identified no matters of concern and concluded that the organisations use of the Going Concern basis of accounting was appropriate. 2024/25 accounts will be reviewed by the Hub when the draft accounts for 2024-25 become available.	<b>Very Low</b>

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Area of Assurance	Purpose	Hub Commentary	Risk Rating
<b>Governance</b>	Assurance that all employment practices are in alignment with employment legislation, the ALEO's people policies and employment best practice.	ASV advised that, since the last reporting cycle, they have reviewed HR policies to ensure ongoing alignment with current employment legislation and best practices. No major legislative changes required significant updates during this period; however, ASV continue to monitor developments, including updates to the Employment Rights Bill, statutory sick pay, parental leave entitlements, and flexible working arrangements to ensure full compliance. ASV have also engaged with our external HR advisor to support policy reviews and ensure our employment practices remain fair, transparent, and legally compliant. Training on recent employment law developments has been provided to line managers, particularly in areas relating to performance management and disciplinary procedures	<b>Low</b>
	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.	ASV remain committed to meeting the Public Sector Equality Duty and promoting an inclusive working environment. Since the last reporting cycle ASV has taken the following actions: Continued to monitor staff demographics to ensure our processes support Equality, Diversity and Inclusion (EDI), refreshed mandatory EDI training for all staff, and published a gender pay gap report. The senior team has reviewed the EDI Policy. The Hub considers this all to be good practice and demonstrates that ASV is routinely self-evaluating in this area of compliance.	<b>Low</b>
	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.	The Hub noted that certificates of insurance (employers liability and public liability) were in place.  In respect of procurement fraud and preparedness for the incoming Economic Crime and Corporate Transparency Act 2023, further assurance will be sought in the next cycle. The Hub noted that ASV has a Fraud Policy in place dated May 2022 and recommends that this is reviewed in the context of the requirements of the legislation. Alongside our other ALEOs, ASV will be offered a briefing from the counter-fraud team on the Act.	<b>Medium</b>

<b>Risk Management</b>	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.	<p>ASV provided a copy of the Risk Report and which was provided to the ASV Board on 28/05/25 in addition to the Risk Register which was updated in March.</p> <p>The ASV risk environment is reflected within the top business risks reflected within the report: Reduction in shareholder funding, lack of capital investment by shareholders, increased expenditure demands and deterioration in assets.</p> <p>Within the next round of meetings, assurance on the review of existing risk management approach that was to be conducted during Q1 24/25 will be</p>	<b>Low</b>
	<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>	The Hub noted that ASV have a comprehensive internal audit plan in place for 2025/26 linked to strategic objectives. ASV also confirmed that there have been no internal control failures.	<b>Low</b>
	<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>	<p>ASV maintains robust emergency and business continuity plans to ensure the safety of staff, customers, and the continuity of operations during critical incidents. These plans are reviewed annually and following any incidents, to reflect lessons learned and evolving threats. Training &amp; Awareness: Frontline and management staff have undertaken ACT (Action Counters Terrorism) Awareness e-learning. Additional training on identifying suspicious behaviour and evacuation procedures is scheduled for all staff later this year, including the PROTECT and marauding attacker incident training. ASV recognises its responsibilities under the CONTEST Strategy. Safeguarding policies are aligned with Prevent Duty guidance, and building security measures are regularly reviewed to mitigate risks associated with terrorism. The Hub concluded that this provided sufficient assurance and that as ASV continues to train staff and update plans, through engagement with the Council's Emergency Planning and Resilience Lead, the risk rating can be lowered further.</p> <p>The Hub recommends that ASV request that a Counter Terrorism Security</p>	<b>Low</b>
<b>Finance</b>	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.	The Hub noted that the ASV Board continue to be provided with detailed budget monitoring and forecasts, as well as updates on specific actions in relation to cost mitigation and Income Generation. Board minutes confirm members take the opportunity to raise questions and make suggestions in relation to Finance related matters.	<b>Low</b>



	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.	The Hub reviewed financial forecast 2025-2028 which made reference to changes in funding and scrutinised cost drivers. ASV continue to operate within a challenging financial environment but provide regular monitoring reports to the Board alongside specific reports on various financial aspects, updates on progress with cost mitigation as well as benchmarking in relation to prices, attendance and income generation.	<b>Medium</b>
	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.	The Hub confirmed that the 2023-24 annual accounts were submitted to Companies House and OSCR by the required deadline and in accordance with the appropriate regulations. The auditors' report identified no matters of concern and concluded that the organisations use of the Going Concern basis of accounting was appropriate. ASV's financial year is to 31 July and the 2024/25 accounts will be reviewed by the Hub when the audit of these is complete. The Hub will review the draft accounts for 2024-25 once they become available.	<b>Very Low</b>

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Area of Assurance	Purpose	Hub Commentary	Risk Rating
<b>Governance</b>	Assurance that all employment practices are in alignment with employment legislation, the ALEO's people policies and employment best practice.	The Hub noted that majority of BAC policies are ACC policies which have been recently updated to reflect relevant legislation. The Hub agreed to follow up in the next cycle in respect of the Supreme Court ruling and any impact on employment practices.	<b>Low</b>
	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.	The Hub noted that all business cases will now include a specific impact assessment, aligned with the template used by the Council. BAC are currently developing an internal monitoring process in relation to the progress of business cases.	<b>Low</b>
	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.	<p>BAC provided a copy of combined liability insurance documentation and review of this documentation provided the Hub with the assurance required.</p> <p>In respect of Procurement Fraud, BAC provided a copy of Creditors &amp; Expenditure Policy which outlines approach to procurement linked to ACC internal regulations relating to procurement, which includes reference to segregation of duties and levels of delegated authority and evidences controls in place around placing of orders. Some controls around early consideration of fraud would supplement this. All finance policies are currently under review and are scheduled to be updated by 31 October 2025. This will be followed up in subsequent cycles to obtain further assurance.</p> <p>In respect of fraud, BAC is in scope for the Economic Crime and Corporate Transparency Act 2023 coming into force in autumn. Further preparations are required to update policies and practice to meet these requirements. ACC will offer to provide a briefing to BAC on the requirements of the legislation and this will be followed up in the next cycle of Hub meetings.</p>	<b>Low-Medium</b>
<b>Risk Management</b>	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.	<p>BAC provided a copy of the current risk register which was last reviewed in May 2025. The risk register shows no movement in the risk scores since the last review.</p> <p>BAC confirmed recent review of the current risk environment resulted in updates to the existing financial risk which remains at a high level with updates to reflect external factors. In addition of a number of new risks have been added to the risk register and these will be reviewed within the updated risk register in the next reporting cycle.</p>	<b>Very Low</b>

	<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>	<p>BAC provided the Internal Audit plan for the fiscal year 2025/26. The plan outlines the specific areas subject to audit, along with the focus points and the anticipated commencement dates.</p> <p>The Hub will review the progress of plan completion during the next reporting cycle.</p> <p>BAC has verified that no internal control failures have been identified or reported, and has supplied a copy of the Audit Management Tracker for review by the Hub. This document outlines the progress made towards fulfilling internal audit recommendations and associated actions. Review of the tracker confirmed that all audit recommendations have either been completed or are on schedule to be completed within the agreed timescales.</p>	Low
	<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>	<p>BAC is actively developing an Emergency Response Plan that will integrate the requirements linked to the business from the Terrorism (Protection of Premises) Act 2025. A review will be undertaken of the legislation prior to integration, which will be completed by end Q3 2025. This will be followed up by the Hub in the next cycle of meetings.</p>	Medium
<b>Finance</b>	<p>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.</p>	<p>The detailed budget monitoring reports and balance sheet reports are being regularly submitted to the BAC Board for their review and feedback.</p>	Low
	<p>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.</p>	<p>The Hub noted that BAC currently has no formal business plan or medium term financial plan in place. Work has commenced on a medium term financial plan covering 2025-26 to 2027-28 and this is scheduled to be finalised by 31 October 2025.</p>	Medium

	<p>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.</p>	<p>The Hub confirmed that the 2023-24 annual accounts were submitted to Companies House by the required deadline and in accordance with the appropriate regulations. The auditors' report identified no matters of concern and concluded that the organisations use of the Going Concern basis of accounting was appropriate. 2024/25 Management Accounts show that a breakeven position has been achieved.</p> <p>It has been noted that Internal Audit under financial/commercial aspects will commence on 02.06.25. The Hub will seek confirmation in the next cycle as to whether the outstanding audit recommendation from 2022-23 regarding stock system changes was implemented.</p>	<p><b>Very Low</b></p>
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Area of Assurance	Purpose	Hub Commentary	Risk Rating
Governance	Assurance that all employment practices are in alignment with employment legislation, the ALEO's people policies and employment best practice.	The Hub received assurance that since the previous cycle, several significant updates and preparatory actions have taken place in relation to employment legislation. These include both implemented and forthcoming changes relating to the Disclosure (Scotland) Act 2020 coming into force on 1 April 2025. Sport Aberdeen has taken comprehensive steps to ensure readiness and ongoing compliance with both the Act and the broader Protecting Vulnerable Groups (PVG) Scheme. In response to the UK Supreme Court ruling on the Equality Act, workplace policies are being reviewed and amended as necessary. Sport Aberdeen are currently awaiting final guidance from <b>ukactive</b> and sportscotland on the implementation of the updated equality duty following the Supreme Court decision. In the interim, in addition to measures above, provisional guidance has been issued to all staff, ensuring current operations remain aligned with expected duties and the Board has been fully briefed on the interim measures and anticipated developments. Along with other ALEOs, Sport Aberdeen will be offered advice and assistance from the Council officers and progress will be followed up in the subsequent meeting cycles.	Low
	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.	The Hub noted that Sport Aberdeen continue to embed equality, diversity, and inclusion into all aspects of service delivery and employment practices. Recent developments include the expansion of its universal, targeted and specialist framework to include a Young Carers' Programme and tailored mental health support for young people. In addition, Sport Aberdeen have established a dedicated working group to ensure ongoing compliance with the United Nations Convention on the Rights of the Child (UNCRC).	Low
	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.	In respect of procurement, Sport Aberdeen provided financial regulations and procedures document which detail processes relating to procurement including consideration of procurement fraud and mitigations. In relation to the incoming Economic Crime and Corporate Transparency Act 2023, Sport Aberdeen indicate understanding of the requirements and intent to meet them however further detail will be sought in the next cycle to ensure that Sport Aberdeen have fully implemented these plans. Certification on insurance will also be followed up in the next cycle. Addressing these aspects with support from ACC will allow the risk rating to be lowered.	Medium
Risk Management	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.	Sport Aberdeen provided the Hub with a report covering the formal six monthly review of the Strategic Risk Register. The report confirmed new risks added to the register and the risks updated since the last reporting cycle. The report also confirmed that no risks have been de-escalated or removed from the risk register since the last reporting cycle. This provided adequate assurance on the risk management arrangements however the Hub will follow up in the next cycle on the risk environment.	Low

	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.	SA shared the Internal Audit report and plan from May 2025, confirming four audits were completed by April 2025. One recommendation remains outstanding, which the Hub will follow up in the next cycle.	Low
	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>The Hub reviewed the 2025/26 Internal Audit plan, which covers audits in the following areas:</p> <ul style="list-style-type: none"> <li>- Corporate Governance</li> <li>- Data Protection</li> <li>- Budgetary Control</li> <li>- HR Services</li> <li>- Business Continuity</li> </ul> <p>The Hub will monitor progress in the next reporting cycle.</p> <p>SA did not confirm any control failures and none were mentioned in the report. This will be followed up in the next cycle of meetings.</p>	
	Assurance that emergency plans/major incident plans and processes and appropriate business continuity arrangements are in place.	Sport Aberdeen has been preparing for the introduction of the Terrorism (Protection of Premises) Act 2025 legislation (Martyn's Law) for a number of years. Planning and preparation to date has included:	
	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.	<ul style="list-style-type: none"> <li>- Reviewing and revising emergency action plans to reflect the published guidance for venues which fall into 'Standard Tier' category.</li> <li>- Risk assessments reviews, staff training and security planning for the Linx Ice Arena (which will be subject to 'Enhanced Tier' rules for large scale ice hockey and skating events)</li> <li>- Briefing our extended leadership team on Martyn's Law providing an opportunity to discuss and consider the implications arising from it.</li> <li>- Key staff will undertake Action Counters Terrorism (ACT) training once requirements are fully confirmed.</li> <li>- Continued and ongoing liaison with Quality Leisure Management (QLM), our expert external health and safety consultants who provide ongoing updates and guidance on the impact of the legislation to both Sport Aberdeen and other leisure operators.</li> </ul> <p>Sport Aberdeen await the statutory guidance for duty holders and will continue to refer to ProtectUK and GOV.UK for up-to-date information and official resources as the legislation progresses toward enforcement.</p> <p>The Hub recommends that SA request that a Counter Terrorism Security Adviser assessment is undertaken by Police Scotland to provide additional assurance to ACC of readiness and that key staff undertake ACT training immediately rather than when the requirements of the legislation are confirmed.</p>	Low
Finance	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.	The Hub has received the agendas and minutes of SA Board Meetings and confirmed that Budget Monitoring and other finance related matters continue to be reported upon and discussed by the board.	Low
	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.	The Hub noted that 2025-26 Business Plan has been presented to the Board and accepted. The setting of a one-year Business Plan rather than 3-year rolling plan was agreed with ACC. 2025-26 Business Plan took into account reduced ACC funding for 2025-26 and forecast balanced budget for 2025-26. The Board agreed to reduced reserves up to certain level any remaining balances to be used to invest to improve the company's services.	Medium



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.

The Hub confirmed that audited copies of the 2023-24 annual accounts have been submitted to Companies House and OSCR within the deadline of 31 December 2024. The auditors' report identified no matters of concern and concluded that the organisation's use of the Going Concern basis of accounting was appropriate. It has been noted that there is no outstanding audit recommendations for financial year 2023-24. The 2024/25 accounts will be reviewed by the Hub when the draft accounts for 2024-25 become available.

**Very Low**

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## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk & Scrutiny
<b>DATE</b>	26 June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Procurement Compliance Audit Update
<b>REPORT NUMBER</b>	CORS/25/170
<b>EXECUTIVE DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Craig Innes
<b>REPORT AUTHOR</b>	Mel Mackenzie
<b>TERMS OF REFERENCE</b>	6.1

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present Committee with the requested update on improvements implemented in relation to Procurement Compliance, following the Internal Audit report considered by the Committee on 28 November 2024.

### 2. RECOMMENDATION

That the Committee: -

- 2.1 Notes the information in relation to improvements implemented contained within the report and appendices.

### 3. CURRENT SITUATION

#### Background

- 3.1 An Internal Audit review was carried out on Procurement Compliance and report presented to Audit, Risk and Scrutiny Committee on 28 November 2024. The report had an overall risk rating of major with limited assurance being taken over the area of assessment. Committee requested that an update report be presented within two committee cycles on the implementation of improvements.
- 3.2 A summary of the key areas for improvement is listed below, the report included 10 recommendations with a moderate risk rating and 16 recommendations with a major risk rating , full details of the recommendations and improvements implemented in response can be found at Appendix 1, all improvements have been implemented and recommendations marked complete.

<b>Improvement Area</b>	<b>Risk Rating</b>	<b>No. Recommendations</b>
Procedures & Governance	Moderate	1
Procurement Checklists	Moderate	1
Delegated Procurement Authority	Major	4
Procurement Documentation	Major	4
Procurement Planning	Moderate	1
Aggregate Spend and Exceptions	Moderate	3
Approvals	Major	3
Contract Notices	Moderate	1
Tenders & Quotations	Major	4
Framework Agreements	Moderate	2
Direct Awards	Major	1
Purchase Orders and Payments	Moderate	1

- 3.3 Engagement has been conducted across the Council in the implementation of improvement activity, including presentation of three minute briefs on key changes/messages to Extended Corporate Management Team (ECMT), development of a communication plan for key procurement messages with key messages issued on changes via the Commercial & Procurement SharePoint site, the ACC Intranet site, by e-mail to delegated procurers and via Teams to Chief Officers/Leadership forum.
- 3.4 In order to monitor ongoing compliance in respect of procurement activity, assurance reporting has been developed around key indicators as per the below with the indicators to be measured at Cluster level, Internal Audit will support the assurance process by conducting a supplier sample twice annually. Procurement Compliance reports will be considered by the Risk Board twice annually.

<b>Assurance Reporting Indicators</b>		
<b>Indicator</b>	<b>Assessment</b>	<b>Detail</b>
Spend Control	(H / M / L)	Off Contract Spend % (against target of 80%)
Compliance Control	(H / M / L)	Volume of Off Contract Suppliers
Ability to Find Savings	(H / M / L)	Spend Control Metrics i.e. Number of Invoices with no PO
Confidence to Deliver Savings	(H / M / L)	Complexity of spend area vs controls in place
Instances of Non-Compliance from Supplier Sample	No.	Any instances of non-compliance identified to be recorded

#### 4. FINANCIAL IMPLICATIONS

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

#### 5. LEGAL IMPLICATIONS

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

#### 6. ENVIRONMENTAL IMPLICATIONS

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

#### 7. RISK

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

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic	Failure to follow procurement processes can impact delivery of strategic aims & objectives.	Policies and procedures are in place and provide assurance on delivery against strategic aims and objectives.	L	Yes
Compliance	Failure to comply with internal procurement regulations and procurement legislation.	Policies and Procedures support compliance ensuring the Council is meeting legislative procurement duties, along with mandatory procurement training for staff.	M	Yes
Operational	Staff are not suitably training for	Mandatory procurement training for staff involved in		

	Procurement Activity.	procurement activity and maintenance of Delegated Procurer register, supplemented with documented guidance & support offers assurance.	L	Yes
<b>Financial</b>	Failure to follow procurement processes can impact delivery of best value.	Performance against savings targets reported on quarterly and on an annual basis within the Annual Procurement Performance report, assurance reporting now includes delivery of savings as a key metric at cluster level.	L	Yes
<b>Reputational</b>	Impact of poor compliance on reputation of ACC.	Regular reporting to Risk Board and monitoring of compliance.	L	Yes
<b>Environment / Climate</b>	Failure to follow procurement processes can impact delivery of strategic aims & objectives.	Policies and procedures are in place and provide assurance on delivery against strategic aims and objectives.	L	Yes

## 8. OUTCOMES

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

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
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<b>Integrated Impact Assessment</b>	No assessment required. I confirm this has been discussed and agreed with Chief Officer Commercial and Procurement. An assessment is not required as the reason for this report is to provide Committee with an update on the implementation of recommendations from an Internal Audit Report, there will be no differential impact because of the proposals in this report, on people with protected characteristics.
<b>Data Protection Impact Assessment</b>	Not Required
<b>Other</b>	N/A

## 10. BACKGROUND PAPERS

None

## 11. APPENDICES

11.1 Appendix 1\_Procurement Compliance Improvement Plan

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Mel Mackenzie
<b>Title</b>	Strategic Commercial Manager
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1.1	Procedures & Governance	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.	Commercial and Procurement have reviewed the guidance and nearing completion of updating of templates. Revised guidance and templates will be published on the C&PSS SharePoint page with communication to all Delegated Procurers issued on the updates. The E_Learning modules on ACC Learn will thereafter be updated to reflect changes.	Moderate	Complete	<p>1. Review of Procurement Manual and all associated templates.</p> <p>2. Publish revised guidance and templates on CPSS SharePoint (re-design of SharePoint page to reflect each procurement process and relevant stages).</p> <p>3. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>
1.2	Procurement Checklists	CPSS should mandate and automate use of the procurement checklist.	Commercial and Procurement have reviewed the guidance and templates are currently being finalised based on the review, this includes an updated procurement checklist (the checklist template is in word and opportunities for automation will form part of a review on potential processes for automation by Commercial and Procurement), the revised guidance will include a requirement to utilise the procurement checklist for all procurement activity above quotation threshold.	Moderate	Complete	<p>1. Development of revised Procurement Checklist, including review by Internal Audit.</p> <p>2. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum - messaging included use of Procurement Checklist mandatory for all procurement activity above £50k.</p>
3 a	Delegated Procurement Authority	CPSS should explore options for linking training, DPA, and procurement system records to obtain assurance that procurement is only undertaken by those with the appropriate training and delegated authority. This could include use of a common identifier (e.g. payroll reference numbers), or the use and review of self-declarations at the point of procurement (see 1.2).	Commercial and Procurement will explore options for linking training and update the delegated procurement authority form and process accordingly.	Major	Complete	<p>1. Delegated Procurement Authority (DPA) Form updated with section for employee number, DPA register also included with this information. Self declaration included to ensure users are clear that responsibility for compliance lies with them and there is a need to be familiar with internal regulations, processes and procedures.</p> <p>2. Engagement with colleagues in People &amp; Citizen Services to look at current process and agreed way forward.</p> <p>3. Internal Delegated Procurement Authority Process drafted and implemented.</p>

1.3b	Delegated Procurement Authority	In the interim, CPSS should perform regular random checks on Procurement active users and the level of expenditure to ensure users are suitably qualified to undertake that level of procurement activity.	Along with implementing a process for random checks the delegated procurement authority form will be updated to include a self-declaration and confirmation of understanding that procurement activity can only be completed up to the value of the level of DPA applied for.	Major	Complete	<p>1. Delegated Procurement Authority (DPA) Form updated with section for employee number, DPA register also included with this information. Self declaration included to ensure users are clear that responsibility for compliance lies with them and there is a need to be familiar with internal regulations, processes and procedures.</p> <p>2. Engagement with colleagues in People &amp; Citizen Services to look at current process and agreed way forward.</p> <p>3. Internal Delegated Procurement Authority Process drafted and implemented.</p>
1.3c	Delegated Procurement Authority	A specific exercise should be undertaken to ensure all Chief Officers have undertaken the relevant training and obtained DPA.	Chief Officers will be advised that they are required to undertake the relevant training and obtain DPA Level 3.	Major	Complete	<p>1. Three minute brief presented to Extended Corporate Management Team (ECMT) on the process for Delegated Procurement Authority with information on how to complete training and to be added to the register.</p> <p>2. Agreement of Chief Officers to undertake training and submit forms.</p> <p>3. Chief Officers issued with current DPA register to check delegated procurers per Cluster up to date and accurate.</p>
1.3d	Delegated Procurement Authority	The Council should determine whether or not it is an appropriate option to delegate any of the tasks required of Chief Officers under Procurement Regulations, and if so how internal control will be maintained.	Commercial and Procurement will review options for delegation of tasks required of Chief Officers under Procurement Regulations and consider how these would be recorded/internal controls maintained.	Major	Complete	<p>1. Procurement Sub-Delegations drafted.</p> <p>2. Three minute brief presented to Extended Management Team (ECMT) to seek agreement on way forward and to ask Chief Officers to consider what if any sub-delegations they would wish to have in place.</p> <p>3. Completed Sub-Delegations to be saved in ECMT team site.</p>
1.4a	Procurement Documentation	CPSS should clarify the mandatory information and documentation to be uploaded to the contract register system.	Commercial and Procurement will update the guidance for the Amelior Contract Register system clarifying the mandatory information/documentation to be uploaded and at which stage documents should be added to the system,	Major	Complete	<p>1. Contract register system guides updated to include updated information on required on documents for upload.</p> <p>2. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>

1.4b	Procurement Documentation	Checks and controls should be put in place to ensure key procurement stages cannot progress until documentation has been completed and uploaded.	Wording will be added to the procurement checklist to instruct delegated procurers that all steps in each key procurement stage should be completed before moving on the next stage, adhering to the delegated procurer responsibilities.	Major	Complete	<p>1. Development of revised Procurement Checklist, including review by Internal Audit.</p> <p>2. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum - messaging included use of Procurement Checklist mandatory for all procurement activity above £50k.</p>
1.4c	Procurement Documentation	The need to update the system for changes should be reinforced.	The Amelior Contract Register system guidance will also seek to reinforce messaging around updating the system with any changes throughout the life of a contract.	Major	Complete	<p>1. Contract register system guides updated to include updated information on required on documents for upload.</p> <p>2. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>
1.4d	Procurement Documentation	The accuracy of the public contracts register should be reviewed periodically to identify and correct potential anomalies.	The Public Contracts Register will be checked for accuracy before each publication.	Major	Complete	<p>1. Development and implementation of Internal CPSS process in relation to the Publication of the Contract Register. The process includes review of any gaps with services as appropriate.</p>
	Procurement Planning	All procurements for the upcoming year should be added to the Procurement Plan, in advance.	A change is proposed in the Scheme of Governance review for 2024 to remove the requirement for an annual work plan to be presented by each Function/Cluster to committee. Commercial and Procurement do have a process in place to record upcoming procurements via Category Manager Work Plans (which is used along with information from the Contract Register to inform the forward plan in Annual reports) which in part is developed through regular engagement with Services and also through review of expenditure. This process will be reviewed to look at options around ensuring contracts are aggregated sufficiently and also to make this information publicly available for ease of access for suppliers/meet statutory requirements.	Moderate	Complete	<p>1. The terms of reference for the Demand Management Control Board (DCMB) revised to include requirement for annual work plan.</p> <p>2. Draft Work Plan developed and issued to Chief Officers/Senior Management Teams for completion.</p>

1.6a	Aggregate Spend and Exceptions	Requirements for aggregation should be considered in advance, based on planned and historic spending patterns.	A change is proposed in the Scheme of Governance review for 2024 to remove the requirement for an annual work plan to be presented by each Function/Cluster to committee. Commercial and Procurement do have a process in place to record upcoming procurements via Category Manager Work Plans (which is used along with information from the Contract Register to inform the forward plan in Annual reports) which in part is developed through regular engagement with Services and also through review of expenditure. This process will be reviewed to look at options around ensuring contracts are aggregated sufficiently and also to make this information publicly available for ease of access for suppliers/meet statutory requirements	Moderate	Complete	<p>1. The terms of reference for the Demand Management Control Board (DCMB) revised to include requirement for annual work plan.</p> <p>2. Draft Work Plan developed and issued to Chief Officers/Senior Management Teams for completion.</p>
1.6b	Aggregate Spend and Exceptions	Regular use of emergency and technical exemptions should be reviewed and challenged, with longer term procurement strategies identified to demonstrate continuing Best Value for specific requirements.	A process for recording exemptions approved will be created/agreed and implemented to allow for periodic review, as part of the process consideration will be given to rejecting requests where insufficient quotations have been invited (where such requests are not due to market limitations in terms of number of available suppliers).	Moderate	Complete	<p>1. Development of Internal CPSS Process in relation to quote exemptions.</p> <p>2. Revise quote exemption form and develop exemption register.</p> <p>3. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>
1.6c	Aggregate Spend and Exceptions	Consideration should be given to reducing the allowed duration of contracts arising from unplanned procurement.	As part of the above process – potential for restricting contract values will be considered.	Moderate	Complete	<p>1. Development of Internal CPSS Process in relation to quote exemptions.</p> <p>2. Revise quote exemption form and develop exemption register.</p> <p>3. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>
1.7a	Approvals	Clear guidance and controls should be put in place to ensure all relevant approvals are obtained and consistently and transparently evidenced before procurement progresses to subsequent stages, and in every case before a contract is awarded.	Commercial and Procurement will review the current controls and provide clarity on process/procedure.	Major	Complete	<p>1. Development of revised Procurement Checklist, including review by Internal Audit.</p> <p>2. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum - messaging included use of Procurement Checklist mandatory for all procurement activity above £50k.</p>

1.7b	Approvals	Contracts should only be awarded within the boundaries of approval granted by Committee.	Contract award report to be reviewed to identify options for additional controls.	Major	Complete	<p>1. Award Report revised and shared as part of overall governance review.</p> <p>2. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>
1.7c	Approvals	Off contract spend in excess of defined procurement thresholds should be independently reviewed, challenged, and where necessary and appropriate procured through the correct channels.	Commercial and Procurement will work with Finance to develop a reporting tool in PowerBI which shows on/off contract spend against budget (and as part of this identify whether possible to have live updates from the Finance and Contract Register systems – this will provide the ability to further scrutinise contracts and spend in real time. This should support identification of issues at an earlier stage and improve scrutiny around off contract spend.	Major	Complete	<p>1. Off-Contract spend dashboard created in PowerBi.</p> <p>2. Assessment was conducted to identify whether live updates from the systems is possible but unfortunately it is not. The dashboard will be created and published quarterly.</p>
1.8	Contract Notices	A process should be developed and put in place to ensure that in all necessary instances contract notices are published correctly and within prescribed timescales.	<p>The process established will be reviewed now the new contract register system is in place to identify whether any additional actions/controls can be put in place to mitigate this risk.</p> <p>Commercial and Procurement will work with Finance to develop a reporting tool in PowerBI which shows on/off contract spend against budget (and as part of this identify whether possible to have live updates from the Finance and Contract Register systems – this will provide the ability to further scrutinise contracts and spend in real time. This should support identification of issues at an earlier stage.</p>	Moderate	Complete	<p>1. Internal CPSS process development and implemented containing a section on engagement with services and escalation method.</p> <p>2. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>
1.9a	Tenders & Quotations	CPSS should consider rejecting requests to proceed with fewer than four competitive quotations where this is the result of insufficient quotations having been invited.	A process for recording exemptions approved will be created/agreed and implemented to allow for periodic review, as part of the process consideration will be given to rejecting requests where insufficient quotations have been invited (where such requests are not due to market limitations in terms of number of available suppliers).	Major	Complete	<p>1. Development of Internal CPSS Process in relation to quote exemptions.</p> <p>2. Revise quote exemption form and develop exemption register.</p> <p>3. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>

1.9b	Tenders & Quotations	A record should be maintained of all instances where permission has been granted to proceed without the requisite number of quotations. This should be subject to periodic review to identify patterns of behaviour and areas where improvement work should be targeted.	The above process will include the creation of a central record for such requests and the team will review whether there is any opportunity to automate the process.	Major	Complete	<ol style="list-style-type: none"> <li>1. Development of Internal CPSS Process in relation to quote exemptions.</li> <li>2. Revise quote exemption form and develop exemption register.</li> <li>3. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</li> </ol>
1.9c	Tenders & Quotations	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.	The procurement guidance will be supplemented to include information on tender exercises with a smaller number of bids and key points for DPA's to ensure best value.	Major	Complete	<ol style="list-style-type: none"> <li>1. Evaluation guidance developed included what to do where smaller number of bids are received.</li> <li>2. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</li> </ol>
1.9d	Tenders & Quotations	Tender evaluation matrices should include details of officers involved and should be recorded on the contracts register system. Where records indicate evaluations have not been completed by more than one officer, contracts should not be awarded until this has been reviewed.	The contract register guidance will be updated on mandatory documentation to be uploaded which will include evaluation matrices.	Major	Complete	<ol style="list-style-type: none"> <li>1. Contract register system guides updated to include updated information on required on documents for upload.</li> <li>2. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</li> </ol>
1.10	Framework Agreements	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 contracts with each individual supplier for which approval to spend has been granted have been added to the contracts register system.	Further guidance will be developed around the use of frameworks for delegated procurers, assessment of current process to identify whether there are any areas where controls could be automated are to form part of the review mentioned in the management response.	Moderate	Complete	<ol style="list-style-type: none"> <li>1. Develop new user guide and templates for use of framework agreements.</li> <li>2. Publish revised guidance and templates on CPSS SharePoint (re-design of SharePoint page to reflect each procurement process and relevant stages with section on frameworks and information on adopted framework agreements).</li> <li>3. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</li> </ol>

1.10	Framework Agreements	The requirements should be clarified in procedures and guidance to avoid ambiguity over the circumstances in which this should apply.	Further guidance will be developed around the use of frameworks for delegated procurers, assessment of current process to identify whether there are any areas where controls could be automated are to form part of the review mentioned in the management response.	Moderate	Complete	<p>1. Develop new user guide and templates for use of framework agreements.</p> <p>2. Publish revised guidance and templates on CPSS SharePoint (re-design of SharePoint page to reflect each procurement process and relevant stages with section on frameworks and information on adopted framework agreements).</p> <p>3. Draft and issue communications via the Intranet, to delegated procurers and to Chief Officers/Leadership Forum.</p>
1.11	Direct Awards	CPSS should record justifications for each non-competitive action, with explicit reference to relevant sections of the legislation. The prevalence of direct awards without competition should be reviewed to ensure there is continued sound justification in every case.	A process for recording exemptions approved will be created/agreed and implemented to allow for periodic review.	Major	Complete	<p>1. Development of Internal CPSS Process in relation to quote exemptions.</p> <p>2. Revise quote exemption form and develop exemption register.</p> <p>3. Draft and issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>
1.12	Purchase Orders and Payments	All purchase orders, however generated, should have contract reference numbers included. Controls should be implemented to ensure orders cannot be raised without a contract reference. Material up-front payments should be subject to appropriate controls / approvals.	Commercial and Procurement will work with Finance to develop appropriate corporate messaging, there are limitations around controls as the system does not have an option for a mandatory contract reference field.	Moderate	Complete	<p>1. Developed with Finance appropriate communication on purchase order evidence requirements, issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum. .</p> <p>2. Developed with Finance messaging around upfront payments linked to contract payment terms, issue of communication via the CPSS SharePoint page, the main ACC Intranet Page, to delegated procurers, to Chief Officers/Leadership Forum.</p>

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit Risk and Scrutiny
<b>DATE</b>	26 June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Scottish Public Services Ombudsman Decisions and Inspector of Burial, Cremation and Funeral Directors Complaint Decisions
<b>REPORT NUMBER</b>	CORS/25/167
<b>EXECUTIVE DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Isla Newcombe
<b>REPORT AUTHOR</b>	Lucy McKenzie
<b>TERMS OF REFERENCE</b>	6.4

### 1. PURPOSE OF REPORT

- 1.1 This report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Burial, Cremation and Funeral Directors 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 Burial, Cremation and Funeral Directors 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 8 May 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](http://www.aberdeencity.gov.uk/complaints)
- 3.4 The SPSO publish all decision reports on their website at [www.spsa.org.uk/decision-report-search](http://www.spsa.org.uk/decision-report-search)
- 3.5 There are no SPSO decisions relating to Aberdeen City Council complaints to notify Committee of.

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

- 3.6 The Scottish Welfare Fund is delivered by Local Councils across Scotland and offers two types of grants – Crisis Grants and Community Care Grants. Further information is available at [www.aberdeencity.gov.uk/services/benefits-and-advice/apply-scottish-welfare-fund](http://www.aberdeencity.gov.uk/services/benefits-and-advice/apply-scottish-welfare-fund)
- 3.7 There have been two SPSO Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period. One decision was not upheld (changed) and the other was upheld (unchanged). Further information is detailed in Appendix A. The SPSO gave feedback on the content of our decision letters and will hold a regional workshop on improving communication and recording decisions. The Council's Scottish Welfare Fund Team will attend to enhance their skills.

### **Inspector of Burial, Cremation and Funeral Directors Decisions**

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

## **4. FINANCIAL IMPLICATIONS**

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

## **5. LEGAL IMPLICATIONS**

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

## **6. ENVIRONMENTAL IMPLICATIONS**

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

## 7. RISK

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

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	Low (L) Medium (M) High (H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	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
<b>Compliance</b>	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	L	Yes

		Scottish Welfare Fund applications receive full training to ensure they have the necessary knowledge to undertake assessments.		
<b>Operational</b>	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
<b>Financial</b>	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
<b>Reputational</b>	Non-compliance carries reputational risk. Customer perception of the council could also be negatively	There is a centralised Customer Feedback Team responsible for ensuring that complaints are	L	Yes

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

## 8. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>	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.
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Place Stretch Outcomes	The Scottish Welfare Fund supports the delivery of the LOIP stretch outcome 1 as it can provide short term financial assistance to help with food costs which can relieve the pressure on use of food banks. It also works with partner agencies to identify citizens and signpost them for budget management, debt advice and benefit maximisation.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
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<b>Impact Assessment</b>	No assessment required. I confirm this has been discussed and agreed with Isla Newcombe, Chief Officer People and Citizen Services on 4 June 2025.
<b>Data Protection Impact Assessment</b>	Not required
<b>Other</b>	Not required

## **9. BACKGROUND PAPERS**

N/A

## **10. APPENDICES (if applicable)**

Appendix A – SPSO Scottish Welfare Fund Decisions

## **11. REPORT AUTHOR CONTACT DETAILS**

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Customer Services Manager  
[LucyMcKenzie@aberdeencity.gov.uk](mailto:LucyMcKenzie@aberdeencity.gov.uk)

## Appendix A – SPSO Scottish Welfare Fund Decisions

Application Received Date	Application Type	Aberdeen City Council 1 <sup>st</sup> Tier Review Decision Date	SPSO 2 <sup>nd</sup> Tier Review Decision Date	SPSO Decision	SPSO Feedback
18 February 2025	Community Care Grant	30 April 2025	12 May 2025	Aberdeen City Council decision not upheld (changed)	The SPSO revised the decision based on new information provided during the 2nd Tier Review, which had not been previously shared with ACC. The SPSO noted the decision was delayed and recommended improvements, including updating the qualifying criteria details and clearer rationale in the decision letter.
4 June 2025	Crisis Grant	4 June 2025	6 June 2025	Aberdeen City Council decision upheld (unchanged)	The SPSO provided advice on decision-making and how to communicate the decision in the letter.

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	26 June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	External Audit Report – Annual Audit Report – 2024/25 Audit
<b>REPORT NUMBER</b>	EA/24/002
<b>DIRECTOR</b>	N/A
<b>CHIEF OFFICER</b>	Michael Oliphant, Audit Director Audit Scotland
<b>REPORT AUTHOR</b>	Anne MacDonald, Senior Audit Manager Audit Scotland
<b>TERMS OF REFERENCE</b>	3.1

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the Committee with External Audit's Annual Audit Report on the 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 undernoted reports which set out the auditor's judgements and conclusions in respect of the 2024/25 audit.
- 3.2 The auditor's covering letter to the Committee sets out the status of the audit and the work to be completed in advance of the meeting on 26 June 2025.
- 3.3 The Annual Audit Report covers the audits of the council's 2024/25 financial statements and those of its charitable trusts. It also covers the auditor's wider scope responsibilities under Audit Scotland's Code of Audit Practice.

### 4. FINANCIAL IMPLICATIONS

- 4.1 The audit fee for the 2024/25 audit was set out in the External Auditor's Annual Audit Plan. This was set at £547,070 including £10,190 in respect of the council's charitable trusts. An additional audit fee will be levied as a result of delays in information provided for audit.

### 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**

<b>Assessment</b>	<b>Outcome</b>
<b>Integrated Impact Assessment</b>	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.
<b>Data Protection Impact Assessment</b>	Not required.

## **10. BACKGROUND PAPERS**

- 10.1 The scope of the audit was set out in an annual audit plan which was presented to the Audit, Risk and Scrutiny Committee in May 2025.  
[External Audit Annual Audit Plan - 2024/25 Audit](#)
- 10.2 The framework for public sector audit in Scotland is set out in Audit Scotland's Code of Audit Practice [Audit Scotland's Code of Audit Practice](#)

## **11. APPENDICES**

11.1 Appendix A: External Audit – Covering letter to the Committee on the status of the audit

Appendix B: External Audit – 2024/25 Annual Audit Report

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Anne MacDonald
<b>Title</b>	Senior Audit Manager, Audit Scotland
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## **Aberdeen City Council**

18 June 2025

### **Aberdeen City Council Audit, Risk and Scrutiny Committee**

Town House  
Broad Street  
Aberdeen  
AB10 1AB

## **ABERDEEN CITY COUNCIL** **Audit of 2024/25 annual accounts**

### **Independent auditor's report**

1. Our audit work on the 2024/25 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matters referred to in paragraph 8 of this letter and final review of both the council's and the charities' audited annual accounts, we anticipate being able to issue unqualified audit opinions in the respective independent auditors' reports on 26 June 2025.

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit, Risk and Scrutiny Committee's consideration our draft Annual Audit Report on the 2024/25 audit. The section headed "Significant findings from the audit in accordance with ISA 260" (draft Annual Audit Report, page 11) sets out the issues identified in respect of the annual accounts.

### **Unadjusted misstatements**

3. We also report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit which are above our reporting threshold of £600,000 and request that these misstatements be corrected.

4. Appendix 1 on page 34 of the audit report sets out a schedule of unadjusted misstatements. Being less than the overall materiality level, the Chief Officer – Finance has opted not to adjust the accounts in respect of these matters. If corrected, they would reduce net expenditure by £8.3 million and increase net assets in the balance sheet by the same amount.

### **Fraud, subsequent events and compliance with laws and regulations**

5. In presenting this report to the Audit, Risk and Scrutiny Committee, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from S95 Officer**

**6.** As part of the routine completion of our audit, we are seeking written representations from the Chief Officer – Finance as S95 Officer on aspects of the annual accounts, including the judgements and estimates made.

**7.** A draft letter of representation is attached at [Appendix A](#). This letter should be signed and returned to us by the Chief Officer - Finance with the signed annual accounts prior to the independent auditor's report being certified.

## **Outstanding matters**

**8.** While the audit is substantially complete, we are currently concluding a number of matters in the following areas:

- Audit work in connection with IFRS16 requirements impacting on service concession arrangements is in progress but not yet concluded.
- To complete our work on pension estimates and verification of source data provided to the actuary, some points of clarification are being checked with North East Scotland Pension Fund and the actuary.
- Concluding our file reviews and peer review arrangements in line with our Quality Framework.
- Undertaking and concluding final subsequent event transaction testing. These are routine checks to cover the period right up until the date of the independent auditors' reports to ensure there are no post-balance sheet events which might materially affect the figures in the accounts at 31 March 2025.
- A final review of the council's Annual Accounts and the charities' Annual Report and Accounts.

## **Appendix A: Letter of Representation (ISA 580) - to be reproduced on client's letterhead**

Michael Oliphant  
Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh

Dear Michael

### **Aberdeen City Council Annual Accounts 2024/25**

**1.** This representation letter is provided about your audit of the annual accounts of Aberdeen City Council for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

**2.** I confirm to the best of my knowledge and belief and having made appropriate enquiries of the corporate management team, the following representations given to you in connection with your audit of Aberdeen City Council's annual accounts for the year ended 31 March 2025.

#### **General**

**3.** Aberdeen City Council and I have fulfilled our statutory responsibilities for the preparation of the 2024/25 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Aberdeen City Council have been recorded in the accounting records and are properly reflected in the financial statements.

**4.** I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

#### **Financial Reporting Framework**

**5.** The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (2024/25 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

**6.** In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Aberdeen City Council and its Group at 31 March 2025 and the transactions for 2024/25.

#### **Accounting Policies & Estimates**

**7.** All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2024/25 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing

and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Aberdeen City Council's circumstances and have been consistently applied.

**8.** The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

**9.** I have assessed Aberdeen City Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Aberdeen City Council's ability to continue as a going concern.

## **Assets**

**10.** Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2025 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

**11.** I carried out an assessment at 31 March 2025 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

**12.** I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2025.

**13.** There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

**14.** Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

**15.** All liabilities at 31 March 2025 of which I am aware have been recognised in the annual accounts.

**16.** Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2025 of which I am aware where the conditions specified in the 2024/25 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2025. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

**17.** Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2025 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

**18.** The accrual recognised in the financial statements for untaken leave at 31 March 2025 has been estimated on a reasonable basis.

**19.** The pension assumptions made by the actuary in the IAS 19 report for Aberdeen City Council have been considered and I confirm that they are consistent with management's own view.



**20.** There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

**21.** There are no significant contingent liabilities, other than those disclosed in Note 35 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2024/25 accounting code and IAS 37.

### **Fraud**

**22.** I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

**23.** I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

**24.** All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2024/25 accounting code. I have made available to you the identity of all the Aberdeen City Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

**25.** The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

### **Management commentary**

**26.** I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

### **Corporate Governance**

**27.** I confirm that the Aberdeen City Council has undertaken a review of the system of internal control during 2024/25 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

**28.** I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. Other than the changes already reflected in the annual

accounts, there have been no changes in the corporate governance arrangements or issues identified, since 31 March 2025, which require to be reflected.

### **Group Accounts**

**29.** I have identified all the other entities in which Aberdeen City Council has a material interest and have classified and accounted for them in accordance with the 2024/25 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

### **Common Good Fund**

**30.** I confirm, to the best of my ability, that all material common good assets have been identified and correctly accounted for within the common good financial statements and where appropriate, common good assets in use by the Council have been assessed and accounted for in line with IAS 17.

### **Events Subsequent to the Date of the Balance Sheet**

**31.** All events subsequent to 31 March 2025 for which the 2024/25 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Jonathan Belford  
Chief Officer - Finance

# Aberdeen City Council

2024/25 Annual Audit Report - DRAFT



 AUDIT SCOTLAND

Prepared for the Members of Aberdeen City Council and the Controller of Audit  
June 2025

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# Introduction

**1.** This report summarises the findings from the 2024/25 annual audit of Aberdeen City Council (the council). The scope of the audit was set out in our annual audit plan presented to the Audit, Risk and Scrutiny Committee in May 2025. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's annual accounts
- our approach to auditing the council's arrangements for meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [\*Code of Audit Practice\*](#):
  - Financial management
  - Financial sustainability
  - Vision, leadership, governance and use of resources.

**2.** This report is addressed to Aberdeen City Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**3.** The 2024/25 financial year was the third of our five-year appointment. Our appointment coincides with the [\*Code of Audit Practice\*](#) which was introduced for financial years commencing on or after 1 April 2022.

**4.** We would like to thank councillors, senior management, and other staff, particularly the Chief Officer - Finance and his team, for their cooperation and assistance.

## Responsibilities and reporting

**5.** The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

**6.** The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#), and supplementary guidance and International Standards on Auditing in the UK.

**7.** Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

## Auditor independence

**8.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services. Our 2024/25 annual audit plan set out an audit fee of £547,070 including £10,190 in respect of the council's charities. An additional audit fee of £8,500 will be levied as a result of delays in information provided for audit. We are not aware of any relationships that could compromise our objectivity and independence.

## Adding value through the audit

**9.** The annual audit adds value to the council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2024/25 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

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## Main judgements

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, subject to the conclusion of outstanding matters.

The annual governance statement and remuneration report were consistent with the financial statements. Further improvement is required to ensure a robust overview of service performance is provided in the management commentary.

Early planning was undertaken with finance colleagues and improvements implemented to minimise the pressure on respective teams during the annual accounts period. Delays continued to be experienced however, in the receipt of property valuations resulting in material adjustments to the audited accounts and additional audit fees.

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## Our audit opinions on the annual accounts are unmodified, subject to the conclusion of outstanding matters.

**10.** The accounts for the council and its group for the year ended 31 March 2025 are scheduled to be approved by the Audit, Risk and Scrutiny Committee on 26 June 2025. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the applicable guidance

- we have obtained audit assurances over the identified significant risks of material misstatement to the financial statements which were identified in our Annual Audit Plan.

**Our audit opinions on Section 106 charities are unmodified, subject to the conclusion of outstanding matters.**

**11.** Due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with charities legislation, a separate independent auditor's report is required for the council's registered charities where members of Aberdeen City Council are sole trustees, irrespective of the size of the charity.

**12.** Regulation 7 of the charity regulations (as amended in 2010) permits a single set of accounts for connected charities. These include charities that have unity of administration. The definition is therefore met for section 106 charities administered by the same council.

**13.** For Aberdeen City Council, the seven applicable charities listed below are regarded as connected and have been combined within a single set of accounts:

- Guildry and Mortification Funds
- Bridges of Aberdeen Heritage Trust
- Alexander MacDonald's Bequest
- Aberdeen Art Gallery Trusts
- Lands of Skene
- Lands of Torry
- Education Endowment Investment Trusts.

**14.** We received the charities accounts in line with the agreed timetable. We reported last year that two of the seven charities hold relatively small balances and could be wound up to improve the overall housekeeping of the council's charities. In December 2024, the council considered a governance update in relation to charities and agreed actions to streamline charitable activities including the winding up of Alexander MacDonald's Bequest which has a minor balance.

**15.** Our independent auditor's report for the charities confirms that:

- the financial statements give a true and fair view of the charities' financial position and are properly prepared in accordance with charities' legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.



## Overall materiality was assessed as £24 million

**16.** We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

**17.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and reviewed on receipt of the unaudited annual accounts. Values for 2024/25 are summarised in [Exhibit 1](#).

### Exhibit 1 Materiality values

Materiality level	Amount
<b>Overall materiality</b> - This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. For the year ended 31 March 2025, we set our materiality at 2% of gross expenditure.	£24 million
<b>Performance materiality</b> - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65% of planning materiality.	£15 million
<b>Reporting threshold</b> - We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£600,000

Source: Audit Scotland, Annual Audit Plan 2024/25

## Our audit work responded to the risks of material misstatement we identified in the annual accounts

**18.** [Exhibit 2](#) provides a summary of the audit assurances we have obtained over the significant risks of material misstatement. It also sets out our audit assurances in respect of other areas of audit focus where we considered there to be risks of material misstatement to the financial statements.

**Exhibit 2****2024/25 Risks of material misstatement to the financial statements**

Risks of material misstatement	Assurances, results and conclusions
<p><b>1. Significant Risk of material misstatement due to fraud caused by management override of controls</b></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><b>Controls</b></p> <ul style="list-style-type: none"> <li>Assessing the design and implementation of controls over journal entry processing.</li> </ul> <p><b>Methodology and assumptions</b></p> <ul style="list-style-type: none"> <li>Assessing any changes to the methods and underlying assumptions used by management to prepare accounting estimates compared to the prior year.</li> </ul> <p><b>Testing</b></p> <ul style="list-style-type: none"> <li>Making inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other adjustments and substantively testing journal entries throughout the year.</li> <li>Evaluating any significant transactions outside the normal course of business.</li> <li>Confirming through substantive testing that income and expenditure transactions around the year-end have been accounted for in the correct financial year.</li> <li>Testing samples of accruals and prepayments.</li> </ul> <p><b>Results:</b> Subject to the satisfactory conclusion of outstanding matters, we are satisfied that there is no material misstatement due to management override of controls.</p>
<p><b>2. Due to the rolling programme basis of property valuation, there is a risk that the carrying value of assets not revalued in the year do not reflect their current value.</b></p> <p>Where the differences in value are likely to be significant, this increases the risk of material misstatement in the financial statements</p>	<p><b>Controls</b></p> <ul style="list-style-type: none"> <li>Evaluating the approach that the council adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</li> </ul> <p><b>Management Experts</b></p> <ul style="list-style-type: none"> <li>Evaluating the competence, capabilities and objectivity of the professional valuers.</li> </ul> <p><b>Methodology and assumptions</b></p> <ul style="list-style-type: none"> <li>Assessing the methodology used by the valuers by considering whether valuations were conducted in accordance with the RICS Valuation Professional Standards 'the Red Book'.</li> <li>Assessing the reasonableness of valuations conducted by the professional valuers, including the use of any assumptions.</li> </ul> <p><b>Testing</b></p> <ul style="list-style-type: none"> <li>Substantively testing the reconciliation between the financial ledger and the asset register, including a sample of land and building assets revalued in the year.</li> </ul>

Risks of material misstatement	Assurances, results and conclusions
	<p><b>Disclosures</b></p> <ul style="list-style-type: none"> <li>Assessing the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of land and buildings.</li> </ul> <p><b>Results:</b> Subject to the satisfactory conclusion of outstanding matters, we are satisfied the current valuation of land and buildings is not materially misstated.</p>
<p><b>3. There is a risk that the assumptions and methodologies used in determining the pension position are unreasonable and/or any small change in the estimates used could result in material changes in the valuation</b></p>	<p><b>Controls</b></p> <ul style="list-style-type: none"> <li>Assessing management's arrangements for the provision of membership data to the actuary, together with any assumptions to calculate the pension position.</li> </ul> <p><b>Management Expert</b></p> <ul style="list-style-type: none"> <li>Evaluating the competence, capabilities and objectivity of the actuary.</li> </ul> <p><b>Benchmarking Assumptions</b></p> <ul style="list-style-type: none"> <li>Through the work of an independent expert, challenging the key assumptions applied.</li> </ul> <p><b>Testing</b></p> <ul style="list-style-type: none"> <li>Agreeing the data provided by the council to North East Scotland Pension Fund for use within the calculation of the scheme valuation.</li> <li>Obtaining assurances from North East Scotland Pension Fund over the completeness and accuracy of data provided to the actuary.</li> </ul> <p><b>Disclosures</b></p> <ul style="list-style-type: none"> <li>Considering the adequacy of the disclosures regarding the value of the pension liabilities included in the financial statements and the sensitivity of the value to the assumptions.</li> <li>Assessing whether the disclosures are in accordance with the Code's requirements.</li> </ul> <p><b>Results:</b> Subject to the satisfactory conclusion of outstanding matters, we are satisfied the approach taken to determine the pension position is reasonable.</p>

Source: Audit Scotland

## Material misstatements were adjusted in the audited accounts

**19.** Since the unaudited accounts were submitted for audit in May, a number of adjustments have been made to the financial statements. The main adjustments are listed below and further information is included with other significant matters in [Exhibit 3](#):

- An increase of £107 million in the value of non-current assets and the revaluation reserve due to delays and misstatements in the receipt of property valuations.
- Grossing up of Aberdeen City Integration Joint Board (IJB) income and expenditure by £137 million in line with accounting requirements. There is no change to the IJB net expenditure position.
- A reduction of £300 million in debtors and creditors on the Balance Sheet to correct the presentation of balances which should have been netted off.

**20.** In addition, the council changed their reporting segments in 2024/25 in line with the new management structure. This required service costs listed in Cost of Services on the Comprehensive Income and Expenditure Statement (CIES) to be reported under new directorate headings and in order for the prior year figures to be comparable, they were also restated. The audited accounts have been amended to remove internal transactions from the service lines. As a result, the audited figures are more comparable between years.

**21.** Other misstatements were identified during our audit and while it is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, the final decision on this lies with those charged with governance, taking into account advice from senior officers and materiality.

**22.** Management opted not to adjust for the misstatements set out in [Appendix 1](#) (Summary of unadjusted misstatements), as the amounts were not considered material in the context of the accounts. Had the accounts been adjusted, the net impact would have been to increase income on the CIES by £8.3 million with a corresponding increase in Net Assets.

## Significant findings from the audit in accordance with ISA 260

**23.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. There were no major issues identified in respect of the qualitative aspects of the annual accounts process.

**24.** The significant findings are summarised in [Exhibit 3](#).

**Exhibit 3****Significant findings from the audit of the financial statements****Issue****1. Changes in the valuation of property, plant and equipment (PPE)**

The council revalues its assets on a rolling programme basis with some categories of asset revalued each year. In 2024/25, the following categories were revalued – the 3R schools, car parks, halls and specialist assets such as the Energy from Waste plant. We acknowledge that the Property Team responsible for the valuations are also managing the council's assets affected by Reinforced Autoclaved Aerated Concrete (RAAC) and therefore resources will have been prioritised accordingly.

Teca and Torry Heat Network are specialist assets and were valued by an external specialist on behalf of the council. These valuations were not available when the unaudited accounts were prepared. An additional £92.951 million has now been added to non-current assets to reflect the increase in value.

During the audit, it was noted that several assets which should have been revalued in the year were omitted from the valuation schedules. The valuation had been undertaken but the valuation schedules were incomplete or incorrect. There were also a number instances where assets had been incorrectly classified in the asset register and were therefore included in the wrong category in the note to the accounts.

**Resolution**

Excluding the late valuation of specialist assets, the value of property plant and equipment in the audited accounts has been increased by £15.418 million with a corresponding increase in the revaluation reserve (a non-cash unusable reserve). In addition, assets totalling £21.579 million have been re-classified from assets under construction to other land and buildings (£15.864 million) and long-term investments (£5.715 million).

**2. Grossing up IJB expenditure and income**

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance (April 2018) on accounting for the integration of health and social care requires the grossing up of expenditure and income. Staff and services to support the IJB, for example IJB ledger and financial services, may be provided by a local authority partner. Where a reduction in the partner contribution is agreed as compensation or consideration for the provision of the services, the authority's partner contribution in the IJB accounts should be grossed up with the cost of the services recognised as IJB running costs to balance this. A similar approach is adopted in the local authority's accounts, that is, to gross up the authority's contribution and to separately show the consideration received. This adjustment had been omitted from the IJB line in the council's CIES.

**Issue****Resolution**

The audited accounts have been amended to gross up expenditure and income by £137 million. There is no effect on the council's net expenditure or General Fund balance as a result.

### **3. IFRS16 – new accounting requirements for service concession arrangements and other leases**

The implementation of IFRS 16 is mandatory for local government bodies from 2024/25. Under IFRS16, a lessee is required to recognise right-of-use assets and associated lease liabilities on the Balance Sheet.

As part of our audit work, we considered the arrangements used by management to identify potential lease arrangements. The council set up a cross-service working group to identify lease arrangements. This was a robust piece of work and consequently the council were well prepared in producing the relevant information for inclusion in the 2024/25 accounts.

At 31 March 2025, the council recognised £32.0 million right of use assets with a corresponding lease liability in their balance sheet. We reviewed the adjustments and disclosures made by the council and confirmed that these were in line with the standard and guidance.

In addition to leases, the reporting standard applies to service concession arrangements. These are more commonly known as Public Private Partnership (PPP) schemes where a private sector operator uses an asset to provide a public service and is paid over the period of the arrangement.

IFRS16 requires the PPP lease liability to be remeasured to include indexation changes over the period of the lease. Previously such charges had been treated as expenses in the year. An opening balance adjustment at 1 April 2024 was therefore required to account for the change.

It only became clear around the end of the financial year that the requirements of the accounting standard also applied to service concession arrangements. As these were considered more complex than standard leases, MUFG Corporate Markets were appointed to undertake the review which was completed in June 2025, after the unaudited accounts were prepared.

**Resolution**

The review of service concession arrangements increased the value of right of use assets and the corresponding lease liability by £15.1 million. We have yet to complete our review of the council's adjustments and disclosures.

### **4. Correction of presentation misstatements in debtors and creditors**

The financial ledger includes control accounts for payroll deductions such as PAYE and national insurance contributions, for example an account for deductions and another account for the remittances to HMRC. The year end debtor or creditor in this case is the net amount of the balances on the related accounts. Due to an error in compiling the accounts however, the balances were separated and included in debtors or creditors depending



## Issue

on whether the balance was a debit or a credit. This inflated debtor and creditor balances by £300 million in error.

## Resolution

This matter has been rectified in the audited accounts.

## 5.Revaluation of council dwellings

The council undertakes a full valuation of council house stock every five years and reviews its valuation on an annual basis. This valuation is based on specialist and management assumptions using the 'beacon method' in accordance with mandatory LASAAC guidance.

The discount factor applied to council dwellings in 2024/25 dropped from 42.57% to 38.56% to reflect the increase in market rents and therefore a widening gap between social rent and market rents. This is the first time in several years that an improvement in market rents has been observed, the position having been stagnant for some time. As a result, there has been a downward valuation of council dwellings. In addition, the council has 366 properties affected by RAAC and these have been included at nil value. Overall, these matters reduced the value of council dwellings by £137.6 million (14% of the opening net book value at 1 April 2024). This reversed the previous year's position when the value of council houses had increased due to a narrowing of the gap between social and market rents. In 2023/24, council rents were increased by 5.32% which was the first increase in several years.

## Resolution

Based on our review of the council's approach to valuation of council dwellings, we are satisfied that the inputs and assumptions made by the valuer are reasonable and support the valuation.

## 6.Disclosure of accounts relating to Low Emissions Zone

The council received approval for the introduction of a Low Emission Zone (LEZ) in the city centre in 2022, with enforcement commencing in June 2024. Under The Low Emission Zones (Scotland) Regulations 2021, the council is required to prepare a statement of account each year disclosing the costs of proposing, making and operating the scheme. This should be published in the authority's annual accounts.

In August 2024, LASAAC issued guidance on the disclosure of LEZ cost and revenues within financial statements. Having considered the requirement in the regulations to prepare a statement of account, LASAAC considered that a proportionate approach is for the statement of account to take the form of a disclosure note to the financial statements.

The council's LEZ statement of account, set out at Note 39 to the financial statements, required adjustment.

**Issue****Resolution**

The audited statement has been amended to reflect a revised figure for revenues from fines and now includes more narrative on the proposed use of net revenues raised.

Source: Audit Scotland

**Management commentary**

**25.** The Local Authority Accounts (Scotland) Regulations 2014 require the annual accounts to include a management commentary prepared in accordance with statutory guidance. While the guidance allows flexibility in terms of the level of performance information included, there is an expectation that a commentary sets out the council's assessment of its performance during the year, using core financial and non-financial indicators to enhance a service's 'story'. It should provide a bridge with the financial statements and highlight the key messages and movements within the financial results.

**26.** A high-level snapshot of the position of council indicators across quartiles compared to other councils has been provided for the first time this year. This shows that the council is steadily improving. This provides a good overview but further improvement is needed through the inclusion of key service indicators to demonstrate performance, provide a focus on delivery of priorities and show whether planned outcomes are being achieved.

**Recommendation 1**

A review of the council's timetable and chief officers' responsibilities for the production of the accounts is required. This is to ensure the required information is identified early and provided by relevant officers across the council in a timely manner to meet an agreed timetable for delivery of the audited accounts.

**Corporate ownership of the annual accounts**

**27.** Local government accounts require to be prepared and submitted for audit by 30 June each year. The statutory deadline for the conclusion of the audit is 30 September each year. Aberdeen City Council however operates an accelerated timetable to deliver audited accounts by 30 June and meet its Bond reporting requirements to the London Stock Exchange.

**28.** Compared with other local government bodies, this means that the period available for the preparation and audit of Aberdeen City Council's annual accounts is a significantly condensed and intense period of activity. It is therefore critical that the council's supporting processes are more integrated and as streamlined as possible.



**29.** In each of the three years of our audit appointment, we have reported delays in the availability of property valuations which have implications for the value of non-current assets included on the council's Balance Sheet. To avoid qualified audit opinions, the Chief Officer – Finance has made material adjustments to the accounts each year. This has absorbed additional time and has placed increased pressure on both the finance and external audit teams to deliver the audited accounts.

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## Recommendation 1

A review of the council's timetable and chief officers' responsibilities for the production of the accounts is required. This is to ensure the required information is identified early and provided by relevant officers across the council in a timely manner to meet an agreed timetable for delivery of the audited accounts.

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## Financial systems of internal control operated effectively

**30.** As part of our audit, we identify and assess the council's internal control framework and conclude on the adequacy of scrutiny over the operation of fundamental controls in key financial systems. Our objective is to gain assurance that the body has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements which are free from material misstatement.

**31.** The following are fundamental controls which we routinely expect to find in operation across financial systems:

- 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.

**32.** The council has ten financial systems which we regard as key systems for the purposes of the financial statements. In 2024/25, we assessed the controls operating within the general ledger and payroll systems and reviewed our assurances from audit work conducted on other systems in the previous year. Overall, we concluded that the council has relevant controls in place and they are operating appropriately.

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## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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### Conclusions

The council has appropriate arrangements to secure sound financial management. Quarterly management accounts are provided to the Finance and Resources Committee. The council reported a break-even position for the year after use of reserves to meet an additional contribution to the Integration Joint Board.

Collection rates for local debt (i.e. rent arrears and council tax) are improving.

Controls within the main financial systems were operating satisfactorily and standards of conduct and arrangements for the prevention and detection of fraud were adequate.

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### The council operated within budget in 2024/25

**33.** The council approved its 2024/25 budget in March 2024. It was set at £627 million and required savings of approximately £25 million to achieve a planned balanced budget. This was largely met from a mix of raising fees and charges, a reduction in non-domestic rates relief, an increase in council tax and use of reserves.

**34.** A break-even position was achieved for the year after the use of reserves. There were a range of over- and underspends across services which affected the council overall and council departments individually.

**35.** Aberdeen City Integration Joint Board incurred a deficit of approximately £10 million in 2024/25 after use of its reserves. In line with the Integration Scheme, the partners, NHS Grampian and Aberdeen City Council, have an obligation to make additional contributions to meet any shortfall. As a result, the council provided a further £4 million by drawing from reserves. The IJB has incurred operational deficits in recent years but previously had reserves to cover the shortfall. With their reserves now fully utilised, this is the first time the IJB has had to seek additional funding from partner bodies.

## Revenue budget monitoring processes were appropriate

**36.** The Finance and Resources Committee receives comprehensive management accounts on a quarterly basis including a balance sheet position. As well as providing regular and up-to-date financial information for the quarter, the council's performance against budget is reported with an explanatory commentary on the variances.

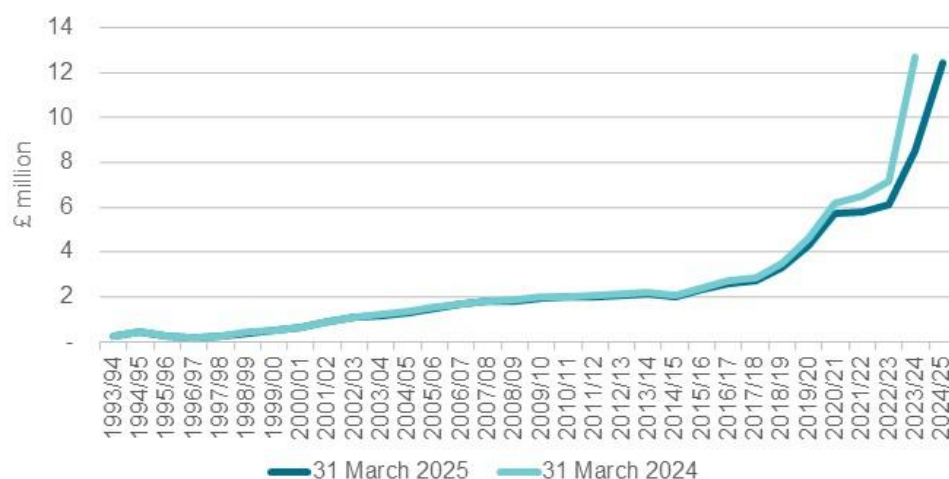
## Collection rates for local debt are improving

**37.** The cost-of-living crisis has brought new pressures or exacerbated existing ones. There is increasing financial hardship and a decline in levels of mental wellbeing. Low-income households and people already experiencing inequalities are most affected.

**38.** Councils have a key role in tackling these issues and providing support. While the council is facing a growing demand for services, there is improvement in the collection of local debt.

**39.** Council tax collection rates have improved in the year from 91.73% in 2023/24 to 92.06% in 2024/25. [Exhibit 4](#) shows the arrears position at 31 March 2025 analysed across all financial years with council tax debt.

### Exhibit 4 Council tax arrears



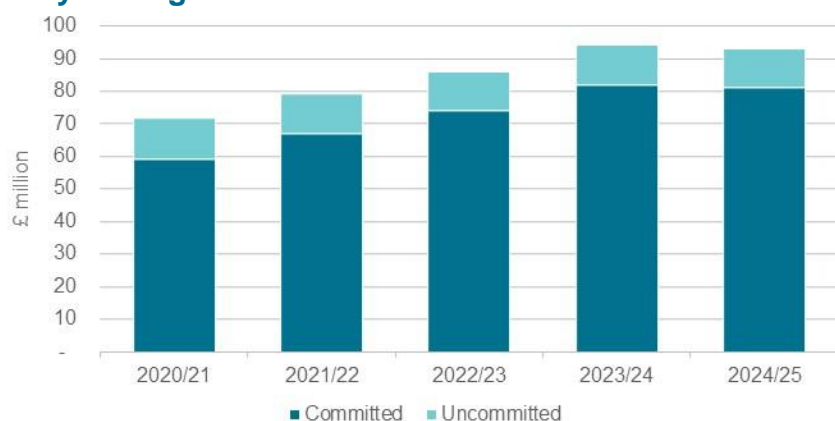
Source: Aberdeen City Council – council tax system reports

## The level of General Fund reserves has slightly decreased

**40.** One of the key measures of the financial health of a body is the level of reserves held. The council's level of usable reserves slightly reduced from £158.644 million in 2023/24 to £154.182 million in 2024/25.

## Exhibit 5

### Analysis of general fund balance



Source: Audited Accounts

**41.** [Exhibit 5](#) provides an analysis of the general fund reserve over the last five years split between committed and uncommitted reserves. There has been little movement in the overall level of committed funds at the year end. Balances increased due to an increase in earmarked funding from the Scottish Government and revenue raised from Low Emission Zone fines while other balances have been used during the year to provide funding for affordable housing and additional support for the IJB.

### Housing revenue account reported a small deficit

**42.** The council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set at a level which will at least cover the costs of its social housing provision. The HRA outturn was a deficit of £3 million.

## Exhibit 6

### Total rent arrears split between current tenant arrears and former tenant arrears



Source: Aberdeen City Council Outturn Reports

**43.** There was an 4.7% increase in rents in 2024/25 increasing rental income by £6 million to £104 million. There has been an improvement in the level of rent arrears, decreasing by £2.252 million (11.5%) since 31 March 2024. This is split between current tenant arrears which decreased by £1.243 million (9.9%) and former tenant arrears which decreased by £1.009 million (14.2%). [Exhibit 6](#) shows the rent arrears position.

**44.** There continued to be an overspend on repairs and maintenance during the year due to increasing expenditure on void properties. Rent loss due to voids has tripled over the last five years rising from £3.017 million to £9.343 million. Recognising that this position is not sustainable, a condition survey of the council's housing stock is currently underway. This will provide the underlying data for a housing stock asset management plan and will enable a further update of the council's 30-year Housing Revenue Account Business Plan.

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## Recommendation 2

The results of the condition survey should be used to inform the next full valuation of the council's housing stock which is due by 31 March 2026.

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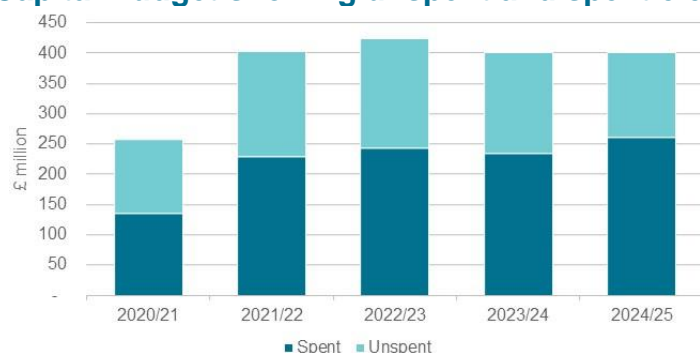
### Capital expenditure increased in 2024/25

**45.** The total capital budget in 2024/25 was £401 million, of which £278 million related to general services and £123 million to the housing revenue account. The total amount spent was £261 million, an increase of £26 million compared to 2023/24. Of the £140 million underspend, £133 million related to the general fund and £7 million to the HRA. [Exhibit 7](#) shows that the percentage of capital budget utilised is the highest of recent years however, a challenging construction sector is the underlying reason for recurring underspends on the capital programme. For example, supply chain difficulties, high inflation and re-tendering exercises are contributing factors to several delayed projects.

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### Exhibit 7

#### Capital Budget showing unspent and spent elements



Source: Aberdeen City Council Outturn Reports

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## **Borrowing levels continue to increase**

**46.** While the council managed its borrowing activities within the authorised limit and operational boundaries set within its treasury management strategy, its level of external debt is increasing and with that, the cost of interest is increasing. The higher the level of interest to be financed each year, the less there is available in the budget to support service delivery.

**47.** At 31 March 2025, long-term borrowing stood at £1.267 billion (2024 £1.146 billion), an increase of £121 million on the previous year. During the same period, short-term borrowing increased from £410 million to £439 million, an increase of £29 million.

## **The council has appropriate financial control arrangements in place**

**48.** From our review of the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach and our testing of the operating effectiveness of specific controls, we did not identify any major weaknesses which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

## **Internal audit provided a reasonable level of assurance**

**49.** The council's internal audit service is provided by the chief internal auditor of Aberdeenshire Council under a shared service arrangement. Internal audit reports in respect of financial year 2024/25 were reported to the Audit, Risk and Scrutiny Committee during the year. The chief internal auditor's 2024/25 annual report and opinion will be considered by the committee in June 2025 when he is expected to confirm that, in his opinion, the council has operated an adequate and effective framework for governance, risk management and control during the year.

## **Standards of conduct and arrangements for the prevention and detection of fraud and error were adequate**

**50.** In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, to safeguard public assets and aim to prevent and detect fraud, error and irregularities, bribery and corruption.

**51.** The council has established procedures in place including whistleblowing and counter fraud policies.

## **Update on significant fraud identified in 2023/24**

**52.** Our 2023/24 Annual Audit Report referred to a former council employee who had diverted fraudulent payments totalling £1.109 million to his own bank account over a period of 17 years. This matter was subsequently the

subject of a statutory report by the Controller of Audit published in January 2025. [Statutory Report: Council tax refunds - a significant fraud](#)

### **Improvement plan**

**53.** It was recognised that the council had promptly developed an improvement plan in response to the identified fraud and that internal audit had been engaged at a later stage to review progress and further consider the adequacy of internal controls. The statutory report concluded that the changes made to internal controls had yet to be embedded in a way that fully addressed the issues identified.

**54.** The council updated its improvement plan with all actions now due to be completed by December 2025. The scope of the actions had been extended beyond the council tax service where the fraud had been perpetrated to consider similar controls and processes across all the council's financial systems.

**55.** The council's Risk Board meets six-weekly and has responsibility for monitoring the improvement plan, internal audit are due to undertake a follow-up review in July 2025 and a progress report is scheduled to be considered by the Audit, Risk and Scrutiny Committee in September 2025. We will monitor the outcome of these actions before assessing the council's overall response.

### **Financial loss to the council**

**56.** The fraudulent payments were taken from council tax accounts in credit. While the council will transfer a credit balance to the taxpayer's new account, if there is one, in many cases a refund will be due to the taxpayer but this is only possible if bank account details are held. Where it has not been possible to obtain bank details and make a refund, the balance is held in credit on behalf of taxpayers until claimed.

**57.** The council continues to undertake work to reinstate the correct balances for accounts affected by the fraud. As part of this process, the council has identified a number of taxpayers and made refunds of £327,000 as at 31 March 2025.

**58.** The total amount of the fraud was £1.109 million. The court progressed a proceeds from crime claim which recovered £0.105 million, a further £0.415 million has been recovered from the perpetrator and the remainder is the subject of an insurance claim currently being assessed by the council's insurance broker.



# 3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

## Conclusion

A sound approach to medium and longer-term financial planning is in place to manage ongoing financial challenges. A five-year financial plan is prepared showing the savings required each year to deliver a break-even position.

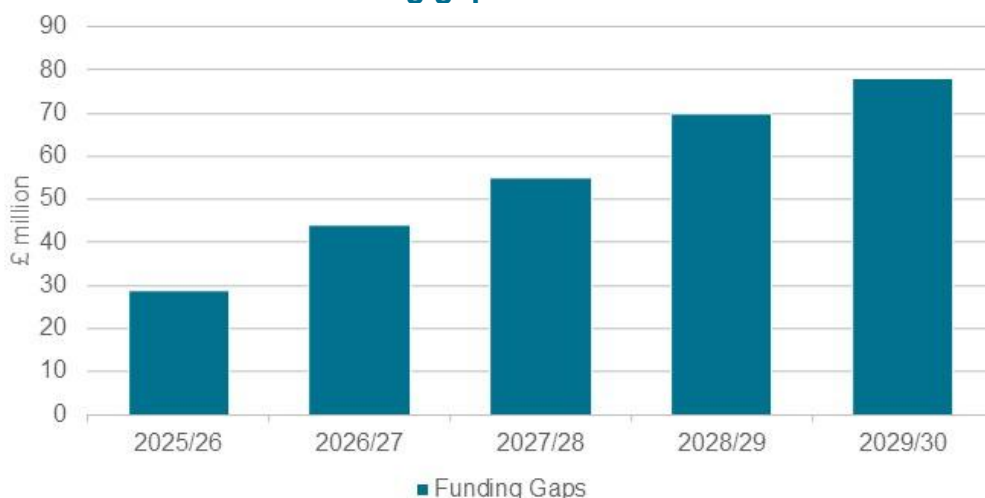
The council has implemented a second programme of challenging transformation and service redesign to address a funding shortfall of £78 million over the next five years.

## Medium and longer-term financial plans are in place

**59.** The council approved its current medium-term financial strategy (MTFS) in October 2024, which covers the periods 2025/26 to 2029/30. The aim of a medium-term financial strategy is to pull together in one place the known factors affecting the financial position and financial sustainability of an organisation over the medium term. The budgets within the financial strategy are showing funding gaps of £29 million in 2025/26 rising to a cumulative £78 million by 2029/30 as illustrated in [Exhibit 8](#).

## Exhibit 8

### Identified cumulative funding gaps 2025/26 – 2029/30



Source: Aberdeen City Council Medium Term Financial Strategy



## Transformation plans

**60.** The council agreed a new Target Operating Model for 2022-27 to support the transformation needed to deliver savings and efficiencies as shown by [Exhibit 9](#). The objectives of the Target Operating Model are to:

- support the council to address the 5-year funding gap
- continue to exploit digital technologies to enable services to adopt new technology for various activities and processes to accelerate and streamline processes
- develop an organisational workforce that is flexible ensuring all staff have the necessary skills to work effectively within the council's operating model.

## Costs pressures

**61.** Council borrowing has increased by £150 million over the 12 months to 31 March 2025 as shown in [Exhibit 9](#) and represents a 9.7% increase on the previous year. Although the cost of borrowing has been historically low for some time, the council's interest costs almost doubled in 2023/24 to £60 million and has remained at a similar level in 2024/25 (£65 million). New borrowing will therefore continue to be more expensive, increasing the financial pressures on the council. In addition, existing debt may need to be refinanced.

### Exhibit 9 Council Borrowing



Source: Aberdeen City Council Audited Accounts

## We carried out audit work in response to financial sustainability risks identified in our 2024/25 Annual Audit Plan

62. [Exhibit 10](#) sets out the wider scope risks relating to financial sustainability we identified in our 2024/25 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 10

#### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk identified in Annual Audit Plan	Assurance procedure	Results and conclusions
<p><b>1. Financial sustainability</b></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>	<p>Regular budget monitoring</p> <p>Quarterly management accounts</p> <p>Medium term financial planning arrangements.</p>	<p>We reviewed the Target Operating Model and Medium-Term Financial Strategy. The strategy assesses the financial position over a 5-year period and is refreshed annually as part of the council's budget setting process.</p> <p>We concluded that sound arrangements are in place to support the council's financial sustainability.</p>

## 4. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

### Conclusion

Requisitioned meetings have doubled the number of council meetings held in the year. While the level of challenge and scrutiny in the council has increased as a result, it has not led to any new decisions or actions. The significant increase in meetings places additional demands on elected members and officers and limits the time available for implementing policy decisions.

A comprehensive review of the council's scheme of governance was undertaken during the year. There is scope to provide further clarification on delegated matters deemed to be politically sensitive.

The council's commitment to a training programme to support scrutiny across its committees is welcomed.

### Best Value work in 2024/25

**63.** For 2024/25, the scope of Best Value work includes conclusions on:

- Best Value thematic work covering transformation
- effectiveness of council performance reporting
- progress made against previous year improvement actions.

**64.** As set out in the [Code of Audit Practice](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in respect of our wider scope responsibilities (refer to [Section 5](#)).

### Best Value thematic work

**65.** Annual thematic Best Value work is set by the Accounts Commission.

**66.** In May 2024, we reported on the first best value thematic which focused on the council's leadership of the development of new local strategic priorities. Our report recognised that the council had undertaken a major transformation programme and was embarking on an equally ambitious second phase. Our report highlighted a number of robust arrangements in place including:

- The council's vision and priorities being well articulated and embedded within its strategic planning framework
- Positive action had been taken to encourage wider involvement in community engagement and empowerment
- The council's robust approach to budgeting and medium-term financial planning.

**67.** However, the report also reflected on the political tensions observed in the council chamber, their impact on council business through requests for additional meetings and the increased demands on officers reducing their capacity to implement decisions. Elected members were encouraged to participate in cross-party working and review the adequacy of the council's scrutiny arrangements.

**68.** Based on our activities as part of the 2024/25 audit, the following sections set out our observations and judgements on the council's progress with implementing the recommendations from the leadership thematic.

### **Member-to-member working together**

**69.** The councillors' code of conduct states that 'councillors and employees should work in an atmosphere of mutual trust and respect'. The Accounts Commission has also stressed the importance of councillors and officers working well together. This means everyone taking personal responsibility to forge good working relationships built on a culture of trust, and the application of good conduct and behaviour. Where these are absent it is difficult for any organisation to make progress.

**70.** Based on our observations, elected member behaviours have deteriorated. There is less respect and more frustration in the chamber and on occasion, the tone of questions to officers is persistent and more demanding. There is little evidence of collaboration between political groups, most debate has a political undertone and is therefore contentious. In our view, the working environment is one of conflict rather than collaboration.

**71.** Requested meetings have now become the norm at Aberdeen City, doubling the number of full council meetings held during 2024/25 from eight to sixteen. This is a significant increase since our 2022/23 thematic report when we reported a 40% increase in meetings. This places additional demands on elected members and officers and limits the time available for implementing policy decisions.

**72.** Elected members have a right of access to confidential council information but it is on a 'need to know basis'. While a range of exempt information may be of general interest to councillors, there is no right of access unless it can be demonstrated that the information is reasonably necessary for the proper performance of members' duties. These principles are reflected by the council through its Member Officer Relations Protocol which was recently reviewed as part of the scheme of governance. Access to information, however, continues to be an area of contention between members and officers particularly in

relation to the sharing of legal advice as demonstrated by two recent requisitioned meetings considering Traffic Management Orders.

**73.** In general, the additional meetings have challenged the council's position on specific matters and to a certain extent they were requisitioned to address frustrations that sufficient information was not being shared as a matter of routine. In most cases however, while opportunities for additional scrutiny were created, no new decisions were taken or new actions agreed, the additional meetings have mostly reaffirmed existing actions or noted progress being made on relevant projects.

### **Officers use of delegated powers**

**74.** The council undertakes an annual scheme of governance review with proposals coming forward from an elected member working group, the Governance Reference Group. While the Group has cross-party membership, member engagement is mixed and some members have indicated that they do not feel their views are being heard.

**75.** While the reference group is a working group rather than a committee, it has generally been chaired by an elected member. There is scope to minimise the political element if an officer facilitated the meeting instead of a chair and if all voices and contributions could be given equal consideration when developing recommendations.

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## **Recommendation 3**

**The council may wish to consider having an officer facilitate the Governance Reference Group meetings instead of an elected member acting as chair.**

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**76.** A comprehensive review of the scheme of governance was undertaken between October 2024 and March 2025 and was approved by the council in April 2025. Changes to the scheme were approved by the council after a lengthy period of questions and debate in the chamber. There was little scrutiny on the detail of the changes or discussion on the models which could be adopted to strengthen scrutiny.

**77.** The council's statement on powers delegated to officers state 'in exercising such a power, the relevant officers should be mindful of the potential for political sensitivity or controversy and, where appropriate, should consider consulting with elected members or referring the matter to council or one of its committees or sub-committees'.

**78.** In our May 2024 report, we highlighted that some members had raised concerns that they were hearing what they regard as 'politically sensitive' decisions on social media rather than through formal council communication channels. We therefore suggested a review of the delegated powers including consideration of potential types of issues likely to cause concern and when

consultation with members would be appropriate. There has been no change to this delegated power in the latest review.

**79.** We compared the council's delegated powers with those of three other city councils and we found that two require consultation with elected members on matters deemed to be politically controversial. As a minimum, it would be helpful and more transparent if criteria were developed to provide a framework for officers in considering the circumstances when consultation and/or a report to elected members would be appropriate.

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## Recommendation 4

It would be more transparent if criteria were developed to provide a framework for officers in considering the circumstances when consultation and/or a report to elected members would be appropriate in respect of delegated matters deemed to be politically sensitive.

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## Developing scrutiny

**80.** We have observed both good and poor behaviours at the Audit, Risk and Scrutiny Committee during the year. While the committee forms an important part of the council's governance structure, there is scope for it to be less political in its conduct of business and for members to be more collegiate, to be assured on governance matters through a shared understanding and conversation on topics. The mood in the committee room is confrontational at times creating a perception that the aim is political point scoring rather than effective scrutiny of council services and performance.

**81.** CIPFA issued a position statement setting out their views on audit committee practice and principles that local government bodies should adopt. The Audit, Risk and Scrutiny Committee operates in line with the position statement regarding purpose, core functions and engagement with officers and auditors.

**82.** We understand that the council has a commitment to work with the Improvement Service to develop a training programme to enhance scrutiny. We welcome this intention and recommend that the programme consider how best to support the committee in fully demonstrating CIPFA's good practice characteristics for effective audit committee membership as set out below:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.

- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating officers and auditors fairly.
- The ability to challenge senior management when required.
- Knowledge, expertise and interest in the work of the committee.

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## Recommendation 5

The council should ensure the CIPFA characteristics for effective audit committee membership are incorporated in the proposed training programme for elected members.

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**83.** The Audit, Risk and Scrutiny Committee has a scrutiny remit for the council. The terms of reference permit the committee to determine that further action is required once a matter, process or practice has been the subject of a report to council or committee and the consideration of the matter concluded by council or said committee action (with some exceptions). Any scrutiny will not prevent, or alter, any decision being taken and will only review the effectiveness of decision making, or monitoring and may make recommendations to the relevant committee or council.

**84.** As the committee had not considered any reports under this remit, we suggested there was scope to use the committee more effectively to scrutinise council decisions. The terms of reference for all committees have now been revised to reinforce their role in undertaking scrutiny of policy, performance and risk. We will continue to monitor the council's development of scrutiny across its committees.

## Workforce and innovation

**85.** The Best Value thematic review in 2023/24 considered workforce and innovation. We issued a strong report with positive findings which was considered by the Audit, Risk and Scrutiny Committee in September 2024. Key messages included:

- Workforce planning is effectively integrated with the council's strategic priorities and is integral to the ongoing delivery of transformation. The council actively monitors progress with its workforce plan and provides regular reports on priority areas to elected members.



- There is a structured approach to staff engagement and providing support. Robust arrangements are also in place to engage with Trade Unions and with elected members through the Staff Governance Committee.
- Internal recruitment supported by learning and development is the preferred route for filling vacancies and investment in a younger workforce is being made through the use of apprenticeships, internships and work placements. Innovative technologies are intended to create additional capacity through improved productivity and robotic process automation pilots have made efficiencies.
- The council has well established arrangements for flexible working which have been extended through hybrid and remote working.

## Transformation

**86.** The focus of the 2024/25 Best Value thematic review is transformation. This will consider how the council is redesigning services to maintain outcomes and deliver services more efficiently. Conclusions and judgements on the thematic review will be covered in a separate management report to be reported to the Audit, Risk and Scrutiny Committee in September 2025.



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# 5. Vision, leadership, governance and use of resources

Public sector bodies must have a clear vision and strategy and set priorities for improvement. Through effective planning, they work with partners and communities to improve outcomes, make best use of resources and foster a culture of innovation.

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## Conclusion

Governance arrangements are appropriate and operated effectively.

The council's performance against the Scottish average of indicators in the Local Government Benchmarking Framework has fallen compared with the previous year. It is above the average in 41% of indicators compared with 54% previously.

The council's arrangements for the publication of statutory performance indicators are sufficient to meet statutory requirements.

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## Governance arrangements are appropriate

**87.** The council's governance arrangements were set out in the annual governance statement in the annual accounts. We reviewed these arrangements and concluded that they are appropriate.

## The council is open and transparent

**88.** Agenda papers and minutes for council meetings, including financial and performance information, detail the decisions made and are publicly available on the council's website. In addition, there is livestreaming of council meetings and webcast recordings are also available from the website.

**89.** The council's website also allows public access to a wide range of information including the register of councillors' interests, current consultations and a wide range of performance data including the annual accounts. In addition, the council has a listed bond and therefore all stock exchange announcements are publicly available from the website.

**90.** In recent years, through the council's transformation programme, access to more services has been made available online with help provided via online guidance and the use of chatbots.

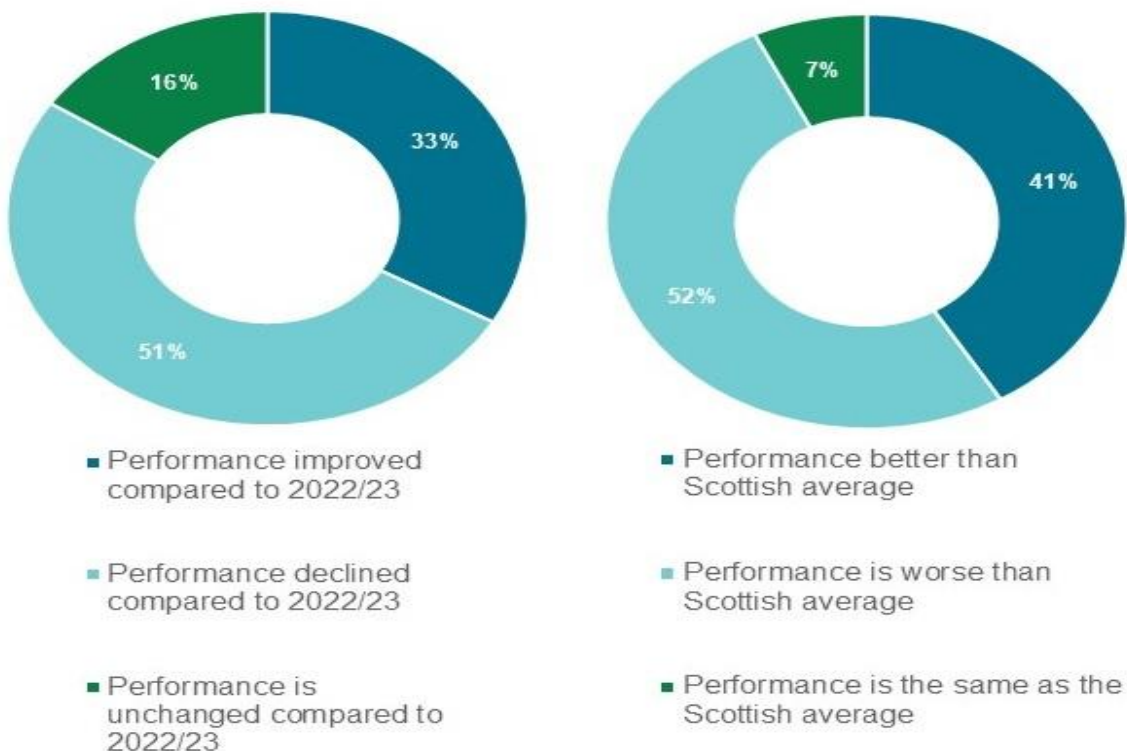
### Performance against the Scottish average has fallen compared with the previous year

**91.** The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them.

**92.** The LGBF indicators allow comparison over time and/or with the other 31 Scottish local authorities. An analysis of the 2023/24 data in [Exhibit 11](#) shows that 33% (47%) of the measures have improved from 2022/23 and 16% (12%) have remained the same. Against the Scottish average, the council is above average for 41% (54%) of the measures and 7% (4%) have stayed the same ([Exhibit 11](#)). For 2023/24, the council is performing in the top two quartiles for 46% (45%) of the indicators.

#### Exhibit 11

#### LGBF comparisons – 2023/24 with 2022/23 and Scottish Average



Source: Local Government Benchmarking Framework

**93.** A range of performance data is collected and reported during the year including:

- Quarterly reporting against the council delivery plan to management and annually to council. The delivery plan annual review is a narrative report providing updates on policy statements, key achievements for the year and progress against the council's contribution to the Local Outcome Improvement Plan (LOIP). It is supported by a public website, [Community Planning Aberdeen](#), where LOIP partners capture and publicly report a range of outcomes data on an ongoing basis.
- With regard to the council, a range of delivery plan key measures, activity numbers and percentages, is collected for each of the delivery plan areas – economy, children and young people, adults and place. Current and prior period data is provided with a direction of travel indicator and colour coding representing better/similar/worse outcomes.
- Service standards are set by each service cluster with quarterly performance scorecard reporting against standards to committee (referred to as KPIs – key performance indicators)
- Annual reporting of statutory performance indicators
- Review and use of Local Government Benchmarking data.

### **Arrangements for the publication of Statutory Performance Indicators meet requirements.**

**94.** The Accounts Commission issued a new [Statutory Performance Information \(SPIs\) Direction](#) in December 2021 which applies for three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities).
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

**95.** In our opinion, there is scope for the council to be clearer in making its assessment of performance against Best Value and ensuring there is balance in its annual performance reporting. Overall, we concluded that the council's arrangements meet the main requirements of the Direction.

# Appendix 1. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual accounts that are individually greater than our reporting threshold of £600,000.

The table below summarises uncorrected misstatements identified during our audit testing and have not been corrected by management. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 1](#) and do not have a material impact on the financial statements.

Account areas	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
Unspent grant funding carried as creditors, should be recognised as income.		8,300	8,300	
<b>Total</b>		<b>8,300</b>	<b>8,300</b>	

# Appendix 2. Action plan 2024/25

## 2024/25 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<b>1. Annual Accounts</b>	A review of the council's timetable and chief officers' responsibilities for the production of the annual accounts is required. This is to ensure the required information is identified early and provided by relevant officers across the council in a timely manner to meet an agreed timetable for delivery of the audited accounts.	<b>Agreed</b> <b>Responsible Officer: Finance Operations Manager</b> <b>Completion date: 31 October 2025</b>
<b>2. Housing stock asset management</b>	The results of the condition survey should be used to inform the next full valuation of the council's housing stock which is due by 31 March 2026.	<b>Agreed</b> <b>Responsible Officer: Chief Officer - Corporate Landlord</b> <b>Completion date: 31 March 2026</b>
<b>3. Governance Reference Group</b>	The council may wish to consider having an officer facilitate the Governance Reference Group meetings instead of an elected member acting as chair.	<b>Agreed</b> <b>Responsible Officer: Interim Chief Officer - Governance</b> <b>Completion date: 31 March 2026</b>
<b>4. Consultation with elected members</b>	It would be more transparent if criteria were developed to provide a framework for officers in considering the circumstances when	<b>Agreed</b> <b>Responsible Officer: Interim Chief Officer - Governance</b>

Issue/risk	Recommendation	Agreed management action/timing
	consultation and/or a report to elected members would be appropriate in respect of delegated matters deemed to be politically sensitive.	<b>Completion date:</b> <b>31 March 2026</b>
<b>5.Scrutiny training programme for elected members.</b>	The council should ensure the CIPFA characteristics for effective audit committee membership are incorporated in the proposed training programme for elected members.	<b>Agreed</b> <b>Responsible Officer:</b> <b>Interim Chief Officer - Governance</b> <b>Completion date:</b> <b>30 November 2025</b>

# Aberdeen City Council

## 2024/25 Annual Audit Report - DRAFT

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk & Scrutiny Committee
<b>DATE</b>	26 June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Audited Annual Accounts 2024/25
<b>REPORT NUMBER</b>	CORS/25/169
<b>DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	4.1 & 4.2

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval from the Committee in respect of the Council's Audited Annual Accounts 2024/25 and the Registered Charities Audited Annual Report and Accounts 2024/25.

### 2. RECOMMENDATION(S)

That the Committee: -

- 2.1 approve the Council's audited Annual Accounts for the financial year 2024/25 as presented, subject to the final amendments being agreed between the external auditor and the Chief Officer – Finance as highlighted in the external auditor's report, following circulation of those final amendments to the Corporate Management Team and political group leaders; and
- 2.2 approve the audited Annual Accounts 2024/25 for those registered charities in respect of which the Council is the sole trustee, with the Chief Officer – Finance and the Convener of the Finance & Resources Committee to sign the accounts, subject to the final amendments being agreed in terms of the process as set out in recommendation 2.1.
- 2.3 Instruct Chief Finance Officer to review the 2025/26 Final Accounts timetable. This will include a review of critical path activities, the identification of opportunities and improvements to accelerate tasks for faster close-down, and propose a revised timetable for Audit, Risk and Scrutiny Committee approval by November 2025.

### 3. CURRENT SITUATION

- 3.1.1 On 28 November 2024 the Audit, Risk and Scrutiny Committee received and noted the contents of a report titled "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.

3.1.2 The key dates contained within the above report were: -

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

3.1.3 On 8 May 2025 this Committee considered the unaudited Annual Accounts, and they were signed by the Chief Officer - Finance (as Proper Officer).

3.1.4 The unaudited Annual Accounts were available for public inspection for the period 13 May – 2 June 2025. The public inspection period for the Aberdeen City Integration Joint Board is 20 June – 10 July 2025.

3.1.5 Having considered the report from the External Auditor and taken into account their audit opinion (in a previous report on the agenda) the Committee must now consider the audited Annual Accounts and approve them for signature.

3.1.6 The preparation of the Council's Annual Accounts 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.

### **3.2 Financial Performance and Review of the Accounts**

- 3.2.1 It should be noted that the audited Annual Accounts are prepared according to the requirements of the International Financial Reporting Standards 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.
- 3.2.2 A report covering the detailed financial position of the Council was considered by the Finance and Resources Committee on 7 May 2025. That report covered 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.
- 3.2.3 Audit Scotland, the Council's external auditors, have now substantially completed their audit and the Committee will note the findings from their report, which was an earlier item on this Committee's agenda. The auditor has indicated that it will provide the Council with an unqualified audit opinion, and this will be incorporated into the Annual Accounts document, attached as Appendix A, before signing and publication on the Council website.
- 3.2.4 The statutory deadline for local authority financial statements to be audited and submitted to the appropriate committee is 30 September. It should be noted that the Council's Annual Accounts have now been audited almost three months ahead of the required deadline.

### **3.3 Registered Charities**

- 3.3.1 This encompasses those charitable trusts, registered with the Office of the Scottish Charity Regulator (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.
- 3.3.2 These accounts are subject to the same audit process as the Council's accounts with the audited accounts and related auditor's report included with the aforementioned report from the external auditor.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications, not already referred to, arising from this report.

## **5. LEGAL IMPLICATIONS**

- 5.1 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard in accordance with the Local Authority Accounts (Scotland) Regulations 2014, the CIPFA Code of Practice on Local Authority Accounting and generally accepted accounting practices.

- 5.2 In terms of the Charities and Trustee Investment (Scotland) Act 2005, there is a statutory requirement for the Council to produce the audited Annual Accounts for the Charitable Trusts.

## 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?
<b>Strategic Risk</b>	None	n/a	n/a	n/a
<b>Compliance</b>	Risk of legislation not being followed	Staff working with external audit to ensure compliance with legislation	L	Yes
<b>Operational</b>	There is the risk that technological issues may prevent the Council from preparing the annual accounts	Staff working with IT ensuring that correct processes are in place to prevent technological disruption	L	Yes
<b>Financial</b>	There is a risk that the external audit reveals errors &/or adjustments	Officers discuss with auditors throughout the external audit process	L	Yes
<b>Reputational</b>	Information contained in the Annual Accounts may cause damage to the Council's reputation	Independent examination by senior staff and external auditors	L	Yes

<b>Environment / Climate</b>	None	n/a	n/a	n/a
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## 8. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN 2024-2025</u></b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>  <b><u>Working in Partnership for Aberdeen</u></b>	The proposals within this report provide financial information which supports all services and programmes provided by the Council.
<b><u>Aberdeen City Local Outcome Improvement Plan 2016-26</u></b>	
Prosperous Economy Stretch Outcomes	<p>The annual accounts for 2024/25 have recognised the role of the Council in delivering specific projects that will deliver economic impacts in their own right; and the Council's corporate role in delivering wider 'business facing' activity in supporting the competitiveness of the business environment.</p> <p>The economy is exposed to external issues such as globalisation and higher prices, as well as macro-economic issues relating to energy prices that will have a proportionately higher direct impact on the local economy than elsewhere in Scotland and the United Kingdom.</p>
Prosperous People Stretch Outcomes	The Accounts for 2024/25 provide details of income and expenditure incurred in the provision of services in Aberdeen City for the year.
Prosperous Place Stretch Outcomes	The Annual Accounts report provides financial information to the people of Aberdeen regarding the services in their area. The narrative report contained within explains the governance of the Council, and projects that ACC has undertaken over the past year, along with future plans for Aberdeen City.
<b>Regional and City Strategies</b>	The Council's Annual Accounts provides financial information which supports these strategies.

## 9. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
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<b>Integrated Impact Assessment</b>	No assessment required. I confirm this has been discussed and agreed with Jonathan Belford, Chief Officer – Finance, on 10 June 2025.
<b>Data Protection Impact Assessment</b>	not required
<b>Other</b>	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 Unaudited Annual Accounts 2024/25

## **11. APPENDICES**

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

## **12. REPORT AUTHOR CONTACT DETAILS**

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<b>Title</b>	Finance Operations Manager
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**AUDITED 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 both increased by £3.903 million.

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. This will mean that the Council's Annual Accounts are signed off three months ahead of the statutory deadline for signed annual accounts. The timetable is in advance of statutory requirements for local government in order that the Council can meet its reporting requirements for the London Stock Exchange.

The Audit Scotland, External Audit Plan was 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 31<sup>st</sup> 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 General Fund's financial position compared to budget, excluding accounting adjustments is detailed below:-

General Fund 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
<b>Total Functions Budget</b>	<b>539,365</b>	<b>548,500</b>	<b>9,135</b>
<b>Total Corporate Budget</b>	<b>84,844</b>	<b>70,323</b>	<b>(14,521)</b>
<b>Total Net Expenditure</b>	<b>624,209</b>	<b>618,823</b>	<b>(5,386)</b>
<b>Sources of Income</b>	<b>(624,209)</b>	<b>(628,408)</b>	<b>(4,200)</b>
<b>Deficit/(Surplus)</b>	<b>0</b>	<b>(9,585)</b>	<b>(9,585)</b>
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
<b>Deficit/(Surplus) after movement in Earmarked Reserves &amp; Statutory Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### General Fund

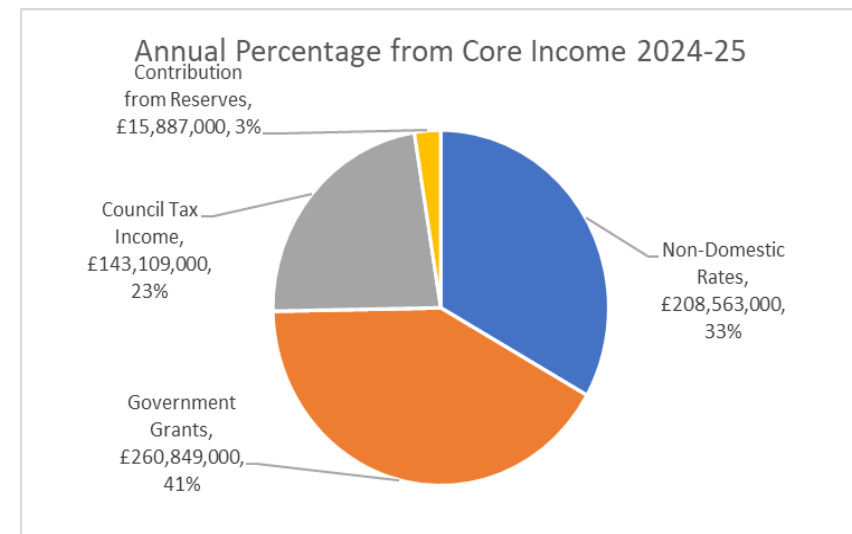
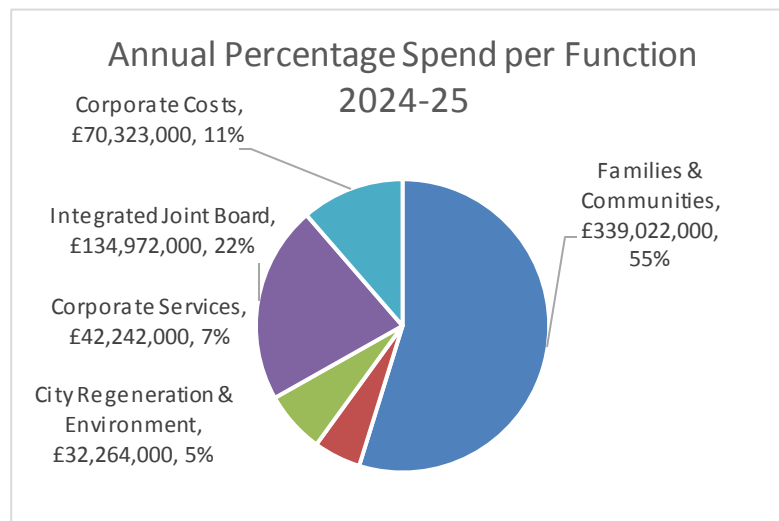
In 2024/25, the Families & Communities Function was our largest spending responsibility, accounting for £339 million of our total £548 million net service expenditure. We provided Education and Integrated Children's Services to over 25,000 children. The City Regeneration & Environment Function supplied 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.

#### Housing Revenue Account

Expenditure on Council Housing was £114 million, managing and maintaining over 23,550 homes, and was funded entirely from housing rents and associated charges.

In 2024/25, we received income of £628 million, comprising £208 million and £141 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's 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 1,603 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 a £4.707 million for 2023/24. The saving applied to the General Fund for 2024/25 was £3.646 million.

The Aberdeen City Health & Social Care Partnership Integrated Board (IJB) is a partnership between NHS Grampian and the Council. The partnership was formed in 2016 to bring together health and social care into an integrated system. The IJB is funded from both NHS Grampian and the Council and is responsible for adult social care, adult primary health care, unscheduled adult hospital care, and criminal justice social work. In 2024/25 the IJB reported a deficit of £17.036m. This deficit was funded from IJB reserves (£6.550m), and the NHS (£6.445m) and Council (£4.041m) as per the partnership agreement. The Council's share of the IJB deficit was paid from earmarked reserves, as approved by the Finance and Resources Committee in February 2025.

After considering group accounting adjustments and movements in reserves the final operational out-turn position was a balanced position for the General Fund. The position of the Housing Revenue Account was a £3.001 million deficit. Therefore 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 £152 million as at 31 March 2025, a decrease of £7 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 (£145 million General Fund, £116 million Housing) 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.

As at Period 12 2024/25	2024/25		
	Revised Budget for Year	Actual Expenditure for Year	Actual v Budget Variance
	£'000	£'000	£'000
AECC Programme Board	3,003	218	(2,785)
Asset Management Programme Board	84,643	72,150	(12,493)
Asset Management Programme Board Rolling Programmes	29,585	0	(29,585)
City Centre Programme Board	81,389	26,158	(55,230)
Energy & Climate Programme Board	40,188	19,275	(20,913)
Housing and Communities Programme Board	2,727	805	(1,922)
Housing and Communities Programme Board Rolling Programmes	647	536	(112)
Transportation Programme Board	14,349	2,801	(11,548)
Transportation Programme Board Rolling Programmes	1,000	1,000	(0)
Strategic Asset & Capital Plan Board	15,951	21,892	5,942
Strategic Asset & Capital Plan Board Rolling Programmes	4,441	0	(4,441)
Developer Obligation Projects & Asset Disposals	0	418	418
<b>Total Expenditure</b>	<b>277,923</b>	<b>145,253</b>	<b>(132,671)</b>
<b>Capital Funding:</b>			
Income for Specific Projects	(63,054)	(31,693)	31,361
Developer Contributions	0	(438)	(438)
Capital Grant	(17,518)	(18,329)	(811)
Other Income e.g. Borrowing	(197,352)	(94,793)	102,559
<b>Total Income</b>	<b>(277,924)</b>	<b>(145,253)</b>	<b>132,671</b>

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

- Tillydrone Primary School (New Riverbank Primary School) has been completed and handed over to the Council. This pupils of the existing Riverbank Primary School are in the process of decanting to the new school which then allows St Peters RC to move into the old Riverbank Primary.
- 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 Summer 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 now been completed and preparations are being made for our Waste Disposal contractor to bring it into operation.

- Work commenced on the Tolbooth roof and parapet works (Condition & Suitability Programme) in June 2023 with completion now planned for Summer 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 be Spring 2026.
- Construction work on the Bairns' 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 addition, a further report went to Communities, Housing and Public Protection Committee on 27 May 2025 detailing the outcomes of the viability of the alternative options presented by the Torry RAAC Campaign Group Management Committee.

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, Stoneywood and Kincorth and buying former Council Homes. Grant funding of £7.1m was received from the Scottish Government for the Cloverhill, Craighill, Stoneywood 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 129. 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.

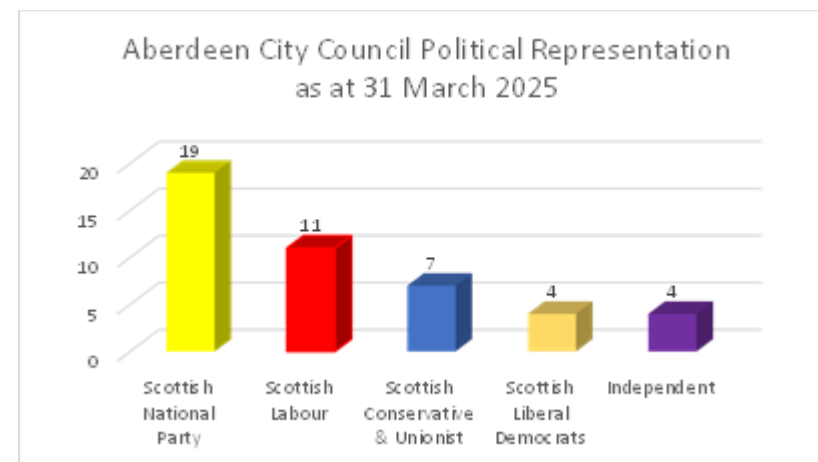
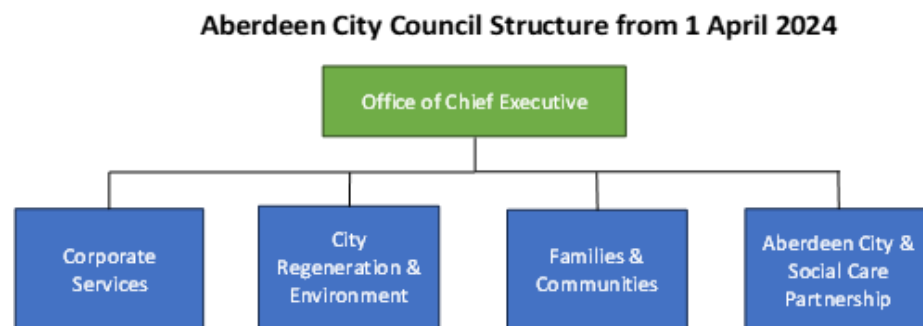
### The City Council's Group

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. 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.
- **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 29<sup>th</sup> 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](#).

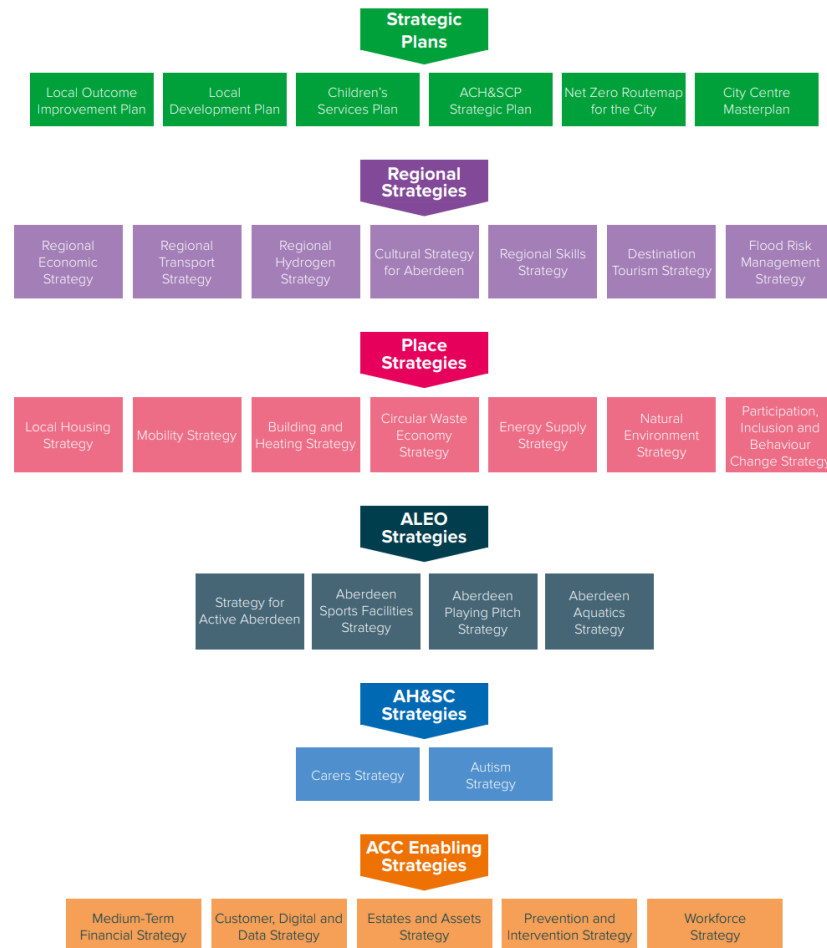
- **Strategy Framework**

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 (NO<sub>2</sub>), 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 fines of £1.613 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. Following an extensive consultation with the Council's recognised trade unions and individual consultation with staff on the proposal to reduce the standard working week for Aberdeen City Council, a collective agreement was reached in June 2025 between the Council and the joint trade unions to implement the change to contracts of employments for all in-scope employees with effect from 1 July 2025. Impacted staff will receive a 'buyout' payment split into 2 annual payments made in July 2025 and 2026.

### Engaging with our staff

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

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

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

### Diversity at work

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

### Our Relationship with Scottish and UK Governments

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

We work closely with both governments and seek to help to deliver national policy decisions. Funding of £20 million, through the Levelling Up Fund, was awarded by the UK Government in support of city centre projects and funding has been 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](#).

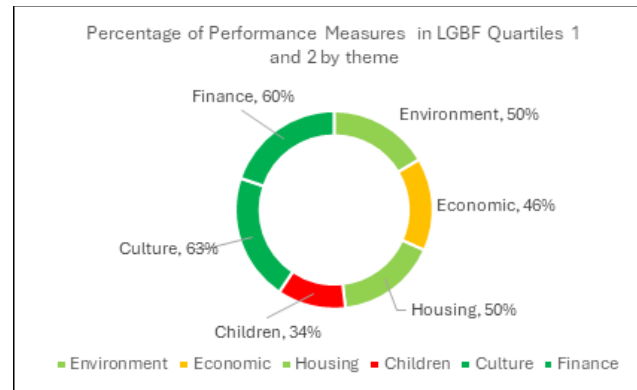
### Performance Management System

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

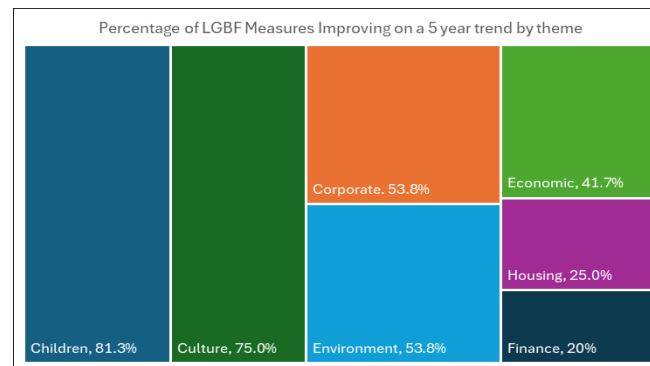
50% of measures are in Q1 and Q2

Less than 40% of measures are in Q1 and Q2

From the data available at financial year-end, Council outcomes are generally tracking national trends. The Council is doing better than most in maintaining cost effectiveness of delivery, 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, business planning processing, and the proportion of housing meeting national quality standards are amongst the top performers against benchmarks 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).

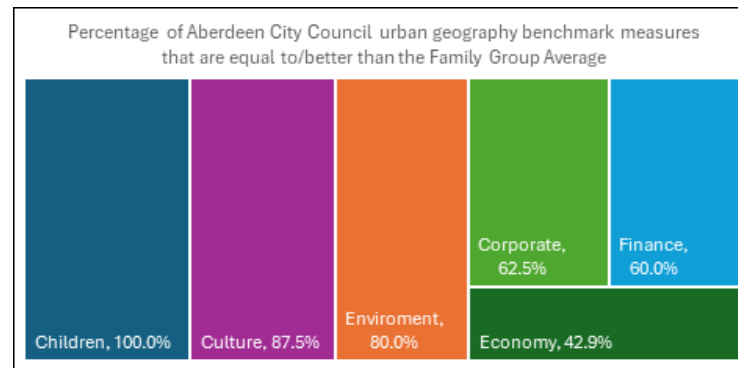
### Trends over the last 5 years

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.

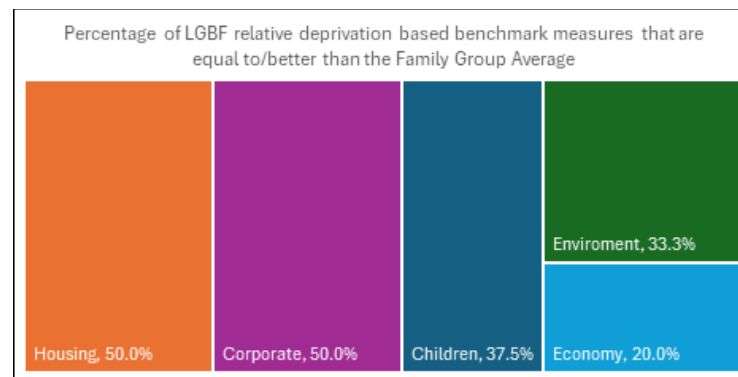


**How do we compare with other similar councils?**

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 58 shows Net Assets of £1,276 million as at 31 March 2025 (£1,350 million at 31 March 2024), a decrease of £73 million. Long Term Assets have increased by £117 million (from £3,030 million at 31 March 2024), reflecting an increase in Property, Plant & Equipment (PPE) of £116 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 £9 million, and a decrease in Investment Properties of £13 million, (this also now includes right of use assets) and an increase in Long Term Investments of £5 million. Short Term Assets have decreased by £10 million from the previous year, reflecting an increase in Cash & Cash Equivalents (£12 million) a decrease in short term investments of £10 million, and in Short Term Debtors (£10 million), and Assets Held For Sale of £2 million. Current Liabilities have increased by £60 million from the previous year, mainly due to an increase in Short Term Creditors (£30 million) and Short Term Borrowing (£29 million) and Grant received in Advance (£6 million), and a decrease in Short Term provisions (£3 million) and PPP liabilities (£2 million). Long Term (LT) Liabilities have increased by £120 million, mainly due to an increase in Long Term Borrowing (£120 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 regarding contingent liabilities at Note 34 on page 129 and provisions 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 £23 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 2<sup>nd</sup>/Long Term Empty Homes (£2 million). The balance of earmarked reserves as at 31 March 2025 was £81.5 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 (£3.4 million) 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 86.

- **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.

	Quarter 4 Final Position	Transfers between funds & other adjustments	(Surplus)/ Deficit per EFA	Other Adjustments	Statutory Adjustments	(Surplus)/ Deficit per CIES
Financial Performance 24/25	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	0	23,555	23,555	(13,627)	18,058	27,986
Housing Revenue Account	3,001	(23,177)	(20,176)	(3,392)	126,528	102,960
<b>(Surplus) /Deficit on provision of services</b>	<b>3,001</b>	<b>378</b>	<b>3,379</b>	<b>(17,019)</b>	<b>144,586</b>	<b>130,946</b>
Other Comprehensive Income and Expenditure						(57,653)
<b>Total Comprehensive Income &amp; Expenditure Surplus</b>	<b>3,001</b>	<b>378</b>	<b>3,379</b>	<b>(17,019)</b>	<b>144,586</b>	<b>73,294</b>

*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 £81.4 million, Housing £487 million). Capital expenditure during the year was £260 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 2022/23. Profiling of project budgets and forecasting of outturns remains challenging given the wide range of factors continuing to affect construction supply chains 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 £1.409 billion. This is an increase against the net assets of the Council, which are £1.276 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 2024/25. Details can be seen on pages 163-181.

- **Common Good**

The Common Good recorded an operating surplus of £0.052 million. This surplus is before revaluation of assets, investments and other accounting adjustments are applied. The value of the Common Good is £107.991 million at 31 March 2025, a decrease of £10.186 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 £0.198 million 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
<b>Council Tax</b>			
<b>Council Tax Income</b>	143,109	148,097	This is the Council Tax income due for the year
<b>Council Tax Collection Rate</b>	92.3	91.73	The percentage of Council Tax Income that was collected
<b>Financial Management</b>			
<b>Actual net expenditure as a % of Council Revised Annual Budget</b>	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
<b>Movement in the uncommitted General Fund Balance</b>	£0.0 m	£0.0 m	Reflects the extent to which the Council has increased its Uncommitted General Fund Reserve
<b>Reserves</b>			
<b>Usable reserves as a % of council annual budgeted net revenue</b>	24.94%	27.82%	This ratio shows the proportion of the Council's Usable Reserves in relation to the net revenue budget
<b>Uncommitted General Fund Balance as a % of council annual budgeted net revenue</b>	1.96%	2.17%	This ratio shows the proportion of uncommitted General Fund Reserve balance in relation to the budgeted net revenue
<b>Debt &amp; Borrowing</b>			
<b>Capital Expenditure</b>			
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
<b>Total</b>	<b>260,332</b>	<b>232,117</b>	
<b>Ratio of Financing Costs to Net Revenue Stream</b>			
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
<b>Capital Financing Requirement</b>			
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	
<b>Total</b>	<b>1,883,072</b>	<b>1,704,306</b>	
<b>Gross Borrowing</b>	<b>1,706,543</b>	<b>1,556,154</b>	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 2025-26 of between £6m and £47m, with a central scenario of £29m.

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 2025/26 to 2029/30 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  
26 June 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 26 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  
26 June 2025

## Annual Governance Statement

### 1. INTRODUCTION AND SCOPE

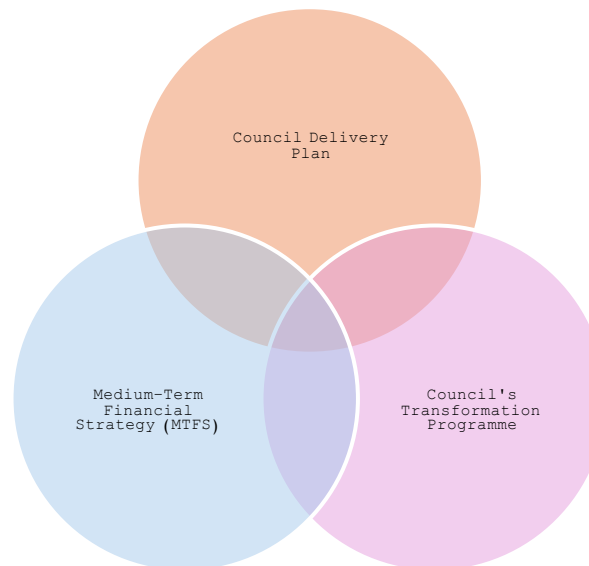
- 1.1 A governance framework has been in place at Aberdeen City Council for the year ending 31 March 2025 and up to the date of approval of the annual accounts.
- 1.2 The purpose of this Statement is to report publicly on the extent to which the Council's governance arrangements are compliant with our 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.

<b>Principle A</b>	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
<b>Principle B</b>	Ensuring openness and comprehensive stakeholder engagement
<b>Principle C</b>	Defining outcomes in terms of sustainable economic, social and environmental benefits
<b>Principle D</b>	Determining the interventions necessary to optimise the achievement of the intended outcomes
<b>Principle E</b>	Developing the entity's capacity, including the capability of its leadership and the individuals within it
<b>Principle F</b>	Managing risks and performance through robust internal control and strong public financial management
<b>Principle G</b>	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 2024/25** 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.

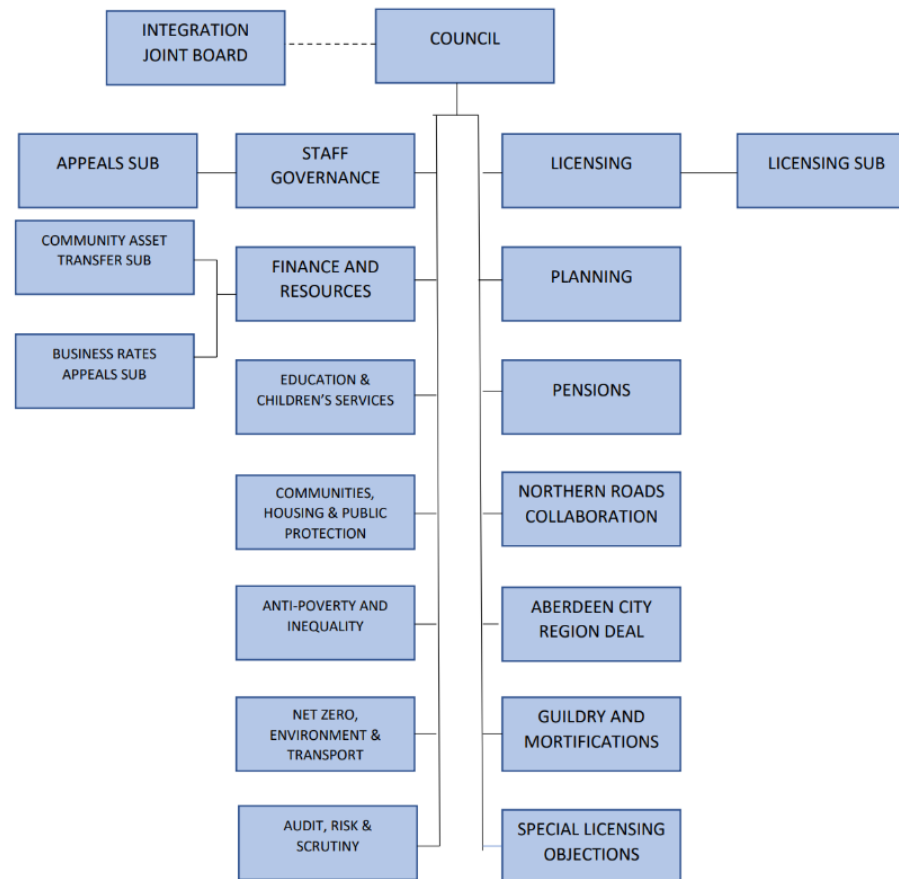
- 2.4 The Council Delivery Plan sits within the context of **Medium Term Financial Strategy** (MTFS). The MTFS was approved by the Finance and Resources Committee in November 2024, providing an overview of the Council's financial position and setting out a range of principles for income, expenditure 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.

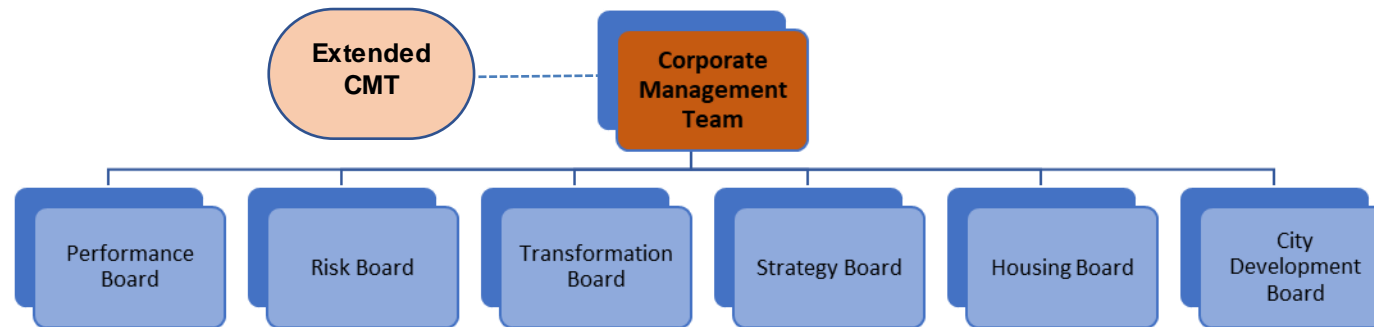


- 3.3 The triumvirate of the Head of Paid Service, the Chief Finance Officer and Monitoring Officer, or their nominees, were in attendance to advise at all Council and Committee meetings. Other Statutory post holders attended relevant committees. The Chief Social Work Officer attended the Council's Communities, 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 2019, 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 2024, 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 (2016). 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:

<b>First Line of Defence (“do-ers”)</b>	Managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives
<b>Second Line of Defence (“helpers”)</b>	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.
<b>Third Line of Defence (“checkers”)</b>	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 2022/23 to 2026/27 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 and performing better than the Scottish average in 54% of the indicators.

- 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 9<sup>th</sup> 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

- 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".
- 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 2025:
- 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, 26 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
<b>Total</b>	<b>1,385</b>	<b>1,058</b>

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
<b>Total</b>	<b>1,132,768</b>	<b>1,202,291</b>

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	-	-	-
<b>Total</b>	<b>27</b>	<b>33</b>	<b>591</b>	<b>1,422</b>	<b>2,013</b>	<b>974</b>	<b>1,130</b>	<b>2,104</b>

**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	2024/25		
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
	<b>556,523</b>	<b>Total</b>			<b>593,990</b>	<b>9,960</b>	<b>603,950</b>

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	
	<b>1,094,933</b>	<b>Total</b>			<b>1,305,863</b>	<b>1,305,863</b>	

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

<b>Note 1:</b>	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.
<b>Note 2:</b>	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.
<b>Note 3:</b>	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	
	<b>194,188</b>	<b>Total</b>			<b>333,710</b>	<b>33,749</b>	<b>367,459</b>	
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 1/49<sup>th</sup> 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 1/49<sup>th</sup> 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:

<b>Pensionable pay (2023/24)</b>	<b>Contribution rate 2023/24</b>	<b>Pensionable pay (2024/25)</b>	<b>Contribution rate 2024/25</b>
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 1/49<sup>th</sup> of pensionable pay (from 2009 to 2015 the accrual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> 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	Lump Sum	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
<b>Total</b>		<b>86,669</b>	<b>54,575</b>	Pension	<b>83</b>	<b>16</b>
				Lump Sum	<b>4</b>	<b>-</b>

\* 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
<b>TOTAL</b>		<b>237,089</b>	<b>184,366</b>	<b>Pension Lump Sum</b>	<b>526 548</b>	<b>82 32</b>	
* 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.							
<b>Note 1:</b>	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		
		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	5	2
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	9	3
Pamela MacKenzie	Managing Director Bon Accord Support Services Ltd and Bon Accord Care Ltd (until 30 April 2024)	22,431	1,588	Pension	7	1
Ian Davidson	Chief Executive Officer Aberdeen Heat and Power	18,166	17,101	Pension	11	3
<b>Total</b>		<b>40,597</b>	<b>63,989</b>	<b>Total</b>	<b>47</b>	<b>24</b>
No accrued benefits for Elizabeth McKenzie who left the pension scheme with a refund when employment ended.						

### Trade Union Facility Time

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

**Trade Union Representatives and full time equivalents**

<i>Number of employees who were relevant union official during the relevant period</i>		<i>Full time equivalent employee number</i>
Central Function	53	42.078
Education Function	78	74.8

*Note: The headcount figure for relevant union officials includes all stewards and school-based reps who are elected by their peers to provide first line support for members.*

**Percentage of working hours on facility time**

<i>Percentage of Time</i>	<i>Number of Employees</i>	
	<i>Central Function</i>	<i>Education Function</i>
0%	0	73
1-50%	46	2
51-99%	1	1
100%	6	2

**Total pay bill and facility costs**

<i>First Column</i>	<i>Figures</i>	
	<i>Central Function</i>	<i>Education Function</i>
Provide the total cost of facility time	£289,613	£101,967
Provide the total pay bill	£235,455,682	£143,815,512
Provide the percentage of the total pay bill spent on facility time	0.12 %	0.07%

**Paid Trade Union activities**

<i>Time spent on paid trade union activities as percentage of total paid facility time hours calculated as:</i>  <i>(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100</i>	Central Function  9.84%	Education Function  0% *
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*\*Education school based reps do not undertake paid trade union activities during working hours*

Angela Scott  
Chief Executive  
26 June 2025

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
<b>Balance at 31 March 2023 brought forward</b>	<b>(85,928)</b>	<b>(15,715)</b>	<b>(29,635)</b>	<b>(24,267)</b>	<b>(155,545)</b>	<b>(1,317,336)</b>	<b>(1,472,881)</b>
<b>Movement in Reserves during 2023/24</b>							
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
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>45,579</b>	<b>(7,662)</b>	<b>(1,989)</b>	<b>13,760</b>	<b>49,688</b>	<b>73,487</b>	<b>123,175</b>
Transfers to/(from) Reserves	(54,081)	9,187	(7,893)	0	(52,787)	52,787	0
<b>(Increase)/Decrease in Year</b>	<b>(8,502)</b>	<b>1,525</b>	<b>(9,882)</b>	<b>13,760</b>	<b>(3,099)</b>	<b>126,274</b>	<b>123,175</b>
<b>Restated Balance at 31 March 2024</b>	<b>(94,430)</b>	<b>(14,190)</b>	<b>(39,517)</b>	<b>(10,507)</b>	<b>(158,644)</b>	<b>(1,191,062)</b>	<b>(1,349,706)</b>

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	<b>Total Usable Reserves £'000</b>	Total Unusable Reserves £'000	<b>Total Council Reserves £'000</b>
<b>Restated Balance at 31 March 2024 brought forward</b>	<b>(94,430)</b>	<b>(14,190)</b>	<b>(39,517)</b>	<b>(10,507)</b>	<b>(158,644)</b>	<b>(1,191,062)</b>	<b>(1,349,706)</b>
<b>Movement in Reserves during 2024/25</b>							
Total Comprehensive Income & Expenditure	22,194	108,752	0	0	<b>130,946</b>	(57,652)	<b>73,294</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(20,918)	(105,751)	(3,383)	10,097	<b>(119,955)</b>	119,955	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>1,276</b>	<b>3,001</b>	<b>(3,383)</b>	<b>10,097</b>	<b>10,991</b>	<b>62,303</b>	<b>73,294</b>
Transfers to/(from) Reserves	(190)	300	(4,229)	0	<b>(4,119)</b>	4,119	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>1,086</b>	<b>3,301</b>	<b>(7,612)</b>	<b>10,097</b>	<b>6,872</b>	<b>66,422</b>	<b>73,294</b>
<b>Balance at 31 March 2025</b>	<b>(93,344)</b>	<b>(10,889)</b>	<b>(47,129)</b>	<b>(410)</b>	<b>(151,772)</b>	<b>(1,124,640)</b>	<b>(1,276,412)</b>

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
194,678	(109,548)	85,130	City Regeneration and Environment	191,147	(111,621)	79,526
143,503	(51,900)	91,603	Corporate Services	106,918	(52,071)	54,847
47,616	(26,534)	21,082	Corporate	36,225	(31,784)	4,441
311,977	(190,762)	121,215	Integration Joint Board	340,362	(208,755)	131,607
408,252	(84,767)	323,485	Families and Communities	407,701	(50,905)	356,796
161,718	(105,293)	56,425	Housing Revenue Account	214,991	(112,031)	102,960
<b>1,267,744</b>	<b>(568,804)</b>	<b>698,940</b>	<b>Cost of Services</b>	<b>1,297,344</b>	<b>(567,167)</b>	<b>730,177</b>
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	(659,958)	(659,958)
<b>1,342,302</b>	<b>(1,241,802)</b>	<b>100,500</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,360,851</b>	<b>(1,229,905)</b>	<b>130,946</b>
		10,834	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(46,796)
		11,841	Actuarial (gains)/losses on pension assets/liabilities			(10,856)
		0	Other (Gains)/Losses			0
		<b>22,675</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(57,652)</b>
		<b>123,175</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>73,294</b>

\*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

<b>1 April 2023 £'000</b>	<b>Restated 31 March 2024 £'000</b>		<b>Note</b>	<b>31 March 2025 £'000</b>
2,610,218	2,653,067	Property, Plant & Equipment	27	2,736,639
0	0	Property, Plant & Equipment Right of Use	24	32,013
199,723	200,273	Heritage Assets	26	208,982
169,883	144,220	Investment Property	25	86,203
0	0	Investment Property Right of Use	24	45,200
28,219	32,453	Long Term Investments	37	37,891
498	457	Long Term Debtors	37	421
<b>3,008,541</b>	<b>3,030,470</b>	<b>Long Term Assets</b>		<b>3,147,349</b>
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	182,649
4,312	4,945	Inventories	31	4,537
3,150	9,650	Assets Held for Sale	30	6,592
<b>241,403</b>	<b>274,590</b>	<b>Current Assets</b>		<b>264,197</b>
(306,405)	(409,806)	Short Term Borrowing	37	(439,352)
(156,365)	(147,086)	Short Term Creditors	33	(175,599)
(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)
<b>(486,132)</b>	<b>(582,793)</b>	<b>Current Liabilities</b>		<b>(642,946)</b>

<b>1 April 2023 £'000</b>	<b>Restated 31 March 2024 £'000</b>		<b>Note</b>	<b>31 March 2025 £'000</b>
(1,064,341)	(1,146,348)	Long Term Borrowing	37	(1,267,190)
0	0	Long Term Creditor		(2,024)
(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)
<b>(1,290,931)</b>	<b>(1,372,561)</b>	<b>Long Term Liabilities</b>		<b>(1,492,188)</b>
<b>1,472,881</b>	<b>1,349,706</b>	<b>Net Assets</b>		<b>1,276,412</b>
		Usable Reserves:		
(85,928)	(94,430)	General Fund Balance		(93,344)
(15,715)	(14,190)	Housing Revenue Account		(10,889)
(29,635)	(39,517)	Statutory and Other Reserves		(47,129)
(24,267)	(10,507)	Capital Grants Unapplied Account		(410)
(1,317,336)	(1,191,062)	Unusable Reserves	13	(1,124,640)
<b>(1,472,881)</b>	<b>(1,349,706)</b>	<b>Total Reserves</b>		<b>(1,276,412)</b>

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  
26 June 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.

<b>2023/24</b>		<b>2024/25</b>
<b>£'000</b>		<b>£'000</b>
(100,500)	Net Surplus or (Deficit) on the provision of services	(130,946)
137,522	Adjust net surplus or deficit on the provision of services for non cash movements (note 14)	246,590
(63,315)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(42,792)
(26,293)	Net cash flows from Operating Activities (note 14)	72,852
(154,069)	Net cash flows from Investing Activities (note 15)	(189,134)
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
<b>57,817</b>	<b>Cash and cash equivalents at the end of the reporting period (note 17)</b>	<b>70,367</b>

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)

## 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 party to sublease arrangements as lessor as at 1 April 2024 however they are not considered finance leases.

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 2025, a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets. Therefore, for 2024/25 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 2025, 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 £183 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 £1.83 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		
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>							
<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	
<b>Adjustments involving the Capital Receipts Reserve:</b>						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
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						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
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						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)
<b>Adjustments involving the Pensions Reserve:</b>						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)
<b>Adjustments involving the Accumulated Absences Account:</b>						0	
Adjustments in relation to short term compensated absences	(904)	(24)	0	0	0	(928)	928
	2	0	0	0	0	2	(2)
<b>Total Adjustments</b>	<b>(1,959)</b>	<b>(60,624)</b>	<b>(1,989)</b>	<b>0</b>	<b>13,760</b>	<b>(50,812)</b>	<b>50,812</b>

2024/25	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		
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(58,301)	(46,541)	0	0	0	(104,842)	104,842
Revaluation losses on Property, Plant and Equipment	(5,859)	(79,570)	0	0	0	(85,429)	85,429
Capital grants and contributions applied	44,196	12,331	0	0	0	56,527	(56,527)
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)
<b>Adjustments involving the Capital Receipts Reserve:</b>							
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
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
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
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
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)
<b>Adjustments involving the Pensions Reserve:</b>							
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)
<b>Adjustments involving the Accumulated Absences Account:</b>							
Adjustments in relation to short term compensated absences	(284)	6	0	0	0	(278)	278
Other Adjustments	(13,772)	5,006	(1)	(1)	0	(8,768)	8,768
<b>Total Adjustments</b>	<b>(20,918)</b>	<b>(105,751)</b>	<b>(3,383)</b>	<b>0</b>	<b>10,097</b>	<b>(119,955)</b>	<b>119,955</b>

## 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	Transfers In 2023/24	Transfers Out 2023/24	Balance at 31 March 2024	Purpose
	£'000	£'000	£'000	£'000	
Devolved Education M'ment (Comm Centres)	(522)	0	0	(522)	community centre funds c/f
Devolved Education M'ment (School Funds)	(274)	0	648	374	school funds c/f
Energy Efficiency Fund	(1,275)	(61)	52	(1,284)	funding for energy saving schemes
Bus Lane Enforcement	(294)	(4,448)	544	(4,198)	funding towards transport strategy
Service Concessions Reserve	0	(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
<b>Total General Fund Earmarked Reserves</b>	<b>(73,928)</b>	<b>(60,901)</b>	<b>52,552</b>	<b>(82,277)</b>	
<b>Uncommitted General Fund Balance</b>	<b>(12,000)</b>	<b>(153)</b>	<b>0</b>	<b>(12,153)</b>	
<b>Total General Fund Balance</b>	<b>(85,928)</b>	<b>(61,054)</b>	<b>52,552</b>	<b>(94,430)</b>	

General Fund Earmarked Reserves	Balance at 31 March 2024	Transfers in	Transfers Out	Balance at 31 March 2025	
	£'000	£'000	£'000	£'000	
DEM (Comm Centres)	(522)	0	2	(520)	community centre funds c/f
DEM (School Funds)	374	0	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
Council approved Use of Reserves(Budget)	(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)	4,971	(5,128)	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
<b>Total General Fund Reserves</b>	<b>(82,277)</b>	<b>(23,071)</b>	<b>24,157</b>	<b>(81,191)</b>	
<b>Uncommitted General Fund balance</b>	<b>(12,153)</b>	<b>0</b>	<b>0</b>	<b>(12,153)</b>	
<b>Total General Fund Balance</b>	<b>(94,430)</b>	<b>(23,071)</b>	<b>24,157</b>	<b>(93,344)</b>	

HRA Earmarked Reserves	Balance at 31 March 2024	Transfers in	Transfers Out	Balance at 31 March 2025	
	£'000	£'000	£'000	£'000	
<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
<b>Total HRA Earmarked Reserves</b>	<b>(5,768)</b>	<b>(3,168)</b>	<b>5,460</b>	<b>(3,476)</b>	
<b>Uncommitted HRA balance</b>	<b>(8,421)</b>	<b>(1)</b>	<b>1,009</b>	<b>(7,413)</b>	
<b>Total HRA Balance</b>	<b>(14,189)</b>	<b>(3,169)</b>	<b>6,469</b>	<b>(10,889)</b>	

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)	(23,071)	24,157	(81,191)
HRA	(2,586)	(5,460)	2,278	(5,768)	(3,168)	5,460	(3,476)
<b>Total Earmarked Reserves</b>	<b>(76,514)</b>	<b>(66,361)</b>	<b>54,830</b>	<b>(88,045)</b>	<b>(26,239)</b>	<b>29,617</b>	<b>(84,667)</b>

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)	2,818	(43,348)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(2,031)	(1,119)	423	(2,727)	(1,409)	707	(3,429)	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
<b>Total Statutory and Other Funds</b>	<b>(29,635)</b>	<b>(10,457)</b>	<b>575</b>	<b>(39,517)</b>	<b>(11,137)</b>	<b>3,525</b>	<b>(47,129)</b>	

## 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

2023/24			2024/25			
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
52,083	33,047	85,130	City Regeneration and Environment	53,625	25,901	79,526
49,461	42,142	91,603	Corporate Services	49,338	5,509	54,847
27,978	(6,896)	21,082	Corporate	15,743	(11,302)	4,441
119,496	1,719	121,215	Integration Joint Board	129,908	1,699	131,607
292,030	31,455	323,485	Families and Communities	323,939	32,857	356,796
(21,485)	77,910	56,425	Housing Revenue Account	(20,176)	123,136	102,960
519,563	179,377	698,940	Net Cost of Services	552,377	177,800	730,177
(512,745)	(85,695)	(598,440)	Other Income and Expenditure	(548,998)	(50,233)	(599,231)
6,818	93,682	100,500	(Surplus) or Deficit on Provision of Services	3,379	127,567	130,946
(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	3,379		
(13,795)			To/From Other Statutory Reserves	1,008		
(108,620)			Closing General Fund and HRA Balance at 31 March 2025	(104,233)		

\*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	17	33,047
Corporate Services	41,333	1,829	(1,020)	42,142
Corporate	21	2,704	(9,621)	(6,896)
Integration Joint Board	427	1,198	94	1,719
Families and Communities	25,282	5,649	524	31,455
Housing Revenue Account	79,959	375	(2,424)	77,910
<b>Net Cost of Services</b>	<b>178,011</b>	<b>13,796</b>	<b>(12,430)</b>	<b>179,377</b>
Other Income and Expenditure from the Funding Analysis	(66,320)	(19,336)	(39)	(85,695)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 5)</b>	<b>111,691</b>	<b>(5,540)</b>	<b>(12,469)</b>	<b>93,682</b>

**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	25,600	2,195	(1,894)	25,901
Corporate Services	3,589	1,991	(71)	5,509
Corporate	(91)	99	(11,310)	(11,302)
Integration Joint Board	426	1,316	(43)	1,699
Families and Communities	11,129	21,996	(268)	32,857
Housing Revenue Account	126,111	417	(3,392)	123,136
<b>Net Cost of Services</b>	<b>166,764</b>	<b>28,014</b>	<b>(16,978)</b>	<b>177,800</b>
Other Income and Expenditure from the Funding Analysis	(28,371)	(21,821)	(41)	(50,233)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 5)</b>	<b>138,393</b>	<b>6,193</b>	<b>(17,019)</b>	<b>127,567</b>



**8. Comprehensive Income & Expenditure Statement - Other Operating Expenditure**

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

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

<b>2023/24 £'000</b>		<b>2024/25 £'000</b>
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)
<b>47,396</b>	<b>Total</b>	<b>61,000</b>

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

<b>2023/24 £'000</b>		<b>2024/25 £'000</b>
(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	(56,526)
0	Capital grants and receipts unapplied	10,097
<b>(644,925)</b>	<b>Total</b>	<b>(659,958)</b>

# 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. The £9m balance is within Corporate Gross Income within the Cost of Services in the Comprehensive Income and Expenditure Statement.

# 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

<b>31 March 2024</b> <b>£'000</b>		<b>31 March 2025</b> <b>£'000</b>
(944,765)	Revaluation Reserve	(971,432)
(321,784)	Capital Adjustment Account	(223,871)
12,857	Financial Instruments Adjustment Account	12,418
53,754	Pensions Reserve	49,091
8,876	Accumulated Absences Account	9,154
<b>(1,191,062)</b>	<b>Total</b>	<b>(1,124,640)</b>

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	(109,318)	
59,833		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	62,521	
	10,834	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(46,797)
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		(971,432)

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
<b>(413,305)</b>	<b>Balance at 1 April</b>		<b>(321,784)</b>
	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	104,842	
81,324	Revaluation losses on Property, Plant and Equipment	71,698	
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		179,305	
(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		159,176
	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	(56,527)	
(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)			(78,181)
18,949	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		13,730
39,426	Service Concession and Loans Fund Instalment		3,187
(1,101)	Written off		1
<b>(321,784)</b>	<b>Balance at 31 March</b>	<b>0</b>	<b>(223,871)</b>

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	<b>Balance at 1 April</b>		<b>12,857</b>
	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)
<b>12,857</b>	<b>Balance at 31 March</b>		<b>12,418</b>

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	<b>Balance at 1 April</b>	<b>53,754</b>
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
<b>53,754</b>	<b>Balance at 31 March</b>	<b>49,091</b>

#### 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	<b>Balance at 1 April</b>		<b>8,876</b>
(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
<b>8,876</b>	<b>Balance at 31 March</b>		<b>9,154</b>

## 14. Cash Flow Statement – Operating Activities

2023/24		2024/25
£'000		£'000
(100,500)	Net surplus or (deficit) on the provision of services ^	(130,946)
<b>(100,500)</b>		<b>(130,946)</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
97,233	Depreciation	104,842
100,273	Impairment, downward revaluations & non sale derecognitions	85,429
(632)	(Increase)/Decrease in Stock	408
(45,827)	(Increase)/Decrease in Debtors	9,530
(7,649)	Increase/(Decrease) in Creditors	35,094
(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	2,329
0	Movement in value of investment properties	0
<b>137,522</b>		<b>246,590</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(79,176)	Receipt of Capital Grants and Contributions	(56,527)
(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
<b>(63,315)</b>		<b>(42,792)</b>
<b>(26,293)</b>	<b>Net cash flows from operating activities</b>	<b>72,852</b>

^ 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**

<b>2023/24</b>		<b>2024/25</b>
<b>£'000</b>		<b>£'000</b>
(232,245)	Purchase of property, plant and equipment, investment properties and heritage assets	(258,959)
(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	56,527
<b>(154,069)</b>	<b>Net cash flows from investing activities</b>	<b>(189,134)</b>

**16. Cash Flow Statement – Financing Activities**

<b>2023/24</b>		<b>2024/25</b>
<b>£'000</b>		<b>£'000</b>
(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
<b>162,101</b>	<b>Net cash flows from financing activities</b>	<b>128,832</b>

**17. Cash Flow Statement – Cash and Cash Equivalents**

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



## 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).
- The Council as the billing authority for Non Domestic Rates(NDR) acts as agent of the Scottish Government. During 2024/25, the Council billed £257million (£249million in 2023/24) on behalf of the Scottish Government. After Provision for bad and doubtful debts and prior year adjustments, the Council contributed £198million to the national non domestic rates pool in income (£186million in 2023/24) and received back from the pool £10million (£71million in 2023/24).

## 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
<b>Total</b>	<b>552</b>	<b>547</b>

## 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.

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 NESPF in September 2024. They are still within LG Pension Scheme. (LG related Fire pensions were consolidated within Strathclyde Pension Fund.)

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. 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](http://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.

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**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:

	Local Government Scheme	Pension £'000	Scottish Teachers Superannuation Scheme	£'000
	2023/24	2024/25	2023/24	2024/25
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	30,046	28,791	0	0
• administrative expenses	721	0	0	0
• past service costs	17	350	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
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>32,460</b>	<b>30,463</b>	<b>912</b>	<b>865</b>
<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)	31,748	0	0
• actuarial gains and losses arising on changes in demographic assumptions	(16,241)	16,087	(271)	155
• actuarial gains and losses arising on changes in financial assumptions	(20,135)	(197,513)	0	(1,048)
• change in effect of the asset ceiling	68,048	(513,972)	0	0
• other	57,205	(28,104)	116	2,552
<b>Total Post Employment Benefit Charged to the Comprehensive Income and</b>	<b>73,659</b>	<b>(661,291)</b>	<b>757</b>	<b>2,524</b>
<b>Movement in Reserves Statement</b>				
• 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)	(30,463)	(912)	(865)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	34,682	20,721	0	0
• retirement benefits payable to pensioners	2,539	2,674	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:

	<b>Local Government Pension Scheme</b>		<b>£'000</b>
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Present value of the defined benefit obligation	(1,304,948)	(1,381,427)	(1,245,093)
Fair value of plan assets	1,707,540	1,836,155	1,932,184
<b>Sub total</b>	<b>402,592</b>	<b>454,728</b>	<b>687,091</b>
• IFRIC 14 adjustment - effect of asset ceiling	(402,592)	(454,728)	(687,091)
Discretionary Benefits Arrangements	(28,001)	(35,236)	(29,798)
Scottish Teachers Superannuation Scheme	(19,452)	(18,518)	(19,293)
<b>Net asset (liability) arising from defined benefit obligation</b>	<b>(47,453)</b>	<b>(53,754)</b>	<b>(49,091)</b>

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 £687.091 million. 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. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2026 are £4.3 million. The liability duration of the defined benefit obligation is 16 years.

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

	<b>Total Assets: Local Government Pension Scheme £'000</b>		<b>Includes: Discretionary Benefits Arrangements £'000</b>	
	<b>2023/24</b>	<b>2024/25</b>	<b>2023/24</b>	<b>2024/25</b>
<b>Opening fair value of scheme assets</b>	<b>1,707,540</b>	<b>1,836,155</b>	<b>0</b>	<b>0</b>
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	(31,748)	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)	(2,598)
Other	0	0	0	0
<b>Closing fair value of scheme assets</b>	<b>1,836,155</b>	<b>1,877,276</b>	<b>0</b>	<b>(2,598)</b>
<b>Effect of the Asset Ceiling</b>	<b>(52,136)</b>	<b>(687,091)</b>	<b>0</b>	<b>0</b>
<b>Adjusted Closing Fair Value of Scheme Assets</b>	<b>1,784,019</b>	<b>1,190,185</b>	<b>0</b>	<b>(2,598)</b>
	<b>Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000</b>			
	<b>2023/24</b>	<b>2024/25</b>		
<b>Opening fair value of scheme assets</b>	<b>0</b>	<b>0</b>		
Contributions from employer	1,691	1,749		
Benefits paid	(1,691)	(1,749)		
<b>Closing fair value of scheme assets</b>	<b>0</b>	<b>0</b>		

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):*

	<b>Total Liabilities: Local Government Pension Scheme £'000</b>	
	<b>2023/24</b>	<b>2024/25</b>
<b>Opening balance at 1 April</b>	<b>(1,304,948)</b>	<b>(1,381,427)</b>
Current service cost	(30,046)	(28,791)
Interest cost	(61,706)	(66,820)
Contributions from scheme participants	(10,774)	(11,150)
Remeasurement (gains) and losses:		
- Actuarial gains/losses arising from changes in demographic assumptions	16,241	(16,759)
- Actuarial gains/losses arising from changes in financial assumptions	20,135	150,710
- Other	(57,205)	28,523
Past service cost	(17)	(345)
Losses/(gains) on curtailment	(2,600)	0
Liabilities assumed on entity combinations	(8,303)	0
Benefits paid	57,796	51,168
Liabilities extinguished on settlements	0	0
<b>Closing balance at 31 March</b>	<b>(1,381,427)</b>	<b>(1,274,891)</b>

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**

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

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000	
	2023/24	2024/25
<b>Opening balance at 1 April</b>	<b>(19,452)</b>	<b>(18,518)</b>
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
<b>Closing balance at 31 March</b>	<b>(18,518)</b>	<b>(19,293)</b>



## 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
<b>Equity Securities:</b>					(cont.)			
Consumer					<b>Investment Funds and Unit Trusts:</b>			
Manufacturing					Equities			
Energy and Utilities					Bonds			
Financial Institutions					Hedge Funds			230,896
Health and Care					Commodities			
Information Technology					Infrastructure	28,438	2%	157,087
Other	1,062,294	58%	1,063,861	56%	Other	148,595	8%	
<b>Equity Securities Total</b>	<b>1,062,294</b>		<b>1,063,861</b>		<b>Investment Funds &amp; Unit Trusts Total</b>	<b>177,033</b>		<b>387,983</b>
<b>Debt Securities:</b>					<b>Derivatives:</b>			
Corporate Bonds (Investment Grade)					Inflation			
Corporate Bonds (Non Investment Grade)					Interest Rate			
UK Government	102,453	6%	122,694	6%	Foreign Exchange			
Other					Other			37,098
<b>Debt Securities Total</b>	<b>102,453</b>		<b>122,694</b>		<b>Derivatives Total</b>	<b>0</b>		<b>37,098</b>
<b>Private Equity:</b>					<b>Cash and Cash Equivalents:</b>			
All	0		162,690	8%	All	49,720	3%	43,474
<b>Private Equity Total</b>	<b>0</b>		<b>162,690</b>		<b>TOTAL ASSETS</b>	<b>1,836,155</b>	<b>100%</b>	<b>1,932,184</b>
<b>Property:</b>					<b>Effect of the Asset Ceiling</b>	<b>(489,964)</b>		<b>(687,091)</b>
UK Property	113,753	6%	114,385	6%		<b>1,346,191</b>		<b>1,245,093</b>
Overseas Property								
<b>Property Total</b>	<b>113,753</b>		<b>114,385</b>					
<b>Private Equity</b>								
UK & Global	330,902	18%	0					
Global								
<b>Private Equity Total</b>	<b>330,902</b>		<b>0</b>					

## 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. It should be noted that for the financial year 2024/25 the Fund actuaries were Hymans Robertson LLP (Financial year 2023/24 actuaries were Mercer Ltd). The new actuaries amended the approach to assumptions regarding sensitivity analysis in relation to the increase in the pension increase rate, the salary increase rate and the decrease in the real discount rate as noted in the table.

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 (2023/24 increase by 1 year)	95,876	50,996
Increase in the Pension increase Rate 0.1% (2023/24 increase by 0.25%)	115,442	20,855
Increase in the Salary Increase Rate 0.1% (2023/24 increase by 0.25%)	69,838	299
Decrease in Real Discount Rate 0.1% (2023/24 decrease 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.

### 35 hour working week

Following an extensive consultation with the Council's recognised trade unions and individual consultation with staff on the proposal to reduce the standard working week for Aberdeen City Council, a collective agreement was reached in June 2025 between the Council and the joint trade unions to implement the change to contracts of employments for all in-scope employees with effect from 1 July 2025. Impacted staff will receive a 'buyout' payment split into 2 annual payments made in July 2025 and 2026. There will be no financial impact to the Council's 2024/25 Financial Statements.

## 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	1,774	0	70	(779)	1,844	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

**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 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. Leases**Council 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		
	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	-	-
Reclassifications and Transfers	-	45,200
<b>Balance at end of the year</b>	-	<b>45,200</b>

	<b>Land and Building</b>	<b>Vehicles, Plant and Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>			
<b>At 1 April 2024 *</b>	<b>31,980</b>	<b>2,672</b>	<b>34,652</b>
Additions	-	310	<b>310</b>
Revaluation increases/(decreases)	1	17	<b>18</b>
<b>At 31 March 2025</b>	<b>31,981</b>	<b>2,999</b>	<b>34,980</b>
<b>Accumulated Depreciation</b>			
<b>At 1 April 2024</b>	-	-	-
Depreciation Charge	1,655	1,312	<b>2,967</b>
<b>At 31 March 2025</b>	<b>1,655</b>	<b>1,312</b>	<b>2,967</b>
<b>Net Book Value</b>			
<b>At 31 March 2025</b>	<b>30,326</b>	<b>1,687</b>	<b>32,013</b>
<b>At 31 March 2024</b>	<b>31,980</b>	<b>2,672</b>	<b>34,652</b>



## Transactions under leases

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

	2023/24 £000	2024/25 £000
<b>Comprehensive income and expenditure statement</b>		
Interest expense on lease liabilities	-	5,544
Expense relating to short-term leases	-	146
Expense relating to exempt leases of low-value items	-	962
<b>Cash flow statement</b>		
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:

	<b>Land and Buildings</b>		<b>Hydrogen Buses</b>	
	<b>31 March 2024</b>	<b>31 March 2025</b>	<b>31 March 2024</b>	<b>31 March 2025</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	<b>193,267</b>	<b>189,878</b>	<b>278</b>	<b>158</b>

**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:

	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	<b>169,883</b>	<b>144,220</b>
Additions	86	6
Disposals	(300)	0
Net gains/(losses) from fair value adjustments	(18,949)	(12,823)
Transfers:		
• (to)/from Right of Use Assets	0	(45,200)
• (to)/from Assets Held for Sale	(6,500)	0
<b>Balance at end of the year</b>	<b>144,220</b>	<b>86,203</b>

## 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
<b>Cost or valuation</b>						
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
<b>At 31 March 2024</b>	<b>608</b>	<b>1,948</b>	<b>17</b>	<b>197,400</b>	<b>300</b>	<b>200,273</b>
<b>Cost or valuation</b>						
At 1 April 2024	608	1,948	17	197,400	300	200,273
Additions	0	0	0	57	0	57
Revaluations	0	0	0	8,652	0	8,652
<b>At 31 March 2025</b>	<b>608</b>	<b>1,948</b>	<b>17</b>	<b>206,109</b>	<b>300</b>	<b>208,982</b>

**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, 14<sup>th</sup> 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 13<sup>th</sup> to the 20<sup>th</sup> century. In addition to that group are the 14<sup>th</sup> 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 19<sup>th</sup> and 20<sup>th</sup> century Scottish art, early 20<sup>th</sup> century English art and a growing collection of challenging international art of the 21<sup>st</sup> 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 8 May 2025.

### 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 16<sup>th</sup> 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 19<sup>th</sup> and early 20<sup>th</sup> 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
<b>Cost or Valuation</b>									
<b>At 1 April 2023</b>	<b>938,795</b>	<b>1,240,774</b>	<b>82,428</b>		<b>50,099</b>	<b>7,625</b>	<b>119,740</b>	<b>2,439,461</b>	<b>202,499</b>
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
<b>At 31 March 2024</b>	<b>1,019,795</b>	<b>1,245,607</b>	<b>77,539</b>		<b>52,973</b>	<b>5,527</b>	<b>72,963</b>	<b>2,474,404</b>	<b>191,462</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2023</b>	<b>(8,830)</b>	<b>(50,758)</b>	<b>(46,693)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(106,281)</b>	<b>(10,049)</b>
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
<b>At 31 March 2024</b>	<b>(16,493)</b>	<b>(56,393)</b>	<b>(39,849)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(112,735)</b>	<b>(6,078)</b>
<b>Net Book Value</b>									
<b>At 31 March 2024</b>	<b>1,003,302</b>	<b>1,189,214</b>	<b>37,690</b>	<b>291,398</b>	<b>52,973</b>	<b>5,527</b>	<b>72,963</b>	<b>2,653,067</b>	<b>185,384</b>
<b>At 31 March 2023</b>	<b>929,965</b>	<b>1,190,016</b>	<b>35,735</b>	<b>277,038</b>	<b>50,099</b>	<b>7,625</b>	<b>119,740</b>	<b>2,610,218</b>	<b>192,450</b>

\* As noted on page 75, the Council has chosen to adopt both Infrastructure Asset overrides for 2023/24 and 2024/25.

\*\* 2023/24 figures restated

## 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
<b>Cost or Valuation</b>									
<b>At 1 April 2024</b>	<b>1,019,795</b>	<b>1,245,607</b>	<b>77,539</b>		<b>52,973</b>	<b>5,527</b>	<b>72,963</b>	<b>2,474,404</b>	<b>191,462</b>
Additions	115,079	38,187	27,601		1,747	0	43,945	226,559	340
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(80,168)	55,356	0		0	26	0	(24,786)	(1,376)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(94,570)	4,716	0		0	(328)	0	(90,182)	(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	(23,256)	(2,999)		0	0	(8,726)	(34,981)	0
<b>At 31 March 2025</b>	<b>960,136</b>	<b>1,320,610</b>	<b>96,965</b>		<b>54,720</b>	<b>4,654</b>	<b>108,182</b>	<b>2,545,267</b>	<b>189,717</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2024</b>	<b>(16,493)</b>	<b>(56,393)</b>	<b>(39,849)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(112,735)</b>	<b>(6,078)</b>
Depreciation charge	(46,541)	(33,483)	(9,619)		0	0	0	(89,643)	(3,912)
Depreciation written out to the Revaluation Reserve	22,105	40,827	0		0	0	0	62,932	8,552
Depreciation written out to the Surplus / Deficit on the Provision of Services	14,999	3,482	0		0	0	0	18,481	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	1,655	1,312		0	0	0	2,967	0
<b>At 31 March 2025</b>	<b>(25,930)</b>	<b>(43,912)</b>	<b>(43,024)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(112,866)</b>	<b>(468)</b>
<b>Net Book Value</b>									
<b>At 31 March 2025</b>	<b>934,206</b>	<b>1,276,698</b>	<b>53,941</b>	<b>304,238</b>	<b>54,720</b>	<b>4,654</b>	<b>108,182</b>	<b>2,736,639</b>	<b>189,249</b>
<b>At 31 March 2024</b>	<b>1,003,302</b>	<b>1,189,214</b>	<b>37,690</b>	<b>291,398</b>	<b>52,973</b>	<b>5,527</b>	<b>72,963</b>	<b>2,653,067</b>	<b>185,384</b>

\* As noted on page 75, the Council has chosen to adopt both Infrastructure Asset overrides for 2023/24 and 2024/25.

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**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.

<b>Major Capital Contractual Commitments</b>	<b>As at 31 March 2024 £'000</b>	<b>As at 31 March 2025 £'000</b>
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
	<b>205,806</b>	<b>136,359</b>

*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.

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
Carried at historical cost	157,921	0	53,941	304,238	54,720	0	108,182	679,002
Valued at fair value as at:								
31 March 2025	776,285	627,708	0	0	0	4,654	0	1,408,647
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
<b>Total cost or valuation</b>	<b>934,206</b>	<b>1,276,698</b>	<b>53,941</b>	<b>304,238</b>	<b>54,720</b>	<b>4,654</b>	<b>108,182</b>	<b>2,736,639</b>

\* 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
<b>Opening Capital Financing Requirement</b>	<b>362,414</b>	<b>1,237,598</b>	<b>1,600,012</b>	<b>454,531</b>	<b>1,249,775</b>	<b>1,704,306</b>
<i>Capital investment</i>						
Property, Plant and Equipment	119,903	112,214	232,117	115,079	139,517	254,596
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)	(44,196)	(56,527)
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)
<b>Closing Capital Financing Requirement</b>	<b>454,531</b>	<b>1,249,775</b>	<b>1,704,306</b>	<b>554,378</b>	<b>1,326,406</b>	<b>1,880,784</b>
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	92,117	17,905	110,022	99,847	81,372	181,219
Assets acquired under PFI/PPP contracts	0	(5,728)	(5,728)	0	(4,741)	(4,741)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>92,117</b>	<b>12,177</b>	<b>104,294</b>	<b>99,847</b>	<b>76,631</b>	<b>176,478</b>

## 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 2025/26	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
<b>Total</b>	<b>129,738</b>	<b>79,557</b>	<b>67,501</b>	<b>276,795</b>	<b>19,020</b>	<b>36,841</b>	<b>19,862</b>	<b>75,724</b>	<b>148,758</b>	<b>116,398</b>	<b>87,363</b>	<b>352,519</b>

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:

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

### 30. Assets Held for Sale

	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at start of year</b>	<b>3,150</b>	<b>9,650</b>
Revaluation gains and (losses)	0	(908)
Disposals	0	(2,150)
Reclassifications and transfers	6,500	0
<b>Balance outstanding at end of year</b>	<b>9,650</b>	<b>6,592</b>

## 31. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work in Progress		Property Acquired or Constructed 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
<b>Balance outstanding at start of year</b>	4,306	<b>4,931</b>	6	<b>12</b>	0	<b>0</b>	<b>4,312</b>	<b>4,943</b>
Purchases	23,453	<b>21,234</b>	44,605	<b>40,405</b>	0	<b>0</b>	68,058	61,639
Recognised as an expense in the year	(22,828 )	<b>(21,640 )</b>	(44,599 )	<b>(40,405 )</b>	0	<b>0</b>	(67,427 )	(62,045 )
Written off balances	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0	0
Reversals of write-offs in previous years	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0	0
<b>Balance outstanding at end of year</b>	<b>4,931</b>	<b>4,525</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>4,943</b>	<b>4,537</b>

## 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	4,989
Other entities and individuals	226,811	206,665
<b>Gross Total</b>	<b>282,401</b>	<b>277,108</b>
Deduct: Provision for Impairment	(90,258)	(94,459)
<b>Net Total</b>	<b>192,143</b>	<b>182,649</b>

**33. Short Term Creditors**

	<b>31 MARCH 2024 £'000</b>	<b>31 MARCH 2025 £'000</b>
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)	(157,025)
<b>Total</b>	<b>(147,086)</b>	<b>(175,599)</b>

**34. Provisions**

	<b>Note 1</b>	<b>Note 2</b>	<b>Note 3</b>	<b>Note 4</b>	
<b>2024/25</b>	<b>Compensation Payments - Equal Pay &amp; VS/ER £'000</b>	<b>Property - Asset Management £'000</b>	<b>Contractual Obligations £'000</b>	<b>Other £'000</b>	<b>TOTAL £'000</b>
<b>Balance at 1 April 2024</b>	<b>(1,484)</b>	<b>(350)</b>	<b>(3,224)</b>	<b>(2,276)</b>	<b>(7,334)</b>
Additional provisions made in 2024/25	(738)	(3,115)	0	(28)	(3,397)
Amounts used in 2024/25	999	0	328	1,702	5,147
Unused amounts reversed in 2024/25	484	0	2,118	0	0
<b>Balance at 31 March 2025</b>	<b>(739)</b>	<b>(3,465)</b>	<b>(778)</b>	<b>(602)</b>	<b>(5,584)</b>
<i>Represented by:</i>					
<b>Current provisions</b>	(739)	(2,220)	(778)	(602)	(4,339)
<b>Long term provisions</b>	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 across the Council's non-housing property portfolio that have been declared vacant and surplus, including several former public conveniences, dilapidated depot buildings, and a former school. 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. The majority of the rehoming was undertaken in 2024/25 with only a small number remaining to be rehoused in 2025/26.

## 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 2025 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**

- **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.

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

		2023/24	2024/25
		£'000	£'000
<b>Credited to Services</b>			
	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
	<b>Balance to Carry Forward</b>	<b>116,489</b>	<b>104,498</b>

			2023/24		2024/25
			£'000		£'000
<b>Balance Brought Forward</b>			<b>116,489</b>		<b>104,498</b>
UK Government					
	Ukrainian Integration Support		786		1,512
	Ukrainian Sponsorship		418	**	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
<b>Total</b>			<b>162,157</b>		<b>163,327</b>
					<b>635,780</b>
* 2023/24 'Scottish Government Other' has been restated as Bairns Hoose Pathfinder has been identified separately in 24/25.					
** 2023/24 "UK Government - Ukrainian Sponsorship" figure has been amended.					
*** 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
<b>Revenue Grants - Receipts in Advance</b>		
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
<b>Total</b>	<b>4,944</b>	<b>3,562</b>
<b>Capital Grant - Receipts in Advance</b>		
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
<b>Total</b>	<b>489</b>	<b>8,172</b>





## 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
<b>Investments</b>				
Loans and receivables	0		10,035	52
Interest in group entities	32,453	37,891	0	0
<b>Total investments</b>	<b>32,453</b>	<b>37,891</b>	<b>10,035</b>	<b>52</b>
<b>Debtors</b>				
Loans and receivables	457	421	0	
Financial assets carried at contract amount	0		192,143	182,649
<b>Total debtors</b>	<b>457</b>	<b>421</b>	<b>192,143</b>	<b>182,649</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(1,146,348)	(1,267,190)	(409,806)	(439,352)
<b>Total borrowings</b>	<b>(1,146,348)</b>	<b>(1,267,190)</b>	<b>(409,806)</b>	<b>(439,352)</b>
<b>Other Long term Liabilities</b>				
PPP liabilities	(116,398)	(113,631)	(4,308)	(2,767)
<b>Total other long term liabilities</b>	<b>(116,398)</b>	<b>(113,631)</b>	<b>(4,308)</b>	<b>(2,767)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(147,086)	(175,599)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(147,086)</b>	<b>(175,599)</b>

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

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
<b>Loans and Receivables</b>	(10,035)		117		25,127		110	
<b>Interest in Group Entity</b>		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	Fair Value (New Loan Rates) £'000
PWLB – maturity	(609,434)	(7,822)	(617,256)	(558,911)	(484,732)	(729,434)	(10,017)	(739,451)	(623,497)	(560,013)
LOBOs	(93,893)	(716)	(94,609)	(105,315)	(85,728)	(93,893)	(705)	(94,598)	(101,623)	(77,019)
Bond Issuance	(321,053)	(1,415)	(322,468)	(307,407)	(300,338)	(310,504)	(1,412)	(311,916)	(269,933)	(263,925)
Bond EIR	(94,644)	0	(94,644)	(94,644)	(94,644)	(107,556)	0	(107,556)	(107,556)	(107,556)
Bond Premium	(35,147)	0	(35,147)	(35,147)	(35,147)	(33,545)	0	(33,545)	(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)		
<b>Total Long Term Borrowing</b>	<b>(1,154,170)</b>	<b>0</b>	<b>(1,146,348)</b>	<b>(1,101,424)</b>	<b>(1,000,589)</b>	<b>(1,274,932)</b>	<b>0</b>	<b>(1,267,190)</b>	<b>(1,136,154)</b>	<b>(1,042,058)</b>
Short term borrowing	(381,086)	(6,012)	(387,098)	(363,389)	(363,389)	(408,815)	(5,740)	(414,555)	(390,225)	(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)		
<b>Total Short Term Borrowing</b>	<b>(381,086)</b>	<b>(18,171)</b>	<b>(409,806)</b>	<b>(363,389)</b>	<b>(363,389)</b>	<b>(408,815)</b>	<b>(19,977)</b>	<b>(439,352)</b>	<b>(390,225)</b>	<b>(390,225)</b>

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 2025) 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 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.

The Council also holds cash deposits of £5.877 million on behalf of the Social Work department clients, these are not included in the above figures.

### 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:

<b>Credit Risk A</b>					
<b>Estimated maximum exposure at 31 March 2025 £'000</b>		<b>Amount at 31 March 2025 £'000</b>	<b>Historical experience of default %</b>	<b>Historical experience adjusted for market conditions at 31 March 2025 %</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2025 £'000</b>
		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
<b>1,343</b>					<b>728</b>

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:

<b>Credit Risk B</b>	<b>31 March 2024 £'000</b>	<b>31 March 2025 £'000</b>
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
	<b>53,497</b>	<b>50,554</b>

### **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 £'000	31 March 2025 £'000
Less than one year	412,533	439,352
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	961,629
	<b>1,556,154</b>	<b>1,706,542</b>

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:

	<b>£'000</b>
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	<b>(7)</b>
Share of overall impact debited to the HRA	<b>(2)</b>
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)	<b>89,033</b>
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.

#### 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 legislation requires that any revenues raised go towards the operational and maintenance costs of the scheme. Thereafter any surplus remaining can be used by the LA for projects to further improve air quality. The programme of LEZ funded projects will be reported to and agreed by Committee annually. To date, the revenues raised have only been used to cover the running costs of the scheme. Annual reporting on the effectiveness of the scheme will commence in late summer/early autumn 2025, but monthly data on the number of fines issued is published on Aberdeen City Council's website: <https://www.aberdeencity.gov.uk/services/roads-transport-and-parking/low-emissions-zone-lez-penalty-charge-notice-statistics>

The Aberdeen City LEZ was introduced to address air pollution in the city centre, mainly nitrogen dioxide (NO<sub>2</sub>), 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
<b>Total Expenditure</b>	<b>4,722.18</b>	<b>211,592.80</b>	<b>231,995.16</b>	<b>673,978.42</b>	<b>56,088.00</b>	<b>351,029.15</b>	<b>378,192.53</b>

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	72,067.69
Nestrans			65,724.60	2,756.52			
Scottish Government (Air Quality)				9,000.00	56,088.00		
Transport Scotland (LEZ) Capital				547,990.00			154,555.20
PCN Income							1,386,025.08
<b>Total Income</b>	<b>4,722.18</b>	<b>211,592.80</b>	<b>231,995.16</b>	<b>673,978.42</b>	<b>56,088.00</b>	<b>351,029.15</b>	<b>1,612,647.97</b>
<b>NET POSITION</b>							<b>1,234,455.44</b>



#### 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.

Full details of the restructure were reported to Council on [7 February 2024](#).

## 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
<b>Total</b>	<b>746,912</b>	<b>869,978</b>	<b>1,019,685</b>	<b>1,147,677</b>	<b>1,152,409</b>	<b>1,273,843</b>	<b>1,424,226</b>	<b>1,528,063</b>	<b>1,717,008</b>

#### 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
	<b>Expenditure</b>			<b>Assets</b>	
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	
<b>60,814</b>		<b>70,199</b>	(398)	Rescheduled Premiums	(397)
	<b>Income</b>		109,623		183,111
	Interest & Expenses charged to Aberdeen City Council			<b>Current Assets</b>	
(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)	1,379,136	Temporary Advances from Council Services	1,464,572
<b>(60,814)</b>		<b>(70,199)</b>	1,525,887		1,675,562
				<b>Less: Current Liabilities</b>	
			14,337	Sundry Creditors	16,203
			<b>1,511,550</b>	<b>Net Assets</b>	<b>1,659,359</b>
				<b>Financed by:</b>	
			(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)
			<b>(1,511,550)</b>		<b>(1,659,359)</b>

The unaudited financial statements were issued on 8 May 2025.

Jonathan Belford, CPFA  
Chief Officer – Finance  
26 June 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
	<b>Income</b>		
(97,369)	Dwelling Rents	(104,292)	
(2,689)	Non Dwelling Rents	(2,604)	
(3,394)	Other Income	(2,980)	
<b>(103,452)</b>			<b>(109,876)</b>
	<b>Expenditure</b>		
8,582	Staff Costs	8,152	
8,582			8,152
	<b>Premises Costs:</b>		
34,664	Repairs and Maintenance	39,681	
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	
<b>54,867</b>			<b>61,030</b>
	<b>Administration Costs:</b>		
7,433	Management and Administration	7,725	
1,026	Other Costs	952	
<b>8,459</b>			<b>8,677</b>
	<b>Supplies and Services:</b>		
6,823	Communal Lighting and Heating, etc	7,667	
236	Information Technology	260	
289	Other Costs	273	
<b>7,348</b>			<b>8,200</b>

2023/24		2024/25	
£'000		£'000	£'000
	<b>Agencies:</b>		
138	Contributions	141	
266	Tenant's Participation/Helplines	272	
<b>404</b>			<b>413</b>
	<b>Capital Charges:</b>		
40,388	Depreciation	46,541	
39,571	Impairment of Non Current Assets	79,570	
79,959			<b>126,111</b>
<b>159,620</b>	<b>Gross Expenditure</b>		<b>212,583</b>
	<b>Net Cost of HRA Services per Council's</b>		
56,168	<b>Comprehensive Income and Expenditure Statement</b>		102,707
257	Corporate and Democratic Core	252	
			252
56,425	Net Cost of HRA Services		<b>102,959</b>
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	<b>(Surplus)/deficit for the year on HRA Services</b>		<b>108,751</b>

**Movement on the Housing Revenue Account Statement**

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

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

<b>2023/24</b>	<b>Notes</b>	<b>2024/25</b>
<b>£'000</b>		<b>£'000</b>
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)	Other	5,007
<b>(60,624)</b>		<b>(105,750)</b>

**2. Transfers (to) or from Reserves**

<b>2023/24</b>	<b>Notes</b>	<b>2024/25</b>
<b>£'000</b>		<b>£'000</b>
(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	108,751
(60,624)	Adjustments between Accounting Basis and Funding Basis under statute	(105,750)
(7,662)	Net (Increase)/Decrease before transfers to/(from) Reserves	3,001
9,187	Transfers to/(from) Reserves	300
<b>1,525</b>		<b>3,301</b>
<b>(14,190)</b>	<b>(Increase) or Decrease in year on HRA</b>	<b>(10,889)</b>

### 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
	<b>Type of Property</b>	
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
<b>23,258</b>	<b>Total</b>	<b>23,550</b>
* Includes 494 for Homeless, 500 Ukrainian		
& 411 off the charge		
	<b>Other Assets</b>	
1	Hostel	1
241	Garage Sites	241
2,023	Lock Up Garages	2,022
907	Parking Spaces	907
21	Travelling Peoples Sites	21
<b>3,193</b>		<b>3,192</b>



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, a 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)	<b>Gross Rates Levied and Contributions in Lieu</b>	(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)	<b>Net Non Domestic Rate Income</b>		(210,361)
12,415	Adjustment to previous years' National Non Domestic Rates		12,508
(185,606)	<b>Contribution to Non Domestic Rate Pool</b>		(197,853)
(257,797)	<b>Distribution from Non Domestic Rate Pool</b>		(208,768)
	<i>Less:</i>		
418	Charity Relief adjustment		418
(257,379)	<b>Income credited to the Comprehensive Income and Expenditure Statement</b>		(208,350)

<b>Category</b>	<b>Number of Subjects</b>	<b>Rateable Value at 1 April 2025 £'000</b>
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
<b>Total Non Domestic Rates Subjects</b>	<b>9,951</b>	<b>470,020</b>

**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**

<b>2023/24</b>			<b>2024/25</b>
<b>£000</b>			<b>£000</b>
191,596	Gross Assessments		193,898
980	Net band adjustments		1,283
<b>192,576</b>	<b>Council Tax Collectable</b>		<b>195,181</b>
	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
<b>139,110</b>			<b>141,153</b>
	Add:		
1,716	Statutory Additions		1,783
648	Prior Year Adjustments		173
(1,981)	Affordable Housing Payment		(2,033)
<b>139,493</b>	<b>Net Council Tax Income Transferred to General Fund for the Year</b>		<b>141,076</b>

The calculation of the Council Tax Base 2024/25:

**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)	(1,051)	15,704 240/360	10,494
Band B	29,036	(2,412)	(24)	(3,688)	(886)	22,027 280/360	17,154
Band C	20,297	(1,317)	(30)	(2,120)	(384)	16,447 320/360	14,652
Band D	17,623	(1,765)	(43)	(1,787)	(381)	13,648 360/360	13,704
Band E	15,869	(524)	(35)	(1,325)	(236)	13,749 473/360	18,100
Band F	9,312	(195)	(35)	(585)	(102)	8,395 585/360	13,699
band G	8,404	(110)	(3)	(374)	(84)	7,834 705/360	15,285
Band H	1,127	(16)	0	(38)	(25)	1,048 882/360	2,663
Total							105,752
Council Tax Reduction							(12,628)
Contribution en lieu							
Prov for Bad Debts (4.5%)							(4,759)
Council Tax Base							88,366

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	<b>A</b>	240/360	£993.03
27,001 - 35,000	<b>B</b>	280/360	£1,158.54
35,001 - 45,000	<b>C</b>	320/360	£1,324.04
45,001 - 58,000	<b>D</b>	360/360	£1,489.55
58,001 - 80,000	<b>E</b>	473/360	£1,957.10
80,001 - 106,000	<b>F</b>	585/360	£2,420.52
106,001 - 212,000	<b>G</b>	705/360	£2,917.04
Over 212,000	<b>H</b>	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
<b>Balance at 31 March 2023</b>	<b>(119,560)</b>	<b>(68)</b>	<b>(119,628)</b>
<b>Movement in Reserves during 2023/24</b>			
(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
<b>Total Comprehensive Expenditure and Income</b>	<b>1,451</b>	<b>0</b>	<b>1,451</b>
<b>Balance at 31 March 2024</b>	<b>(118,109)</b>	<b>(68)</b>	<b>(118,177)</b>
<b>Movement in Reserves during 2024/25</b>			<b>0</b>
(Surplus) or Deficit on provision of services	(1,364)	0	(1,364)
(Surplus) or Deficit on revaluation of investment property	11,550	0	11,550
<b>Total Comprehensive Expenditure and Income</b>	<b>10,186</b>	<b>0</b>	<b>10,186</b>
<b>Balance at 31 March 2025</b>	<b>(107,923)</b>	<b>(68)</b>	<b>(107,991)</b>

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			2024/25
Net (Income)	Gross	Gross	Net (Income)
Expenditure	Expenditure	Income	Expenditure
£'000	£'000	£'000	£'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
<b>4,822 Cost Of Services</b>	<b>5,244</b>	<b>(18)</b>	<b>5,226</b>
(3,245) Sales Income			(4)
55 Cost of Sales			(1,810)
<b>(3,190) Other Operating Income/Expenditure</b>			<b>(1,814)</b>
<b>(6,437) Financing and Investment Income and Expenditure</b>			<b>(4,776)</b>
<b>(4,805) (Surplus) or Deficit on Provision of Services</b>			<b>(1,364)</b>
6,256 (Surplus) or Deficit on revaluation of investment property			11,550
<b>1,451 Total Comprehensive Income and Expenditure</b>			<b>10,186</b>

## Balance Sheet

31 March 2024 £'000		31 March 2025 £'000
23,945	Long Term Investments	23,440
75,975	Investment Property	61,632
<b>99,920</b>	<b>Long Term Assets</b>	<b>85,072</b>
0	Finance Leases	2,862
<b>0</b>	<b>Long Term Debtors</b>	<b>2,862</b>
18,442	Investments in Aberdeen City Council Loans Fund	18,916
0	Investment Property Held for Sale	1,750
441	Short Term Debtors	453
<b>18,883</b>	<b>Current Assets</b>	<b>21,119</b>
(626)	Short Term Creditors	(1,062)
<b>(626)</b>	<b>Current Liabilities</b>	<b>(1,062)</b>
<b>118,177</b>	<b>Net Assets</b>	<b>107,991</b>
(118,109)	Common Good Fund	(107,923)
(68)	Reserve Fund	(68)
<b>(118,177)</b>	<b>Total Reserves</b>	<b>(107,991)</b>

The unaudited financial statements were issued on 8 May 2025.

Jonathan Belford, CPFA  
Chief Officer – Finance  
26 June 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 their governing documents. The money earned from the investments of the trusts is used for purposes such as the advancement of heritage, the advancement of education (including school prizes), social care matters, the maintenance of graves and monuments, Guildry-related awards and the advancement of art (including 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 the 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 2025 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 among 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, the McBey 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 is the sole trustee thereof. 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 deeds. The Common Good Fund has investments in the Lands of Skene (30%) and Lands of Torry (51%) trusts.

## 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
<b>Charity</b>						
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)
<b>Total - Charitable Trusts</b>	<b>(7,984)</b>	<b>-</b>	<b>104</b>	<b>(529)</b>	<b>425</b>	<b>(7,984)</b>
<b>Non Charity</b>	<b>Balance as at 31 March 2024 £'000</b>		<b>Revaluation of Investments</b>	<b>Income</b>	<b>Expenditure</b>	<b>Balance as at 31 March 2025 £'000</b>
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)
<b>Total - Non Charitable Trusts</b>	<b>(3,431)</b>	<b>-</b>	<b>236</b>	<b>(145)</b>	<b>107</b>	<b>(3,233)</b>
<b>Total</b>	<b>(11,415)</b>	<b>-</b>	<b>340</b>	<b>(674)</b>	<b>532</b>	<b>(11,217)</b>

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

The unaudited financial statements were issued on 8 May 2025.

Jonathan Belford, CPFA  
Chief Officer – Finance  
26 June 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**

The primary purpose of group movement in reserves, is to reflect the true economic cost of providing services and to manage the financial position of the authority, including its usable and unusable reserves.

	<b>Total Usable Reserves (Page 68) £'000</b>	<b>Total Unusable Reserves (Note 13) £'000</b>	<b>Total Council Reserves £'000</b>	<b>Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000</b>	<b>Total Reserves £'000</b>
<b>Balance at 31 March 2023</b>	<b>(155,544)</b>	<b>(1,317,336)</b>	<b>(1,472,880)</b>	<b>(154,415)</b>	<b>(1,627,294)</b>
<b><u>Movement in Reserves during 2023/24</u></b>	<b>100,500</b>	<b>22,675</b>	<b>123,175</b>	<b>11,224</b>	<b>134,399</b>
Adjustments between accounting basis & funding basis under regulations	(80,812)	80,812	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>19,688</b>	<b>103,487</b>	<b>123,175</b>	<b>11,224</b>	<b>(9,056)</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	(22,787)	(22,787)	0	0	0
<b>Increase/Decrease in Year</b>	<b>(3,099)</b>	<b>126,274</b>	<b>123,175</b>	<b>11,224</b>	<b>134,399</b>
<b>Balance at 31 March 23/24 Carried Forward</b>	<b>(155,545)</b>	<b>(1,345,337)</b>	<b>(1,349,704)</b>	<b>(143,192)</b>	<b>(1,492,896)</b>
<b><u>Movement in Reserves during 2024/25</u></b>	<b>130,946</b>	<b>(57,653)</b>	<b>73,294</b>	<b>10,313</b>	<b>83,606</b>
Adjustments between accounting basis & funding basis under regulations	(119,955)	119,955	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>10,992</b>	<b>62,302</b>	<b>73,294</b>	<b>10,313</b>	<b>83,606</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	(4,120)	4,120	0		
<b>Increase/Decrease in Year</b>	<b>6,872</b>	<b>66,422</b>	<b>73,294</b>	<b>10,313</b>	<b>83,606</b>
<b>Balance at 31 March 2025</b>	<b>(148,673)</b>	<b>(1,278,915)</b>	<b>(1,276,411)</b>	<b>(132,879)</b>	<b>(1,409,290)</b>

## Group Comprehensive Income and Expenses Statement

The group comprehensive income and expense statement, provides a comprehensive view of a company's financial performance, including both net income and other comprehensive income. It goes beyond the traditional income statement by capturing unrealized gains and losses that might not be directly reflected in net income. This provides a more holistic picture of a company's financial position.

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
			<b>Continued Operation</b>			
213,772	(126,840)	86,932	City Regeneration & Environment	191,613	(109,626)	81,986
161,675	(108,703)	52,972	Corporate Services	121,588	(65,202)	56,386
48,049	(26,683)	21,366	Corportate	25,293	(28,906)	(3,613)
311,254	(188,523)	122,731	Integration Joint Board	340,160	(208,388)	131,772
469,729	(140,062)	329,667	Families and Communities	416,436	(53,551)	362,885
57,384	23,513	80,896	HRA	214,992	(112,900)	102,092
<b>1,261,864</b>	<b>(567,300)</b>	<b>694,564</b>	<b>Cost of Services</b>	<b>1,310,081</b>	<b>(578,574)</b>	<b>731,507</b>
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	(659,958)	(659,958)
<b>1,313,791</b>	<b>(1,221,373)</b>	<b>92,418</b>	<b>(Surplus) or Deficit on Provision of Services *</b>	<b>1,373,570</b>	<b>(1,244,700)</b>	<b>128,870</b>
		4,416	Share of (surplus) or deficit on the provision of services of Associates and JV			1,199
		<b>96,835</b>	<b>Group (Surplus)/Deficit</b>			<b>130,069</b>
		16,939	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(35,382)
			(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			0
		37,564	Other Comprehensive (Income) and Expenditure			(46,463)
		<b>134,399</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>83,606</b>

**Restated Group Balance Sheet**

The primary purpose of a group balance sheet, also known as a consolidated balance sheet, is to provide a unified view of the financial position of a group of organisations, as if they were a single entity. It combines the individual balance sheets of all organisations within the group, including subsidiaries and holding organisations, into a single statement. This allows stakeholders to assess the overall financial health, stability, and resource allocation of the entire group.

<b>31 March 2024</b> <b>£000</b>		<b>31 March 2025</b> <b>£000</b>
2,667,995	Property ,Plant and Equipment (note xi)	2,750,871
0	Property ,Plant and Equipment Right of Use	32,013
222,168	Investment Property (note xii)	149,788
0	Investment Property-Right of Use	45,200
62,807	Long Term Investments and/or Investments in Associates and Joint Ventures	48,095
200,273	Heritage Assets	208,982
457	Long Term Debtors	5,203
<b>3,153,701</b>	<b>Long Term Assets</b>	<b>3,240,152</b>
10,035	Short Term Investments	18,968
5,637	Inventories	5,099
188,019	Short Term Debtors	177,893
71,582	Cash and Cash Equivalents	83,483
10,011	Assets held for Sale	7,983
<b>285,284</b>	<b>Current Assets</b>	<b>293,427</b>
(386,395)	Short Term Borrowing	(415,032)
(150,482)	Short Term Creditors	(179,446)
(7,284)	Provisions	(4,339)
(4,308)	PPP Short Term Liabilities	(2,767)
(10,443)	Capital Grants Receipts in Advance	(17,534)
(4,944)	Revenue Grants Receipts in Advance	(3,563)
(8,876)	Other Short Term Liabilities	(9,154)
<b>(572,731)</b>	<b>Current Liabilities</b>	<b>(631,834)</b>

## Restated Group Balance Sheet

<b>31 March 2023 £'000</b>		<b>31 March 2024 £'000</b>
(50)	Provisions	(1,245)
(1,146,348)	Long Term Borrowing	(1,267,190)
(116,398)	PPP Long Term Liabilities	(113,631)
(56,925)	Other Long Term Liabilities	(61,296)
(53,635)	Pension Liabilities	(49,091)
<b>(1,373,357)</b>	<b>Long Term Liabilities</b>	<b>(1,492,454)</b>
<b>1,492,896</b>	<b>Net Assets</b>	<b>1,409,290</b>
(158,643)	Usable Reserves	(151,773)
(1,191,062)	Unusable Reserves	(1,124,640)
(27,159)	Group - Usable Reserves	(7,641)
(116,032)	Group - Unusable Reserves	(125,236)
<b>(1,492,896)</b>	<b>Total Reserves</b>	<b>(1,409,290)</b>

The unaudited financial statements were issued on 8 May 2025.

Jonathan Belford, CPFA  
Chief Officer – Finance

26 June 2025

**Group Cash Flow**

The Group Cash Flow Statement shows the change in the year of cash and cash equivalents of the Council and those entities in which it has a financial interest.

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£000</b>		<b>£000</b>
(96,835)	Net surplus or (deficit) on the provision of services	(130,069)
138,994	Adjust net surplus or deficit on the provision of services for non cash movements	245,436
(63,315)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(42,792)
<b>(21,156)</b>	Net cash flows from Operating Activities (note 13)	<b>72,576</b>
(155,182)	Net cash flows from Investing Activities (note 14)	(189,506)
162,102	Net Cash flows from Financing Activities (note 15)	128,832
<b>(14,235)</b>	Net increase or (decrease) in cash and cash equivalents	<b>11,901</b>
85,817	Cash and Cash equivalent at the beginning of the reporting period	71,582
<b>71,582</b>	<b>Cash and Cash equivalent at the end of the reporting period</b>	<b>83,482</b>



**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 £61.351 million in 2024/25 (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
<b>Subsidiaries</b>					
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.
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	30,676	(225)	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	3,787	(258)	C/O Johnston Carmichael, Bishop's Court, 29 Albyn Place, Aberdeen, AB10 1YL
<b>Associates</b>					
Grampian Valuation Joint Board	39	39	621	(156)	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 (SDPA) 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 SDPA did not set a budget for 2024/25 and any incidental costs incurred in supporting board meetings during the year have been absorbed by partner bodies.

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**

<b>2023/24 £'000</b>			<b>202/25 £'000</b>
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
<b>46,880</b>		<b>Total</b>	<b>60,478</b>

## Note vii Cash Flow Statement – Group Operating Activities

2023/24 £'000		2024/35 £'000
(96,835)	Net surplus or (deficit) on the provision of services	(130,069)
<b>(96,835)</b>		<b>(130,069)</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
98,333	Depreciation	105,910
100,273	Impairment, downward revaluations & non sale derecognitions	85,429
(669)	(Increase)/Decrease in Stock	537
(45,862)	(Increase)/Decrease in Debtors	12,181
0	Increase/(Decrease) in Creditors	31,474
(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	2,329
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)
<b>138,994</b>		<b>245,436</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(79,176)	Receipt of Capital Grants and Contributions	(56,527)
(1,681)	Proceeds from the sale of PP&E, investment property and intangible assets	(3,039)
17,542	Bond EIR adjustment	16,774
<b>(63,315)</b>		<b>(42,792)</b>
<b>(21,156)</b>	<b>Net cash flows from operating activities</b>	<b>72,576</b>

**Note viii Cash Flow Statement – Group Investing Activities**

<b>2023/24 £'000</b>			<b>2024/25 £'000</b>
(233,011)		Purchase of property, plant and equipment, investment property and intangible assets	(259,331)
(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	56,527
(347)		Other receipts from investing activities	0
<b>(155,182)</b>		<b>Net cash flows from investing activities</b>	<b>(189,506)</b>

**Note ix Cash Flow Statement – Group Financing Activities**

<b>2023/24 £'000</b>			<b>2024/25 £'000</b>
(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)
<b>162,102</b>		<b>Net cash flows from Financing activities</b>	<b>128,832</b>

**Note x Cash Flow Statement – Group Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

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



**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
<b>Cost or Valuation</b>									
<b>At 1 April 2023</b>	<b>938,795</b>	<b>1,242,928</b>	<b>104,473</b>		<b>50,099</b>	<b>7,625</b>	<b>119,740</b>	<b>2,463,660</b>	<b>202,498</b>
Additions	119,903	21,152	10,193		2,874	5	50,211	<b>204,338</b>	695
Revaluations	(38,902)	(107,591)	0		0	(6,804)	0	<b>(153,297)</b>	(13,992)
Derecognition / Disposals	0	0	(14,736)		0	4,700	0	<b>(10,036)</b>	0
Transfers	0	91,818	0		0		(96,988)	<b>(5,170)</b>	0
<b>At 31 March 2024</b>	<b>1,019,796</b>	<b>1,248,308</b>	<b>99,930</b>		<b>52,973</b>	<b>5,527</b>	<b>72,962</b>	<b>2,499,496</b>	<b>189,202</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2023</b>	<b>(8,830)</b>	<b>(51,646)</b>	<b>(54,970)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(115,446)</b>	<b>(10,049)</b>
Depreciation Charge	(26,259)	(21,348)	(8,660)		0	0	0	<b>(56,267)</b>	(3,920)
Depreciation & Impairment written out	18,596	14,357	0		0	0	0	<b>32,953</b>	1,548
Derecognition / Disposals	0	0	14,762		0	0	0	<b>14,762</b>	0
Transfers	0	1,100	0		0	0	0	<b>1,100</b>	0
<b>At 31 March 2024</b>	<b>(16,493)</b>	<b>(57,537)</b>	<b>(48,868)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(122,899)</b>	<b>(12,421)</b>
<b>At 31 March 2024</b>	<b>1,003,302</b>	<b>1,190,771</b>	<b>51,062</b>	<b>291,398</b>	<b>52,973</b>	<b>5,527</b>	<b>72,962</b>	<b>2,667,995</b>	<b>176,780</b>
<b>At 31 March 2023</b>	<b>929,965</b>	<b>1,191,281</b>	<b>49,503</b>	<b>277,038</b>	<b>50,099</b>	<b>7,625</b>	<b>119,740</b>	<b>2,625,252</b>	<b>192,449</b>

## 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
<b>Cost or Valuation</b>									
<b>At 1 April 2024</b>	<b>1,019,796</b>	<b>1,248,229</b>	<b>100,011</b>		<b>52,973</b>	<b>5,527</b>	<b>72,962</b>	<b>2,499,498</b>	<b>191,462</b>
Additions	115,079	38,332	27,864		1,747	(303)	43,945	226,663	(2,867)
Revaluations	(174,738)	60,072	0		0		0	(114,666)	(451)
Derecognition-Disposals		(114)				(571)		(685)	
Derecognition-Other			(5,215)						
Reclassification and Transfers	0	(23,256)	(2,999)		0		(8,726)	(34,981)	0
<b>At 31 March 2025</b>	<b>960,137</b>	<b>1,323,262</b>	<b>119,661</b>		<b>54,720</b>	<b>4,653</b>	<b>108,181</b>	<b>2,575,828</b>	<b>188,145</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2024</b>	<b>(16,493)</b>	<b>(57,534)</b>	<b>(48,873)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(122,901)</b>	<b>(6,078)</b>
Depreciation Charge	(46,541)	(33,680)	(10,491)		0	0	0	(90,713)	(3,912)
Depreciation & Impairment written out	37,105	44,311			0	0	0	81,415	9,522
Derecognition-Disposals		114	5,136					5,250	
Derecognition-Other								0	
Reclassification and Transfers	0	1,655	1,312		0	0	0	2,968	0
<b>At 31 March 2025</b>	<b>(25,930)</b>	<b>(45,135)</b>	<b>(52,916)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(123,981)</b>	<b>(468)</b>
<b>At 31 March 2025</b>	<b>934,207</b>	<b>1,278,127</b>	<b>66,745</b>	<b>304,238</b>	<b>54,720</b>	<b>4,653</b>	<b>108,181</b>	<b>2,750,871</b>	<b>187,677</b>
<b>At 31 March 2024</b>	<b>1,003,302</b>	<b>1,190,771</b>	<b>51,062</b>	<b>291,398</b>	<b>52,973</b>	<b>5,527</b>	<b>72,962</b>	<b>2,667,995</b>	<b>185,384</b>

**Note xii Investment Properties**

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

	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>
<b>Balance at start of the year</b>	253,990	222,168
Additions:		
• Purchases	86	6
Disposals	(2,990)	0
Net gains/losses from fair value adjustments	(22,418)	(24,263)
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		(2,924)
<b>Balance at end of the year</b>	<b>222,168</b>	<b>149,788</b>

**Note xiii**

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

	<b>Loans</b>			<b>Debtors</b>			<b>Creditors</b>	
	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>		<b>2023/24 £'000</b>	<b>2024/25 £'000</b>		<b>2023/24 £'000</b>	<b>2024/25 £'000</b>
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
	<b>(28,860)</b>	<b>(28,315)</b>		<b>7,828</b>	<b>7,079</b>		<b>(2,611)</b>	<b>(2,269)</b>

**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

<b>2023/24</b>				
	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Total Assets £'000</b>	<b>Total Liabilities £'000</b>	<b>Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	147	851	(388)	463
<b>Associates Total</b>	<b>147</b>	<b>851</b>	<b>(388)</b>	<b>463</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	(4,320)	35,215	(794)	34,421
Integration Joint Board	7,231	6,324	0	6,324
<b>Joint Ventures Total</b>	<b>2,911</b>	<b>41,539</b>	<b>(794)</b>	<b>40,745</b>
<b>2024/25</b>				
	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Share of Total Assets £'000</b>	<b>Share of Total Liabilities £'000</b>	<b>Share of Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	(156)	1,128	(507)	621
<b>Associates Total</b>	<b>(156)</b>	<b>1,128</b>	<b>(507)</b>	<b>621</b>
<b>Joint Venture</b>				
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
<b>Joint Ventures Total</b>	<b>5,400</b>	<b>38,820</b>	<b>(4,357)</b>	<b>34,463</b>

**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 2024/25 was £0.103million (2023/24 £0.126 million).

**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**

	<b>2023/24</b>		<b>2024/25</b>
	<b>£000</b>		<b>£000</b>
<b>Grampian Valuation Joint Board</b>	(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'.

	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>
ACC	(53,635)	(49,091)
<b><u>Share of Associates</u></b>		
Grampian Valuation Joint Board	(50)	(64)
<b>Total</b>	<b>(53,685)</b>	<b>(49,155)</b>

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**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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## **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 £322k in 2024/25.

The value of Investments decreased by £267k 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 £8.694 million which are made up of unrestricted funds of £4.961 million and designated funds of £3.733 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 has been submitted to OSCR and their response is awaited.

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 25 June 2025

.....

## 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	<b>Total Funds 2024/25 £'000</b>	<b>Total Funds 2023/24 £'000</b>
	<u>Note</u>						
<b>Income and endowments from:</b>							
Incoming resources from generated funds							
Donations & Legacies			1	-	-	1	-
Investments	2		430	-	-	<b>430</b>	<b>493</b>
Total			<u>431</u>	<u>-</u>	<u>-</u>	<u><b>431</b></u>	<u><b>493</b></u>
<b>Expenditure on:</b>							
Charitable Activities	3,4		322	-	-	<b>322</b>	<b>383</b>
Total			<u>322</u>	<u>-</u>	<u>-</u>	<u><b>322</b></u>	<u><b>383</b></u>
Net income/(expenditure)			109	-	-	<b>109</b>	<b>110</b>
<b>Other recognised gains/(losses):</b>							
Gains/(losses) on investment assets			(270)	-	3	<b>(267)</b>	<b>190</b>
Net movement in funds			<u>(161)</u>	<u>-</u>	<u>3</u>	<u><b>(158)</b></u>	<u><b>300</b></u>
<b>Reconciliation of funds</b>							
Total funds brought forward			8,701	-	151	<b>8,852</b>	<b>8,552</b>
<b>Total funds carried forward</b>			<u><b>8,540</b></u>	<u>-</u>	<u><b>154</b></u>	<u><b>8,694</b></u>	<u><b>8,852</b></u>

# Aberdeen City Council Charitable Trusts

## Balance Sheet as at 31 March 2025

	Note	2025 £'000	2024 £'000
<b>Fixed assets</b>			
Investments	5	3,974	4,241
<b>Total fixed assets</b>		<b>3,974</b>	<b>4,241</b>
<b>Current assets</b>			
Debtors	6	55	55
Investments - City of Aberdeen Loans Fund	7	4,855	4,742
<b>Total current assets</b>		<b>4,910</b>	<b>4,797</b>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	8	(40)	(36)
		<b>(40)</b>	<b>(36)</b>
<b>Total assets less current liabilities</b>		<b>8,845</b>	<b>9,002</b>
<b>Provision for Liabilities</b>	9	(150)	(150)
<b>Net asset/(liabilities )</b>		<b>8,694</b>	<b>8,852</b>
<b>The funds of the charity</b>			
Endowment funds		137	136
		<b>137</b>	<b>136</b>
Unrestricted income funds:			
Designated Funds:			
Common Good Fund		2,422	2,600
Dr Duncan Liddel's Mortification - Professor of Mathematics		603	719
Dr Duncan Liddel's Mortification - Library of College		30	36
James Cargill Mortification - Bursary Fund		246	293
Patrick Copland's Mortification - Professor of Divinity		295	352
Unrestricted funds		4,961	4,716
<b>Total unrestricted funds</b>		<b>8,557</b>	<b>8,716</b>
<b>Total charity funds</b>	10	<b>8,694</b>	<b>8,852</b>

These accounts have been prepared in accordance with the Financial Reporting Standard 102

The financial statements were approved and authorised for issue by the trustees on ..... and signed on their behalf by:

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 25 June 2025.

.....

**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>		
<b>Net cash used in operating activities</b>	13	<u>(317)</u>	<u>(386)</u>
<b>Cash Flows from investing activities</b>			
Dividends, interest and rents from investments		430	493
Purchase of investments		-	-
Proceeds from sale of investments		-	-
<b>Net cash provided by investing activities</b>		<u>430</u>	<u>493</u>
<i>Net cash provided by (used in) financing activities</i>			
<b>Change in cash and cash equivalents in the year</b>		<b>113</b>	<b>107</b>
Cash and cash equivalents brought forward		4,742	4,635
<b>Cash and cash equivalents carried forward</b>	14	<u><b>4,855</b></u>	<u><b>4,742</b></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 24/25, £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
	<b>430</b>	<b>493</b>
3 CHARITABLE ACTIVITIES		
Donations and expenditures	52	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	-	1
	<b>269</b>	<b>331</b>
4 GOVERNANCE COSTS		
Accounting and administration	43	42
Audit Fee	10	10
	<b>53</b>	<b>52</b>

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

	2025 £'000	2025 £'000	2025 £'000	2024 £'000
	Investment Property	Gilts and Equities	Total	Total
5 TANGIBLE FIXED ASSETS				
Market Value at 1 April 2024	4,112	129	4,241	4,051
Net investment gains/(losses)	(270)	3	(267)	190
Disposals	-	-	-	-
Market Value at 31 March 2025	<b>3,842</b>	<b>132</b>	<b>3,974</b>	<b>4,241</b>
Market Value at 31 March 2024	<b>4,112</b>	<b>129</b>	<b>4,241</b>	<b>4,051</b>

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	55	55

7 INVESTMENTS HELD AS CURRENT ASSETS		
Aberdeen City Loan Funds	4,855	4,742

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	40	36
9 Provisions for Liabilities		
Provision for Thomas Glover House.	150	150

10 ANALYSIS OF NET ASSETS IN FUNDS	Tangible fixed assets £'000	Current assets (liabilities)/provision £'000	Total £'000	Total £'000
Unrestricted funds	3,974	4,720	8,694	8,852

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)	(158)	300
Adjustments for:		
(Gains)/losses on investments	267	(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	4	-
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)	-	(77)	(107)	40	(2,940)
Bridges of Aberdeen Heritage Trust	SC018551	(1,311)	-	(58)	(45)	2	(1,413)
Alexander MacDonald Bequest	SC018568	(33)	-	-	(2)	-	(35)
Aberdeen Art Gallery Trust	SC018575	(398)	-	-	(23)	17	(404)
Lands of Skene	SC018533	(3,815)	-	(191)	(145)	145	(4,006)
Lands of Torry	SC021299	(2,856)	-	463	(182)	182	(2,393)
<b>Total</b>		<b>(11,522)</b>	<b>-</b>	<b>133</b>	<b>(514)</b>	<b>405</b>	<b>(11,499)</b>

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)	40	(1,074)
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)	-	(191)	(145)	62	(4,464)
Lands of Torry	SC021299	(2,856)	-	461	(182)	182	(2,395)
<b>Total</b>		<b>(8,852)</b>	<b>-</b>	<b>267</b>	<b>(431)</b>	<b>322</b>	<b>(8,694)</b>

# Aberdeen City Council Charitable Trusts

## Notes to the Accounts

### For the year ended 31 March 2025

16 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	-	-	1,603	-	1349	-	(12)	-	2,940
Bridges of Aberdeen Heritage Trust	SC018551	-	-	1,202	-	361	-	-	(150)	1,413
Alexander McDonald Bequest	SC018568	-	-	-	-	34	-	-	-	34
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	405	-	-	-	405
Lands of Skene	SC018533	-	-	-	1,474	2,529	6	(1)	-	4,008
Lands of Torry	SC021299	-	-	-	2,368	2	49	(26)	-	2,393
Total		<b>6</b>	<b>126</b>	<b>2,805</b>	<b>3,842</b>	<b>4,855</b>	<b>55</b>	<b>(40)</b>	<b>(150)</b>	<b>11,499</b>

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	-	-	-	308
Guildry	SC011857	-	-	-	-	1,087	-	(13)	-	1,074
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	-	-	-	1,474	2,986	6	(1)	-	4,465
Lands of Torry	SC021299	-	-	-	2,368	2	49	(26)	-	2,393
		<b>6</b>	<b>126</b>	<b>-</b>	<b>3,842</b>	<b>4,854</b>	<b>55</b>	<b>(40)</b>	<b>(150)</b>	<b>8,694</b>



## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	26 June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Update Report
<b>REPORT NUMBER</b>	IA/25/009
<b>DIRECTOR</b>	N/A
<b>CHIEF OFFICER</b>	Jamie Dale, Chief Internal Auditor
<b>REPORT OFFICER</b>	Jamie Dale, Chief Internal Auditor
<b>TERMS OF REFERENCE</b>	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.		
<b>Compliance</b>	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	<b>Yes</b>
<b>Operational</b>	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	<b>Yes</b>

		up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
<b>Financial</b>	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	<b>Yes</b>
<b>Reputational</b>	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	<b>Yes</b>

		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.		
<b>Environment / Climate</b>	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	<b>Yes</b>

## 8. OUTCOMES

- 8.1 The proposals in this report have no impact on the Council Delivery Plan.
- 8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is to report Internal Audit's progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required

## 10. BACKGROUND PAPERS

- 10.1 There are no relevant background papers related directly to this report.

## 11. APPENDICES

- 11.1 Appendix A – Internal Audit Update Report

## 12. REPORT AUTHOR CONTACT DETAILS

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## **Internal Audit**

# **Audit, Risk and Scrutiny Committee Internal Audit Update Report June 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:

- Four reviews have been completed.
- 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
NESPF	Pension Fund Payroll <sup>1</sup>	Final report Issued
Corporate Services	Group Structure Assurance	Final report Issued
Families and Communities	Housing Allocations and Choice Based Letting	Final report Issued
Families and Communities	Corporate Landlord Responsibilities	Final report Issued

### 2.2 Audit reports presented to this Committee

Report Title	Assurance Year	Net Risk Rating	Conclusion
AC2517 – Housing Allocations and Choice Based Letting	2024/25	<b>Moderate</b>	<p>The level of net risk is assessed as <b>MODERATE</b>, with the control framework deemed to provide <b>REASONABLE</b> assurance over the Council's approach to Creditors Sub-System Payments.</p> <p>Reasonable assurance was available over the following areas reviewed: Governance, Performance Monitoring, and Appeals and Cancellations.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: New Applications, Allocations, Deferrals, Tenant Satisfaction, Application Annual Review, and Policies and Procedures.</p> <p>Recommendations have been made to address the above risks, including reviewing the Housing Allocation policy and enhancing the system of control over application assessment and allocations. In addition, recommendations were made to enhance control over deferrals, suspensions and annual reviews and to improve tenant satisfaction where feasible.</p>
AC2508 – Group Structure Assurance	2024/25	<b>Moderate</b>	<p>The level of net risk is assessed as <b>MODERATE</b>, with the control framework deemed to provide <b>REASONABLE</b> assurance over the Council's approach to Group Structure Assurance.</p> <p>Reasonable assurance was available over the following areas reviewed: Committee Reporting, ALEO Assurance Hub, and Following the Public Pound (FtPP) Guidance.</p> <p>However, the review identified the following areas where enhancements could be made to strengthen the framework of control, specifically: Governance Enhancements, Aberdeen Heat and Power (AH&amp;P_</p>

<sup>1</sup> NESPF reports are only presented to the Pensions Committee for scrutiny.

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>Ltd, Assessment of Fraud Risks, and ALEO Strategic Partnership and Service Leads.</p> <p>Recommendations have been made to address the above risks including ensuring all aspects of the ALEO Assurance Framework are operational and related meeting actions are documented; enhancing ALEO Assurance Hub checks in relation to FtPP; formalising assurance arrangements concerning AH&amp;P Ltd; and ensuring fraud risks are adequately monitored.</p>
AC2518 – Corporate Landlord Responsibilities	2024/25	<b>Major</b>	<p>The level of net risk is assessed as <b>MAJOR</b>, with the control framework deemed to provide <b>LIMITED</b> assurance over the systems in place to provide assurance over compliance with the legal requirements in relation to the Council's Corporate Landlord role for operational properties. If these requirements are not being planned, scheduled, met and adequately evidenced, there is an increased risk to building users' safety, and thereby to the Council's financial resources and reputation.</p> <p>The review identified areas of weakness where enhancements are required to be made to improve the framework of control and compliance including: Written Procedures, Contracts, Contractor Performance, Planning and Scheduling, and Documentation.</p> <p>Recommendations have been made to address the identified risks including: review and updates to procedures to clearly explain roles and requirements; ensuring contract documentation is on file and procurement regulations are satisfied; reviewing how KPI's are set and monitored; improving processes and reporting to deliver assurance that statutory maintenance is taking place as scheduled, and that safety critical defects/risks are being addressed promptly, and development of an appropriate quality assurance system to confirm corporate landlord responsibilities are being discharged effectively.</p>

### 2.3 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 30 April 2025 (the baseline for our exercise), 25 audit recommendations were due and outstanding:

- Three rated as Major
- 18 rated as Moderate

- 
- Four rated as Minor

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

- One rated as Major
- Six rated as Moderate

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

### 3 Appendix 1 – Grading of Recommendations

Risk level	Definition
<b>Corporate</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Function</b>	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.
<b>Cluster</b>	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual issue / risk	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	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.
<b>Severe</b>	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
AC2418 – Biodiversity and the Natural Environment	<b>Moderate</b>	1.4a	The planned public and wider stakeholder biodiversity awareness and engagement campaign should be delivered.	Apr-25	May-26	Extension requested due to attrition within the Team and wider capacity issues.	<b>In Progress</b>
AC2418 – Biodiversity and the Natural Environment	<b>Moderate</b>	1.4b	An engagement and communication plan should be prepared for longer term biodiversity engagement and communication with the public and wider stakeholders.	Apr-25	May-26	Extension requested due to attrition within the Team and wider capacity issues.	<b>In Progress</b>
AC2414 – Financial Assessments	<b>Moderate</b>	1.3b	Processes should be reviewed to ensure assessments can be completed timeously, within available resource.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	<b>In Progress</b>
AC2414 – Financial Assessments	<b>Moderate</b>	1.3a	The Service should set priorities for completing overdue assessments.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	<b>In Progress</b>
AC2507 – IJB Budget Setting and Monitoring	<b>Moderate</b>	1.6b	Partners / the IJB should engage with government bodies to identify opportunities to improve access to	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are	<b>In Progress</b>

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			Prescribing data and information on Funding, to aid financial planning.			currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	
AC2507 – IJB Budget Setting and Monitoring	<b>Moderate</b>	1.6c	The HSCP should define the level of detail and assurance required from budget holders where a variance is anticipated.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	<b>In Progress</b>
AC2507 – IJB Budget Setting and Monitoring	<b>Moderate</b>	1.6a	The HSCP should review forecast accuracy with budget holders and identify areas where further work is required with partners.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	<b>In Progress</b>
AC2507 – IJB Budget Setting and Monitoring	<b>Moderate</b>	1.2	The HSCP should review the support services being provided by partners, against the budget and costs incurred, on an annual basis to ensure it continues to deliver Best Value, in line with provision 6.5 of the Integration Scheme. All revisions to the budget or additional recharges	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	<b>In Progress</b>

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			should be subject to tripartite agreement in advance.				
AC2507 – IJB Budget Setting and Monitoring	Minor	1.3	The HSCP should set out its budget/MTFF to more explicitly demonstrate the level of investment planned in delivering each of the Aims set out in the Strategic Plan.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.4	The HSCP should set out its budget/MTFF to more explicitly demonstrate the level of investment planned in delivering each of the Aims set out in the Strategic Plan.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.5b	The IJB should review plans with the Council and NHS Grampian for the strategic allocation of its resources between partners and activities in the medium term, setting out the case for change in funding and allocation where required. Agreed changes to the balance of funding should be underlined through issue of a formal Direction from the IJB.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress



Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.5a	The IJB should review the cost base in detail to ensure the current budget is reflective of its ongoing costs.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
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	We are looking at sharing the information and then doing a random percentage check - this should be in practice by end Sept 2025.	In Progress
AC2408 – Revenue Budget Setting and Financial Strategy	Minor	1.4	The medium-term and long-term financial models would benefit from refreshing on a basis that reflects significant changes when they occur, such as progress on the transformation timeline and issues with economic instability, to allow time to mitigate against issues. It would be prudent to do this more frequently in the current climate of change, than is necessary in times of stability. Management Actions.	Mar-25	Mar-26	Aligned closely with the Finance Structure change, resilience is a subject that will get prime attention. This will cover the 4 pillars of Financial Resilience: Getting Routine, Financial management right, Benchmarking, Clear plans for delivering savings options, and Managing Reserves. As the Finance Team Structure is being	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						changed, the concept is gradually being introduced. Due date in line with Finance Team Structure Change, but must stress this is being promoted / encouraged as the Annual Budget 26-27 discussions kicks in.	
AC2511 – Pre-School Commissioned Places	<b>Major</b>	1.5b	Finance should ensure risks are highlighted to Council as part of the budget setting process.	Apr-25	Mar-26	The most recent Budget Holder meeting (20 May 2025) with the Early Years Team has included and emphasized the issue regarding the cost pressures that still needs to be covered (inclusive of the £1.3m pressure from cross boundary charges) and savings options required to meet the Council's overall targets. Savings options to be presented by the EY Service Manager to the CO - Education / Lifelong Learning for onward scrutiny with the CO - Finance during the first stages of the MTFS cycle 26-27.	<b>In Progress</b>

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
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.	Apr-25	Jul-25	Service requested short extension to facilitate the completion of the required changes.	In Progress
AC2503 – National Fraud Initiative	Major	1.5	Finance should liaise with Audit Scotland to highlight the potential for improvement in data matching through the NFI process via comparison of payroll employee bank details to bank details used by other payment systems.	Mar-25	Jul-25	As part of the Finance Improvement Plan, 10-point recommendation, we are carrying out the following: DPIA with a view to acquiring a 3rd party data matcher wherein employee data is compared with supplier data to ensure that no employee data is used (misused) for purposes of payment other than what they should be used for. Once the DPIA is completed, we can proceed with the agreement with the 3rd party, i.e., NXG Forensics to carry out this comparison / checks. Separately, we will engage with Audit Scotland.	In Progress
AC2201 – IT Infrastructure Resilience	Minor	2.1.6	Digital and Technology should introduce mandatory online cyber security training.	Mar-25	Sep-25	Content has been created/linked. Work ongoing with P&OD	In Progress



Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			Agreed - P&OD will work with D&T on the mandatory and essential elements of training and seek to ensure training is appropriate to job families. Consideration will be given to including the course as part of existing mandatory training (e.g. Information Governance course).			agreeing the mandatory requirement.	

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	26 June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2517 – Housing Allocations and Choice Based Letting
<b>REPORT NUMBER</b>	IA/AC2517
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Housing Allocations and Choice Based Letting

### 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 Housing Allocations and Choice Based Letting

### 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 AC2517 – Housing Allocations and Choice Based Letting

## 12. REPORT AUTHOR CONTACT DETAILS

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## Internal Audit

### Assurance Review of Housing Allocations and Choice Based Letting

**Status:** Final

**Date:** 20 May 2025

**Risk Level:** Corporate

**Report No:** AC2517

**Assurance Year:** 2024/25

Net Risk Rating	Description	Assurance Assessment
<b>Moderate</b>	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.	<b>Reasonable</b>

Report Tracking	Planned Date	Actual Date
Scope issued	16-Jan-25	16-Jan-25
Scope agreed	23-Jan-25	21-Jan-25
Fieldwork commenced	10-Feb-25	10-Feb-25
Fieldwork completed	04-Apr-25	04-Apr-25
Draft report issued	25-Apr-25	15-Apr-25
Process owner response	16-May-25	20-May-25
Director response	23-May-25	20-May-25
Final report issued	30-May-25	20-May-25
AR&S Committee	26-May-25	

Distribution	
Document type	Assurance Report
Directors	Eleanor Sheppard, Executive Director – Families and Communities
Process Owner	Rachel Harrison, Housing Access & Support Manager
Stakeholders	Jacqui McKenzie, Chief Officer – Housing
	Athelstan Croft, Team Leader Housing Options & Allocations
	Vikki Cuthbert, Interim Chief Officer – Governance*
*Final Only	External Audit*
Lead auditor	Agne McDonald, Auditor

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# 1 Introduction

## 1.1 Area subject to review

The allocation of social housing in Scotland is governed by the Housing (Scotland) Acts 1987, 2001 and 2014. The Council's Housing Allocation policy has been prepared in accordance with this legislation. Under the policy, Council housing applicants are assessed and prioritised in terms of their housing needs and applicant choices, including letting area(s) and property size selected.

Persons must be aged 16 or over, and not subject to immigration control, to be eligible to apply for Council housing, with preference given to applicants with urgent housing needs, including:

- Persons who are homeless or threatened with homelessness with an unmet housing need.
- Persons living in unsatisfactory housing conditions with an unmet housing need.
- Social landlord tenants considered to be under-occupied.
- Applicants with "extreme medical needs" determined by the Council's Housing Needs Assessment team.
- Young people looked after by the Council.
- Applicants awarded priority by the Communities, Housing and Public Protection Committee or the Chief Officer – Housing.

The Council's Housing Waiting List is categorised as follows:

- Urgent Housing Needs List (relates to the persons described above and community safety, Next Stage care experienced, statutory notice and former armed forces applicants).
- Housing with Support List (Amenity, Sheltered, Very Sheltered, or High Support housing).
- Transfers List (Council tenant, Registered Social Landlord (RSL) tenant within Aberdeen, or Council / RSL in Aberdeen occupying tied accommodation).
- Waiting List (all other eligible housing applicants).

The Council has around 23,500 properties of various sizes and types, including cottages, flats, multi-storey blocks, and sheltered complexes and approximately 350 housing applications are processed by the Council each month. As at 31 December 2024, there were 6,654<sup>1</sup> households on the Council's housing lists (Urgent Housing Needs List 635; Housing with Support List 1,460; Transfers List 2,186; Waiting List 2,672) and in the year to 31 December 2024, 1,895 applicants were housed.

### Choice Based Letting

The Council operates a Choice Based Letting system to allocate properties to reduce void rent loss and increase tenant satisfaction levels.

Properties available to let are advertised through the Council's Housing Online system accessed via the Council's website. Applications are ordered based on their assessed priority on the Council's housing lists. To meet the legal obligation and policy objective "to respond quickly to people in acute and urgent housing need", all available properties are considered for applications on the Urgent Housing Needs List in the first instance. If no Urgent Housing Needs List applicants register an interest, the property concerned is considered for Waiting and Transfer List or Housing with Support applicants, based on their housing needs,

Urgent Housing Needs applicants are given 21 days to bid for properties and accept an offer after which their applications are set to "autobid" for properties deemed suitable for their needs. Should an "autobid" offer be rejected the applicant is defaulted to the appropriate non-urgent list. Where an applicant on any non-urgent list rejects an offer, their application is deferred for 12 months before being considered again.

### Performance

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<sup>1</sup> The number of households (6,654) is less than the number of households across the list (6,953) as an applicant can be on more than one list.



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The Quality Assurance and Performance Management team are responsible for preparing and distributing various key performance indicator reports to Housing officers to facilitate improvement in housing application processing; housing list maintenance; and housing applicant outcomes.

In addition, the Council's Communities, Housing and Public Protection Committee is responsible for monitoring housing key performance indicators (KPIs) in accordance with the Council's Performance Management Framework. Also, the Housing Cluster must report certain statutory housing key performance indicators to the Scottish Housing Regulator, including KPIs relating to relet duration, void losses, and tenant satisfaction.

## **1.2 Rationale for review**

The objective of this audit is to provide assurance that the Housing Waiting List is maintained efficiently, and allocations are made in accordance with policy, including the choice based letting process. This review will also incorporate tenant satisfaction<sup>2</sup>.

This has been included in the agreed 2024/25 Internal Audit Plan due to the Council's statutory obligation to maintain a Housing Waiting List and prioritise those with the greatest housing needs. Failure to maintain the Housing Waiting List and manage allocations appropriately increases the risk of housing needs not being met, potentially housing fraud, financial loss should for example those with housing needs require more expensive temporary accommodation, and reputational damage for the Council.

This area was last reviewed in August 2021 through Internal Audit AC2117 Housing Waiting List and Allocations. Recommendations were made to enhance written procedures; support housing decisions; ensure data protection; segregate duties; and to ensure property suitability.

## **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.

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<sup>2</sup> The review was initially planned to include tenant participation and satisfaction. Discussions with the Chief Officer – Housing provided an understanding that participation is a different area of work and not aligned to Housing Allocations and Choice Based Letting. As such this will be out of scope for this piece of work and picked up as part of future relevant reviews. Tenant satisfaction remains within scope for this review.

## 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
<b>Moderate</b>	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.	<b>Reasonable</b>

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

Risk Level	Definition
<b>Corporate</b>	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 Creditors Sub-System Payments.

Reasonable assurance was available over the following areas reviewed:

- **Governance** – The Housing Cluster is well structured to address the various stages of the housing application and allocation process. In addition, since March 2024 a Housing Board has been established to monitor the delivery of housing related commissioning intentions and oversee performance against agreed service standards and key performance indicators. The Housing Board is reporting bi-annually to Communities, Housing and Public Protection Committee on improvement activity being progressed. This includes work to improve data management to drive performance improvements generally, testing approaches to increase the number of vulnerable tenants engaging in Choice Based Lettings to improve tenancy outcomes, and reducing homelessness, to name a few priorities.
- **Performance Monitoring** – The Housing Team manages applications and property allocations via various daily, weekly, and monthly reports. In addition, relevant Housing key performance indicators are reported on a quarterly basis to Communities, Housing and Public Protection Committee, including KPIs covering housing application processing times and tenant satisfaction. January 2025 reporting to Committee was as follows, indicating relatively good performance overall where data was available.

KPI	Aug-24	Sep-24	Oct-24	Target
Housing Applications processed 28 days YTD %	96.36%	97.17%	95.91%	100%
% of tenants satisfied with the standard of their home when moving in YTD	84.2%	Data not available		75%
Satisfaction of new tenants with the overall service received (Year to Date)	87.7%	Data not available		80%

- **Appeals and Cancellations** – A sample of five appeals and ten cancellations reviewed were managed appropriately.

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

- **New Applications** – The Housing Allocation policy states the Council aims to process applications within 28 days. However, 11 (55%) out of 20 applications reviewed, that were received between 1 April 2024 and 17 February 2025, were processed out with the set target

of 28 days, ranging from 37 days to 228 days, with an average processing time for the sample of 20 reviewed of 72 days. One of the longest application processing times was for an (5%) application reviewed placed on the Waiting List instead of the Transfer List in error. Whilst the processing times for this sample are not reflective of overall housing application processing times reported to Communities, Housing and Public Protection Committee for the three months to October 2024 as above, reasons should be investigated in the interests of processing efficiency and avoiding void rent loss and unnecessary delay housing applicants. Also, application outcome letters were not issued to eight applicants due to a system parameter error identified during this review, risking reputational damage. In addition, more significantly, five applications (25%) were not fully supported with five (25%) lacking applicant identification, and one of this lacking evidence of eligibility of recourse to public funds, risking inappropriate inclusion on a Council housing list and potentially a housing offer to an ineligible applicant.

- **Allocations** – Various gaps in the allocation process were noted on reviewing a sample of 20 individuals recorded in the Housing System as having been housed. Two (10%) applicants were incorrectly classified as housed by the Council when this wasn't the case (i.e. housed by a separate housing association). Signed offer Letters were not available for four applications (22%). A shortlist was not available for two applicants (11%) meaning it was not possible to determine if the allocations were in line with system priority scores. An applicant was bypassed without explanation in one case (6%). Seven applicants in the sample were existing Council tenants and it was noted in six cases (86%) the new tenancies commenced before ending the existing tenancy (23 to 69 days after new tenancy commenced). An offer (6%) was refused for personal preference reasons but not deferred for 12 months in line with policy. In addition, two offers (11%) were misclassified as "refused" by the applicant when the offer should have been "withdrawn" by the Council. Also, no identification was provided for three (17%) applicants and eligibility for recourse to public funds could not be verified in these cases. 13 (72%) Offer Questionnaires used by the Service to ensure continued eligibility to accommodation offered were not completed. In addition, six (33%) Lease Checklists indicating the tenancy agreements had been signed and relevant pre-tenancy checks completed were not signed. Furthermore, a (6%) lease checklist was absent for one allocation. These issues highlight various gaps in the allocation process, risking allocation of housing to ineligible applicants, delayed allocation, unfair allocation decisions, and void rent losses. In addition, where allocation outcomes for housing applicants are inaccurately recorded, this risks a breach of the accuracy principle of data protection legislation and potential enforcement action by the ICO. Also, where lease agreement checklists are not signed, this increases the risk of misunderstanding of tenant responsibilities, and of inappropriate use of Council housing.
- **Deferrals** – Applicants on the Waiting, Transfer, or Housing With Support Lists may defer their application while remaining on the list but must notify the council to reactivate it. In addition, certain applications may be suspended due to housing-related debts, refusal of a reasonable offer, unresolved joint tenancies, or failed property standards checks. A review of ten deferred/suspended applications found nine (90%) to be reasonable and supported. However, one (10%) deferral lacked formal evidence of the applicant's request to defer. Where such records are absent this increases the risk of dispute over decisions to defer housing applications. In addition, in another case (20%), where an appeal was unsuccessful and it appeared the application should have been suspended for 12 months, the Housing System did not reflect the fact a complaint about the decision to suspend the application was upheld, meaning records were incomplete, impeding monitoring.
- **Tenant Satisfaction** – The Scottish Social Housing Charter requires social landlords to report on key tenant satisfaction performance indicators. Whilst many aspects of a tenant's housing experience will inform this position, including beyond the application and allocation process, in 2023/24, the Council reported significantly lower tenant satisfaction (Overall Service: 39.9%, Keeping Tenants Informed: 39.6%, Opportunities to Participate 31.6%) compared to national averages (86.5%, 90.5%, and 87.7%, respectively). This is in contrast to performance reporting to Communities, Housing and Public Protection Committee above which indicates a good tenant satisfaction position for new tenants. The Council's external website indicates the Housing service are continually looking for ways to improve the service and indicates a survey

is available to help with the identification of improvements. However, the link to the only advertised survey (Support Services Temporary Accommodation Survey) on the Council's website related was broken at the time of this review. In addition, 10 (50%) New Tenant Surveys were not distributed as required. Without tenant feedback, the Council may miss valuable insights into reasons for dissatisfaction, service issues, and risk continued poor performance and reputational damage.

- **Application Annual Review** – The Housing Allocation policy requires an annual review of applicants' continued interest in Council housing (or otherwise) and where a response is not received in a timely manner the related application will be cancelled. Five current applications received over 12 months ago were analysed and only one applicant (20%) was sent an annual review letter. Where annual reviews are not conducted this risks inefficiency in the allocation process should individuals without housing needs be considered for housing they do not require.
- **Policies and Procedures** – The Council's Housing Allocation policy was scheduled for review 12 months after implementation and this did not take place, risking improvements to allocation efficiency not being applied as the new policy beds in and lessons are learned.

Recommendations have been made to address the above risks, including reviewing the Housing Allocation policy and enhancing the system of control over application assessment and allocations. In addition, recommendations were made to enhance control over deferrals, suspensions and annual reviews and to improve tenant satisfaction where feasible.

## 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><b>New Applications</b> – The Housing Allocation policy states:</p> <p><i>“Once an application has been submitted, we aim to process it within 28 days and provide written confirmation that the process is complete. At times due to service demand or difficulty gathering information it may take longer than 28 days to process an application”.</i></p> <p>A review of 20 new applications received between 1 April 2024 and 17 February 2025. 11 (55%) out of 20 applications were processed out with the set target of 28 days, ranging from 37 days to 228 days, with an average processing time for the sample of 20 reviewed of 72 days (ref 1 - 37 days, ref 2 – 205 days, ref 3 - 228 days, ref 4 - 49 days, ref 5 - 60 days, ref 6 - 102 days, ref 7 - 38 days, ref 8 - 225 days, ref 9 - 225 days, ref 10 - 38 days and ref 11 - 136 days). One of the longer application processing times reviewed (205 days) was for an (5%) application placed on the Waiting List instead of the Transfer List in error (existing Council tenant requiring new accommodation due to “Issues” with neighbours).</p>	Y	Major	12

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>Whilst the processing times for this sample of 20 are not reflective of overall housing application processing times reported to Communities, Housing and Public Protection Committee for the three months to October 2024 as detailed in the Executive Summary above, reasons should be investigated in the interests of processing efficiency and avoiding void rent loss and unnecessary delay housing applicants.</p> <p>It was also noted that written confirmation of application outcomes was not issued to eight (40%) applicants – the Service advised this was due to a technical issue with the Housing System identified as a result of this review. In addition (2294386), in one case where the application was processed and made live within 17 days, the Final Registration Letter confirming outcomes was issued late 30 days after receipt of the applications.</p> <p>Also, five applications (25%) were not fully supported with the required documentation, including five (25%) lacking applicant identification, and one of these lacking evidence confirming they have recourse to public funds, risking inappropriate inclusion on Council housing lists and potentially a housing offer to an ineligible applicant.</p>			
1.3	<p><b>Allocations</b> – Under the Council's Housing Allocation policy, Council housing applicants are assessed and prioritised in terms of their housing needs and applicant choices, including letting area(s) and property size selected.</p> <p>A sample of 20 allocations was reviewed from the Council's housing lists (five Waiting List, Five Urgent List, Five Transfer List and Five Housing with Support List). The following exceptions were identified:</p> <p>Two (10%) applicants were incorrectly classified within the Housing System as housed "HSD" by the Council, when they should have been classified as "Cancelled – Rehoused by Other Organisation" since both were housed by separate housing association. Where personal data is incorrectly recorded this risks a breach of the accuracy principle of data protection legislation.</p> <p>The remaining percentages within this risk box are based on a sample of 18 (average</p>	Y	Major	14

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>allocation duration 120 days) excluding the two recording errors above.</p> <ul style="list-style-type: none"> <li>• Offer Letters were not recorded in the system for four applications (22%).</li> <li>• A shortlist was not available for two applicants (11%).</li> <li>• An applicant was bypassed without explanation in one case (6%).</li> <li>• Seven applicants in the sample were existing Council tenants and it was noted in six cases (86%) the new tenancies commenced before ending the existing tenancy.</li> <li>• One (6%) instance where an applicant refused the offer, and instead of being deferred for 12 months as stated in the policy, was made another offer. In addition, two (11%) offers were inaccurately recorded as being refused by applicants against their housing respective housing records instead of withdrawn by the Council as they should have been.</li> </ul> <p>Supporting documents:</p> <ul style="list-style-type: none"> <li>• No identification was provided for three (17%) applicants and eligibility for recourse to public funds could not be verified in these cases. Furthermore, another applicant's UK residence permit card had expired prior the applicant being housed (Permit expired on 31/12/24, Housed on 06/01/2025) and there was no evidence of subsequent verification of proof of recourse to public funds.</li> <li>• 13 (72%) Offer Questionnaires used by the Service to ensure continued eligibility to accommodation offered were not completed.</li> <li>• Six (33%) Lease Checklists indicating the tenancy agreements had been signed and relevant pre-tenancy checks completed were not signed. Furthermore, a (6%) lease checklist was absent for one allocation.</li> </ul> <p>These issues highlight various gaps in the allocation process, risking allocation of housing to ineligible applicants, delayed allocation, unfair allocation decisions, and void rent losses. In addition, where housing lists are inaccurately maintained this risks a breach of data protection legislation and potential enforcement action by the ICO.</p>			

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	Also, where pre-tenancy checks are absent, this increases the risk of inappropriate use of Council housing, and tenancy disputes.			

## 2.4 Management response

*The allocation of our housing stock in the city is a crucial function provided by Aberdeen City Council, with different parts of the process undertaken across the Housing Cluster. The fundamental aim of our Allocation system is to ensure that our homes are allocated to those households in the greatest housing need ensuring fairness and alignment to our legal duties. The teams who support this process deal with a high volume of applications and offers every year, to give an indication of the operating context in 24/25 5235 offers of accommodation were generated and 2536 households moved into a home. Since our online bidding platform (Choice Based Letting) was introduced in June 2023, we have recorded over 218,000 eligible bids, evidencing a continued demand for homes in the city.*

*At the heart of our approach is the citizens of this city, and the complexities of the various life events that they can be experiencing, which may mean that they require our support to navigate the housing system. The focus of our teams is on providing a person-centred response and support, which can sometimes mean that our consistency in recording is not always at the level that it should be. This audit has highlighted where there are gaps in our recording of information and consistent application of procedures across over a hundred officers who are involved in the various parts of these processes.*

*More widely work to increase assurance and governance across the Housing Cluster had already begun with the design of a new Housing Services Quality Improvement Framework to help the Housing Service align working practices with the totality of the regulatory requirements. One of the key purposes of this framework is to ensure that everyone who is involved is clear about their responsibilities and accountabilities for quality control, quality assurance and improvement.*

*Through our response to this audit and work that has already began we aim to achieve that consistency in application of established procedures and the recording of information and actions on our data base, whilst ensuring continued support to the citizens who require it continues. A number of these actions are underway, including the review of the allocation policy and the implementation of increased monitoring of the various stages of the process. Our level of tenant satisfaction is a key improvement area for the Housing Cluster as highlighted through the work of the Housing Board with planning underway for a tenant satisfaction survey to be undertaken this year.*

*This audit has provided a reasonable level of overall assurance relating to the various processes that occur from the point of an application being submitted, through to a new tenancy being created and subsequent satisfaction levels shared by tenants in 2023/2024. We welcome the work that has been undertaken by the internal audit team to highlight these areas for improvement.*



## 3 Issues / Risks, Recommendations, and Management Response

### 3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Minor
1.1	<p><b>Written Policies and Procedures</b> – Comprehensive written policies and procedures, which are easily accessible, 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><u>Housing Allocation Policy</u></p> <p>The allocation of social housing in Scotland is governed by the Housing (Scotland) Acts 1987, 2001 and 2014. The Council’s Housing Allocation policy has been prepared in accordance with this legislation, and it was approved by the Communities, Housing and Public Protection Committee on 14 March 2023.</p> <p>The policy is clear, aiming to provide clarity for both applicants and staff regarding the decision-making process for housing application assessment and allocations, with housing applications graded according to need, then placed on the appropriate housing list, where they are further prioritised by date of assessment and by property location and type preference. In addition, the most recent revision aligns the policy with the Council’s Choice Based Letting allocation system.</p> <p>The policy states:</p> <p><i>“This policy will be monitored regularly with changes made where either there are changes in legislation or there are changes to the supply and demand for our homes. This policy and supporting documentation will be reviewed and updated annually or sooner if there is new legislation or guidance issued”.</i></p> <p>However, the policy document control also indicated a review was scheduled for 12 months after implementation and this did not take place as scheduled risking allocation efficiency as the new policy beds in, and lessons require to be learned.</p> <p>The Service advised that the policy was under review at the time of the audit; a recommendation is made for tracking purposes.</p>		
IA Recommended Mitigating Actions			
The Housing Allocation policy should be reviewed regularly as scheduled.			
Management Actions to Address Issues/Risks			
The Housing Allocation policy is currently being reviewed as reflected above.			
Risk Agreed	Person(s)	Due Date	
Yes	Team Leader Housing Options & Allocations	31 October 2025	

Ref	Description	Risk Rating	Major
1.2	<p><b>Applications</b> – Persons must be aged 16 or over to be eligible to apply for Council housing, with preference given to applicants with urgent housing needs. Applications are submitted via the Housing Online portal and the application data is automatically transferred to the Council's Housing System, with applicants allocated the appropriate priority within the</p>		



Ref	Description	Risk Rating	Major
	<p>relevant Housing List by the Housing System, based on responses to application questions. Each new application is reviewed for completeness. Any missing data should be requested from the applicant as well as any required follow up information/supporting documentation, such as: a housing needs assessment form (applicant declaration describing any health or social issues affected by the current property); a homelessness assessment; proof of identity; and proof of recourse to public funds where the applicant is not a British citizen.</p> <p>The Housing Allocation policy states:</p> <p><i>“Once an application has been submitted, we aim to process it within 28 days and provide written confirmation that the process is complete. At times due to service demand or difficulty gathering information it may take longer than 28 days to process an application”.</i></p> <p>A review of 20 new applications received between 1 April 2024 and 17 February 2025. 11 (55%) out of 20 applications were processed out with the set target of 28 days, ranging from 37 days to 228 days, with an average processing time for the sample of 20 reviewed of 72 days (ref 1 - 37 days, ref 2 – 205 days, ref 3 - 228 days, ref 4 - 49 days, ref 5 - 60 days, ref 6 - 102 days, ref 7 - 38 days, ref 8 - 225 days, ref 9 - 225 days, ref 10 - 38 days and ref 11 - 136 days). One of the longer application processing times reviewed (205 days) was for an (5%) application placed on the Waiting List instead of the Transfer List in error (existing Council tenant requiring new accommodation due to “Issues” with neighbours).</p> <p>Whilst the processing times for this sample of 20 are not reflective of overall housing application processing times reported to Communities, Housing and Public Protection Committee for the three months to October 2024 as detailed in the Executive Summary above, reasons should be investigated in the interests of processing efficiency and avoiding void rent loss and unnecessary delay housing applicants.</p> <p>It was also noted that written confirmation of application outcomes was not issued to eight (40%) applicants– the Service advised this was due to a technical issue with the Housing System identified as a result of this review. In addition (2294386), in one case where the application was processed and made live within 17 days, the Final Registration Letter confirming outcomes was issued late 30 days after receipt of the applications.</p> <p>Also, five applications (25%) were not fully supported with the required documentation, including five (25%) lacking applicant identification, and one of these lacking evidence confirming they have recourse to public funds, risking inappropriate inclusion on Council housing lists and potentially a housing offer to an ineligible applicant.</p>		
	<b>IA Recommended Mitigating Actions</b>		
	<p>a) The system of control should be enhanced to ensure housing applications are fully supported with necessary documentation prior to applicants being included on any of the Council’s housing lists, with the application review process fully documented.</p> <p>b) Applications and associated outcome letters should be processed within established target timeframes and recorded on the correct housing list.</p>		
	<b>Management Actions to Address Issues/Risks</b>		
	<p>a) <i>The Service are in the process of fully implementing an application checklist to ensure consistent processing of applications. Of the five applications noted above, one has been appropriately rehoused as evidenced through close partnership working with another cluster, four still have a live application, Officers will seek the required documentation from these applicants.</i></p> <p>b) <i>In relation to application outcome letters, system parameter errors have been identified, and we will take action to address these. Certain instances are out with the officer’s control where applicants do not provide what is required leading to longer processing times. We will review our approach to the cancellation of these applications. We will also implement a</i></p>		

Ref	Description	Risk Rating	Major
	<i>system of exception monitoring to ensure reasons for delay are identified on an ongoing basis and rectified where feasible.</i>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	a) Yes	Team Leader Housing Options & Allocations	a) 31 July 2025
	b) Yes	Team Leader Housing Options & Allocations	b) 31 July 2025

Ref	Description	Risk Rating	Major
1.3	<p><b>Housing Allocations</b> – As already explained above, under the Council's Housing Allocation policy, Council housing applicants are assessed and prioritised in terms of their housing needs and applicant choices, including letting area(s) and property size selected.</p> <p>A sample of 20 allocations was reviewed from the Council's housing lists (five Waiting List, Five Urgent List, Five Transfer List and Five Housing with Support List).</p> <p>The following exceptions were identified:</p> <ul style="list-style-type: none"> <li>Two (10%) applicants were incorrectly classified within the Housing System as housed "HSD" by the Council, when they should have been classified as "Cancelled – Rehoused by Other Organisation" since both were housed by separate housing association. Where personal data is incorrectly recorded, this risks a breach of the accuracy principle of data protection legislation.</li> </ul> <p>The remaining percentages within this risk box are based on a sample of 18 (average allocation duration 120 days) excluding the two recording errors above.</p> <ul style="list-style-type: none"> <li>Offer Letters were not recorded in the system for four applications (22%) reducing assurance applicants were issued a formal offer letter detailing the whole offer and acceptance process, as well as tenant responsibilities; rent payment requirements; what is a "reasonable offer" for the purposes of refusal; and protocol regarding tenant belongings should the applicant be coming from Council temporary accommodation. . These letters should be signed by both the Council and the applicant and in their absence, there is reduced assurance over acceptance of offer terms and conditions.</li> <li>A shortlist was not available for two applicants (11%) meaning it was not possible to determine if the allocations were in line with system priority scores. The Service advised shortlists were created however were not visible to Housing officers or Internal Audit due to a technical issue with the Housing System identified as a result of this review.</li> <li>An applicant was bypassed without explanation in one case (6%) risking fairness and transparency in decision making and potential challenge and reputational damage should the bypassed applicant subsequently challenge the decision.</li> <li>Seven applicants in the sample were existing Council tenants and it was noted in six cases (86%) the new tenancies commenced before ending the existing tenancy (Ref 1 - 69 days, Ref 2 - 27 days, Ref 3 - 25 days, Ref 4 - 26 days, Ref 5 - 26 days and Ref 6 - 23 days) These issues risk delay in subsequent allocation of the properties where tenancies had not been ended in a timely manner.</li> <li>Three (16%) instances where applicants refused the offer, and instead of being deferred for 12 months as stated in the policy, were made another offer (two – three offers within three months, and one - two offers in the same month). On investigation it was reasonable to make a further offer in two of these cases, but they were misclassified as "refused" offers since offers should have been classed as</li> </ul>		

Ref	Description	Risk Rating	Major
	<p>“withdrawn” due to subsequent changes to applicant or property suitability. In addition, one application was refused for personal preference reasons and incorrectly classified as a “reasonable” refusal resulting in a further offer being made rather than a 12-month deferral being applied, in breach of policy.</p> <p>Supporting documents:</p> <ul style="list-style-type: none"><li>No identification was provided for three (17%) applicants and eligibility for recourse to public funds could not be verified in these cases. Furthermore, another applicant’s UK residence permit card had expired prior the applicant being housed (Permit expired on 31/12/24, Housed on 06/01/2025) and there was no evidence of subsequent verification of proof of recourse to public funds. This risks housing being granted to ineligible applicants.</li><li>13 (72%) Offer Questionnaires used by the Service to ensure continued eligibility to accommodation offered were not completed, again risking housing ineligible applicants.</li><li>Six (33%) Lease Checklists indicating the tenancy agreements had been signed and relevant pre-tenancy checks completed were not signed – two not signed by both parties, three not signed at all by the tenants and one not signed by the Council. Furthermore, a (6%) lease checklist was absent for one allocation. This risks inappropriate use of Council housing / tenancy disputes.</li></ul> <p>To summarise, these issues highlight various gaps in the allocation process, risking allocation of housing to ineligible applicants, delayed allocation, unfair allocation decisions, and void rent losses. In addition, where allocation outcomes for housing applicants are inaccurate recorded, this risks a breach of the data protection legislation accuracy principle and potential enforcement action by the ICO. Also, where lease agreements are inadequately formalised, this increase the risk of inappropriate use of Council housing, and dispute on tenancies ending e.g. where liability for damage is contested.</p>		
IA Recommended Mitigating Actions			
<p>a) The housing allocations system of control should be reviewed to ensure housing is only allocated when all necessary checks are completed, applicant eligibility is fully supported and lease checklists signed by all relevant parties.</p> <p>b) Exception reporting should be introduced where necessary to identify and address any gaps/inaccuracies in Housing System records and any uncompleted allocation checks.</p>			
Management Actions to Address Issues/Risks			
<p>a) <i>The offer checklist will be reviewed, updated if necessary and fully implemented for consistency ensuring required documentation is sought at offer stage and verified at lease signing stage. As part of the updated procedure staff briefing sessions will be undertaken which will ensure clarity around the application of reasonable/unreasonable refusal reasons and when offers should be withdrawn rather than refused. Staff will be reminded to ensure lease checklists are fully completed and recorded on the system for all lease signings and a system of quality assurance checks which is already in place will be monitored. Through the lease signing checklist a final check of ID will be recorded.</i></p> <p>b) <i>A system of quality assurance based on sample review will be introduced to identify gaps. In addition, where feasible quality assurance system reporting will also by implemented to provide a greater level of assurance regarding shortlists, bypasses and housed applicants.</i></p>			
Risk Agreed	Person(s)	Due Date	
a) Yes	a) Locality Inclusion Manager	a) 31 July 2025	
b) Yes		b) 31 July 2025	

Ref	Description	Risk Rating	Major
	b) Team Leader Housing Options & Allocations		

Ref	Description	Risk Rating	Moderate						
1.4	<p><b>Deferrals and Suspensions</b> – Waiting, Transfer and Housing With Support applicants may defer their application if they do not wish to receive housing offers while remaining on the respective list. They must notify the Council when they want their application reactivated. In addition, certain applications may be suspended, including those with housing-related debts (until repayment plan is in place), applicants who have refused a reasonable offer (suspended for 12 months), or those with an unresolved joint tenancy. Also, existing tenants must pass a property standards check before receiving an offer and applications may be deferred for damage repairs.</p> <p>A review of ten deferred/suspended applications found nine (90%) to be reasonable and supported. However, one case lacked supporting evidence, such as a formal request from the applicant to defer their application or an electronic confirmation to the applicant that they had been deferred. The Service advised that the outcome of a telephone call was not captured in this case which adequately justified the deferral.</p> <p>Without clear evidence of applicant requests, deferrals may be incorrectly applied, leading to disputes or inconsistencies in decision-making.</p> <p>Additionally, in another case (20%), where an appeal was unsuccessful and the applicant should have been deferred for 12 months, the applicant was instead offered another property within the same month, in breach of policy. The Service advised that a complaint was received presenting new information relevant to the application, with Housing Management upholding the complaint. The complaint reference was not captured within the Housing System, meaning there was no explanation for the deferral being lifted meaning it appeared the appeals policy had not been applied when this was not the case, impeding monitoring.</p> <p><b>IA Recommended Mitigating Actions</b></p> <p>The service should ensure all deferrals and suspensions are adequately supported.</p> <p><b>Management Actions to Address Issues/Risks</b></p> <p><i>There is presently a system of monitoring in place to identify whether or not deferrals remain valid. Guidance will be issued to staff to remind them of the correct approach to the cases highlighted above i.e. in terms of how these deferrals should be input and reviewed.</i></p> <table><tr><th>Risk Agreed</th><th>Person(s)</th><th>Due Date</th></tr><tr><td>Yes</td><td>Locality Inclusion Manager</td><td>31 July 2025</td></tr></table>	Risk Agreed	Person(s)	Due Date	Yes	Locality Inclusion Manager	31 July 2025		
Risk Agreed	Person(s)	Due Date							
Yes	Locality Inclusion Manager	31 July 2025							

Ref	Description	Risk Rating	Moderate
1.5	<p><b>Tenant Satisfaction</b> – The Scottish Social Housing Charter requires social landlords to report on key tenant satisfaction performance indicators.</p> <p>Whilst many aspects of a tenant's housing experience will inform this position, including beyond the application and allocation process, in 2023/24, the Council reported significantly</p>		

Ref	Description	Risk Rating	Moderate
	<p>lower tenant satisfaction (Overall Service: 39.9%, Keeping Tenants Informed: 39.6%, Opportunities to Participate 31.6%) compared to national averages (86.5%, 90.5%, and 87.7%, respectively). This is in contrast to performance reporting to Communities, Housing and Public Protection Committee above which indicates a good tenant satisfaction position for new tenants.</p> <p>The Council's external website indicates the Housing service are continually looking for ways to improve the service and indicates a survey is available to help with the identification of improvements. However, the link<sup>3</sup> to the only advertised survey (Support Services Temporary Accommodation Survey) on the Council's website related was broken at the time of this review. In addition, 10 (50%) New Tenant Surveys were not distributed as required.</p> <p>Without tenant feedback, the Council may miss valuable insights into tenant satisfaction and service issues, risking continued poor performance and reputational damage.</p>		
	<b>IA Recommended Mitigating Actions</b>		
	The Service should actively request feedback from tenants to understand reasons for tenant dissatisfaction where relevant and formalise related improvement actions plans where necessary.		
	<b>Management Actions to Address Issues/Risks</b>		
	<p><i>There is ongoing engagement with our Housing Volunteers who report a feeling of empowerment as they engage through the various tenant participation opportunities. In addition, the Aberdeen Housing Service Review Group has been supported to undertake a review of Tenant &amp; Resident Participation. This wide ranging tenant and resident led audit has identified a number of areas for improvement and a shared Action Plan has been prepared (and will be considered by Communities, Housing &amp; Public Protection Committee on 27 May 2025). The Action Plan will be monitored and updated on a bi-annual basis with progress reported through the established Housing Board Biannual Reports.</i></p> <p><i>We will continue with the existing process to seek feedback from tenants who have moved into a new home. The service is aware that there was a period of time that these surveys were not being issued due to a change in the system, officers took the opportunity to revisit the questions asked as part of this survey, as such an updated survey is now being issued.</i></p> <p><i>The service can advise that the webpage referenced above has been archived as this linked to a historic survey.</i></p> <p><i>In response to the recommended action specifically, we can advise that following the disappointing survey return rate on the Tenant Satisfaction Survey in 2023, an alternative approach to eliciting the voices of our tenants has been developed. Whilst the Scottish Housing Regulator states that social landlords of our size should, as a minimum, undertake 400 surveys, work is underway to commission an independent external partner to undertake 1,300 interviews. This will provide a dataset we can have a high level of confidence in, and we will be able to drill down at housing management levels. Officers have engaged with the Scottish Housing Regulator to agree a timescale for the refreshed Tenant Satisfaction Survey to be undertaken, in light of the 2025 consultation calendar. The survey is anticipated to be undertaken in August / September 2025 with analysis thereafter and the results of which will inform improvement priorities for the Housing Cluster.</i></p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Senior Housing Strategy Officer	31 December 2025

<sup>3</sup> [Council housing: customer satisfaction surveys | Aberdeen City Council](#)

Ref	Description	Risk Rating	Moderate						
1.6	<p><b>Application Annual Review</b> – The Housing Allocation policy states:</p> <p><i>“Applicants who have not been in contact regarding their application will be contacted at least once a year and asked to confirm their application details and whether they still wish to remain on the housing list. Applicants will be asked to respond within 28 days with a further reminder sent 7 days prior to the expiration date. If they do not respond, it is assumed that they no longer wish to be considered for housing, and their housing application will be cancelled.”</i></p> <p>A review was conducted on a sample of five applications received over 12 months ago, all of which had a current ("CUR") status, to assess whether applicants had been contacted and appropriate action taken.</p> <p>Only one applicant (20%) was sent a letter while the remaining four (80%) were not contacted as required by the policy.</p> <p>Where annual reviews are not conducted this risks inefficiency in the allocation process should individuals without housing needs be considered for housing they do not require.</p> <p><b>IA Recommended Mitigating Actions</b></p> <p>Housing application annual reviews should be conducted in line with the Housing Allocation policy.</p> <p><b>Management Actions to Address Issues/Risks</b></p> <p><i>Following investigation, we have found that the Housing System is not generating annual review letters for all applications for technical reasons. Work is underway to resolve this in collaboration with the system supplier.</i></p> <table><tr><th>Risk Agreed</th><th>Person(s)</th><th>Due Date</th></tr><tr><td>Yes</td><td>Team Leader Housing Options &amp; Allocations</td><td>31 December 2025</td></tr></table>	Risk Agreed	Person(s)	Due Date	Yes	Team Leader Housing Options & Allocations	31 December 2025		
Risk Agreed	Person(s)	Due Date							
Yes	Team Leader Housing Options & Allocations	31 December 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
<b>Corporate</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Function</b>	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.
<b>Cluster</b>	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual Issue / Risk Rating	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	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.
<b>Severe</b>	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.



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## 5 Appendix 2 – Assurance review scoping document

### 5.1 Area subject to review

The allocation of social housing in Scotland is governed by the Housing (Scotland) Acts 1987, 2001 and 2014. The Council's Housing Allocation policy has been prepared in accordance with this legislation. Under the policy, Council housing applicants are assessed and prioritised in terms of their housing needs and applicant choices, including letting area(s) and property size selected.

Persons must be aged 16 or over, and not subject to immigration control, to be eligible to apply for Council housing, with preference given to applicants with urgent housing needs, including:

- Persons who are homeless or threatened with homelessness with an unmet housing need.
- Persons living in unsatisfactory housing conditions with an unmet housing need.
- Social landlord tenants considered to be under-occupied.
- Applicants with “extreme medical needs” determined by the Council's Housing Needs Assessment team.
- Young people looked after by the Council.
- Applicants awarded priority by the Communities, Housing and Public Protection Committee or the Chief Officer – Housing.

The Council's Housing Waiting List is categorised as follows:

- Urgent Housing Needs List (relates to the persons described above and community safety, Next Stage care experienced, statutory notice and former armed forces applicants).
- Housing with Support List (Amenity, Sheltered, Very Sheltered, or High Support housing).
- Transfers List (Council tenant, Registered Social Landlord (RSL) tenant within Aberdeen, or Council / RSL in Aberdeen occupying tied accommodation).
- Waiting List (all other eligible housing applicants).

The Council has around 23,500 properties of various sizes and types, including cottages, flats, multi-storey blocks, and sheltered complexes and approximately 350 housing applications are processed by the Council each month. As at 31 December 2024, there were 6,654<sup>4</sup> households on the Council's housing lists (Urgent Housing Needs List 635; Housing with Support List 1,460; Transfers List 2,186; Waiting List 2,672) and in the year to 31 December 2024, 1,895 applicants were housed.

#### Choice Based Letting

The Council operates a Choice Based Letting system to allocate properties to reduce void rent loss and increase tenant satisfaction levels.

Properties available to let are advertised through the Council's Housing Online system accessed via the Council's website. Applications are ordered based on their assessed priority on the Council's housing lists. To meet the legal obligation and policy objective “to respond quickly to people in acute and urgent housing need”, all available properties are considered for applications on the Urgent Housing Needs List in the first instance. If no Urgent Housing Needs List applicants register an interest, the property concerned is considered for Waiting and Transfer List or Housing with Support applicants, based on their housing needs,

Urgent Housing Needs applicants are given 21 days to bid for properties and accept an offer after which their applications are set to “autobid” for properties deemed suitable for their needs. Should an “autobid” offer be rejected the applicant is defaulted to the appropriate non-urgent list. Where an applicant on any non-urgent list rejects an offer, their application is deferred for 12 months before being considered again.

#### Performance

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<sup>4</sup> The number of households (6,654) is less than the number of households across the list (6,953) as an applicant can be on more than one list.



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The Quality Assurance and Performance Management team are responsible for preparing and distributing various key performance indicator reports to Housing officers to facilitate improvement in housing application processing; housing list maintenance; and housing applicant outcomes.

In addition, the Council's Communities, Housing and Public Protection Committee is responsible for monitoring housing key performance indicators (KPIs) in accordance with the Council's Performance Management Framework. Also, the Housing Cluster must report certain statutory housing key performance indicators to the Scottish Housing Regulator, including KPIs relating to relet duration, void losses, and tenant satisfaction.

## 5.2 Rationale for review

The objective of this audit is to provide assurance that the Housing Waiting List is maintained efficiently, and allocations are made in accordance with policy, including the choice based letting process. This review will also incorporate tenant satisfaction<sup>5</sup>.

This has been included in the agreed 2024/25 Internal Audit Plan due to the Council's statutory obligation to maintain a Housing Waiting List and prioritise those with the greatest housing needs. Failure to maintain the Housing Waiting List and manage allocations appropriately increases the risk of housing needs not being met, potentially housing fraud, financial loss should for example those with housing needs require more expensive temporary accommodation, and reputational damage for the Council.

This area was last reviewed in August 2021 through Internal Audit AC2117 Housing Waiting List and Allocations. Recommendations were made to enhance written procedures; support housing decisions; ensure data protection; segregate duties; and to ensure property suitability.

## 5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level.
- Individual **net risk** ratings for findings.

### 5.3.1 Detailed scope areas

**As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.**

The specific areas to be covered by this review are:

- Governance
- Policies, Procedures and Training
- Applications and Housing List Maintenance
- Allocations
- Fraud Prevention, Detection and Resolution
- Performance (including Tenant Satisfaction)

## 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.

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<sup>5</sup> The review was initially planned to include tenant participation and satisfaction. Discussions with the Chief Officer – Housing provided an understanding that participation is a different area of work and not aligned to Housing Allocations and Choice Based Letting. As such this will be out of scope for this piece of work and picked up as part of future relevant reviews. Tenant satisfaction remains within scope for this review.

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## 5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
  - Council Key Contacts (see 1.7 below)
  - Audit, Risk and Scrutiny Committee (final only)
  - External Audit (final only)

## 5.6 IA staff

The IA staff assigned to this review are:

- 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:

- Eleanor Sheppard, Executive Director – Families and Communities
- Rachel Harrison, Locality Inclusion Manager (**process owner**)
- Jacqui McKenzie, Chief Officer – Housing
- Jane Hogg, Locality Inclusion Manager

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	16-Jan-25
Scope agreed	23-Jan-25
Fieldwork commences	10-Feb-25
Fieldwork completed	04-Apr-25 <sup>6</sup>
Draft report issued	25-Apr-25
Process owner response	16-May-25
Director response	23-May-25
Final report issued	30-May-25

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<sup>6</sup> Dates revised due to technical difficulties accessing document management system during course of review.

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	26 June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2508 – Group Structure Assurance
<b>REPORT NUMBER</b>	IA/AC2508
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Group Structure Assurance

### 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 Group Structure Assurance

### 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 AC2508 – Group Structure Assurance

## 12. REPORT AUTHOR CONTACT DETAILS

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## Internal Audit

### Assurance Review of Group Structure Assurance

**Status:** Final

**Date:** 29 May 2025

**Risk Level:** Corporate

**Report No:** AC2508

**Assurance Year:** 2024/25

Net Risk Rating	Description	Assurance Assessment
<b>Moderate</b>	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.	<b>Reasonable</b>

Report Tracking	Planned Date	Actual Date
Scope issued	07-Jan-25	07-Jan-25
Scope agreed	14-Jan-25	13-Jan-25
Fieldwork commenced	27-Jan-25	27-Jan-25
Fieldwork completed	21-Feb-25	28-Mar-25
Draft report issued	14-Mar-25	14-Apr-25
Process owner response	04-Apr-25	14-May-25
Director response	11-Apr-25	28-May-25
Final report issued	18-Apr-25	29-May-25
AR&S Committee	26-Jun-25	

Distribution	
<b>Document type</b>	Assurance Report
<b>Directors</b>	Andy MacDonald, Executive Director – Corporate Services
<b>Process Owner</b>	Vikki Cuthbert, Interim Chief Officer – Governance
<b>Stakeholders</b>	Craig Innes, Chief Officer – Commercial and Procurement Services
	Bernie Bularan, Deputy Chief Finance Officer
	Lesley Fullerton, Finance Operations Manager
	Amy Jones, Senior Accountant
	Jonathan Belford, Chief Officer – Finance*
<b>*Final Only</b>	External Audit*
<b>Lead auditor</b>	Lyndsay Jarvis, Auditor

# 1 Introduction

## 1.1 Area subject to review

Arms-Length External Organisations (ALEOs) are companies, charities and other bodies that are separate from the Council but subject to its control or influence. Local authorities may elect to provide services through ALEOs to achieve Best Value. Typically, ALEOs are used to retain greater control and influence when compared with a standard commercial contractual arrangement, while bringing the benefits associated with the use of a separate and independent organisation.

### Group Accounts

Where the Council has a material interest in an ALEO, these entities are required to be included within the Council's Group Accounts. Depending on the level of control that the Council exerts over these entities, these are classified as subsidiaries, joint ventures, or associates as follows.

Group Entities	Classification	ACC Control %
Aberdeen Exhibition & Conference Centre Ltd	Subsidiaries <sup>1</sup>	100
Sport Aberdeen Ltd		100
Bon Accord Care Ltd		100
Bon Accord Support Services Ltd		100
Aberdeen Heat & Power Ltd		100
Common Good <sup>2</sup>		100
Trust Funds <sup>1</sup>		100
Aberdeen Sports Village Ltd	Joint Ventures <sup>1</sup>	50
BP Aberdeen Hydrogen Energy Ltd		50
Integration Joint Board <sup>3</sup>		50
Grampian Valuation Joint Board	Associates <sup>1</sup>	39

### ALEO Assurance Hub

The Council's ALEO Assurance Hub (the Hub) forms part of the Council's ALEO Assurance Framework. The Hub provides high level, strategic oversight over six of the Council's higher risk ALEOs (Aberdeen Heat and Power; Aberdeen Performing Arts; Aberdeen Sports Village; Bon Accord Care; Sport Aberdeen; and the BP Joint Venture), all of which are included within the Council's Group Accounts, with the exception of Aberdeen Performing Arts. The Hub's workplan, which is reported annually to Audit, Risk and Scrutiny Committee, covers governance arrangements; risk management; and financial matters.

### Other ALEO / Group Entity Oversight and Support Arrangements

<sup>1</sup> Subsidiaries are Group entities where the council has a 'controlling interest' i.e. greater than 50%. Joint Ventures are agreements between two or more entities whereby each "partner" shares equally in the related risks and benefits. Associates are entities the Council has a "significant interest" in but less than controlling or joint interest.

<sup>2</sup> This review will not cover Common Good or Trust Funds since these were subject to a standalone review in December 2024 as part of Internal Audit report AC2510 Trusts and Common Good Fund.

<sup>3</sup> The Aberdeen City IJB will not be covered either as part of this review since the IJB is subject to its own separate agreed Internal Audit plan.

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The remaining Assurance Framework elements offering oversight and support to ALEOs / Group entities include:

1. Annual monitoring of the performance of “Tier One” ALEOs by Full Council. Tier One ALEOs are organisations whose annual results are included in the Council’s Group Accounts or receive cumulative funding from the Council greater than £7m.
2. Quarterly financial performance reporting to Finance and Resources Committee covering the financial performance of Group entities.
3. The ALEO Strategic Partnership is scheduled to meet every six weeks to discuss strategic matters, such as business planning and horizon scanning, in line with the Medium-Term Financial Strategy (MTFS).
4. Representatives of the Head of Commercial and Procurement, known as Service Leads, act as the Council’s primary liaison officers with ALEOs and undertake regular contact with ALEOs to discuss strategic, operational and performance matters.
5. The Director of Corporate Services acts as a key strategic liaison for all ALEOs.

## **1.2 Rationale for review**

The objective of this audit is to ensure the Council’s approach to its Group structure provides appropriate assurance and the necessary control framework is in place, both overall and for individual bodies.

This area has been included in the agreed 2024/25 Internal Audit Plan due to the material interest the Council has in its Group entities, financial or otherwise. The Council remains ultimately responsible for the related service provision delivered on its behalf by Group entities. It is therefore essential adequate scrutiny of Group entities’ governance, risk management and financial controls is in place, to avoid mismanagement, financial loss and reputational damage.

Internal Audit AC2306 ALEOs – Performance and Payments, completed in March 2023, covered some related matters. Recommendations were agreed as part of this review to enhance Following the Public Pound compliance oversight; address absent or poorly defined ALEO funding agreements; and establish performance monitoring arrangements over Aberdeen Heat and Power Ltd.

## **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
<b>Moderate</b>	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.	<b>Reasonable</b>

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

Risk Level	Definition
<b>Corporate</b>	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 Group Structure Assurance.

Reasonable assurance was available over the following areas reviewed:

- **Committee Reporting** – Audit, Risk and Scrutiny Committee is receiving reports bi-annually on the adequacy of the Tier One Group entities' governance, risk management, and financial management arrangements, at a strategic level. In addition, Finance and Resources Committee receives quarterly reports on the financial performance of Group entities. Furthermore, except for Aberdeen, Heat and Power Ltd, Full Council is receiving annual performance reports for Tier One Group entities.
- **ALEO Assurance Hub** – The ALEO Assurance Hub's Terms of Reference and workplan are being reviewed annually by Audit, Risk and Scrutiny (AR&S) Committee, most recently in May 2024. In addition, the Hub is meeting regularly and engaging with ALEOs under its remit to inform bi-annual reporting to AR&S Committee on the adequacy of ALEO governance, risk management and financial controls. Also, in the Hub's opinion, the ALEOs under its remit, which includes Tier One Group entities, are in the main managing risks as required, and where risks exceed desired ratings, the Hub has either identified necessary corrective action or described follow up monitoring arrangements.
- **Following the Public Pound (FtPP) Guidance** – The Council's Financial Regulations requires compliance with the Council's FtPP guidance. The FtPP guidance was approved most recently by Finance and Resources Committee in November 2024 and is comprehensive, covering grant application assessment; approval; recording; payment; funding agreement; and monitoring requirements, including for Tier One ALEOs forming part of the Council's Group Structure.

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

- **Governance Enhancements** – Whilst the ALEO Assurance Hub (the Hub) is fulfilling its remit under its Terms of Reference, it was noted action notes or minutes are not formalised for Hub meetings, potentially risking clarity over decision making or outstanding actions, such as follow up assurance required from ALEOs. In addition, whilst Finance checks assessed by the Hub are relevant, they did not fully cover the requirements under the Council's FtPP guidance, including for example checks of cash balances; material sources of funding; subsidy control, and outstanding debts. This potentially risks a gap in FtPP compliance being overlooked and related financial loss.



- **Aberdeen Heat and Power (AH&P) Ltd** – AH&P Ltd is a Tier One Group entity, in accordance with the Council's FtPP, since it is an organisation of significant size over which the Council exercises substantial control, with its annual results included in the Council's Group Accounts. As such the Tier One requirements of the Council's FtPP guidance apply. However, unlike the other Tier One Group entities, a detailed annual performance report for AH&P Ltd is not being reported to Full Council, or Finance and Resources Committee, in line with FtPP monitoring and reporting requirements for Tier One Group entities. Also, whilst Service Lead meetings are taking place, the ALEO Strategic Partnership does not cover AH&P Ltd. This reduces the opportunity to identify and scrutinise any poor performance, risking strategic outcomes, Best Value, delay with any necessary corrective action, and potentially reputational damage.
- **Assessment of Fraud Risks** – The Assurance Hub discuss and review ALEO risk reporting but does not specifically consider the risk of fraud or the forthcoming introduction of the corporate offence of failure to prevent fraud, under the Economic Crime and Corporate Transparency Act 2023, due to come into force on 1 September 2025. Under this legislation large organisations may be criminally liable where an employee, agent, subsidiary, or other "associated person", commits a fraud which benefits the organisation (e.g. the Council), and the organisation did not have reasonable fraud prevention procedures in place. "Reasonable procedures" are described in the Act and include top level commitment to fraud prevention; risk assessment; proportionate procedures; due diligence; training and communication; and monitoring and review. In certain circumstances, the offence will also apply where it is committed with the intention of benefitting a client of the organisation. It does not need to be demonstrated that directors or senior managers ordered or knew about the fraud. If the Council is prosecuted under the Act and fails to prove that reasonable prevention procedures were in place, the offence is punishable by a potentially unlimited fine. Working with ALEOs to address this would provide greater assurance that fraud risks are being appropriately mitigated.
- **ALEO Strategic Partnership and Service Leads** – The Council's ALEO Assurance Framework requires senior Council and ALEO representatives to meet every six weeks, via the ALEO Strategic Partnership, to discuss high level strategic issues, such as business planning and horizon scanning. Except for AH&P Ltd, management assurance was provided that meetings are taking place for Tier One ALEOs. However, evidence provided indicated meetings are taking place less frequently than planned in Hub Terms of Reference reported to Audit, Risk and Scrutiny Committee (quarterly rather than six weekly). Also, based on September 2024 meeting notes made available, whilst relevant strategic matters are being discussed, this did not cover all Tier One Group entities and like ALEO Service Lead meetings, SMART actions were not always recorded, increasing the risk strategic, operational and performance issues may not be identified and acted upon as required.

Recommendations have been made to address the above risks including ensuring all aspects of the ALEO Assurance Framework are operational and related meeting actions are documented; enhancing ALEO Assurance Hub checks in relation to FtPP; formalising assurance arrangements concerning AH&P Ltd; and ensuring fraud risks are adequately monitored.

## 2.3 Management response

*The audit has recognised the consistent efforts of the ALEO Assurance Hub in maintaining oversight of the stewardship arrangements in place within each ALEO and the Council's management teams' relationship with ALEOs which remains consistent and supportive. Management are supportive of the improvements identified through this audit and are confident that the timescales will be met.*

### 3 Issues / Risks, Recommendations, and Management Response

#### 3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Minor									
1.1	<p><b>Governance Documentation</b> – The ALEO Assurance Hub’s Terms of Reference and workplan are being approved annually as required by Audit, Risk and Scrutiny (AR&amp;S) Committee, most recently in May 2024. In addition, areas of assurance which must be covered for each ALEO are clearly documented with commentary on checks undertaken and related outcomes that form the basis of risk rating assessments reported to Audit, Risk and Scrutiny Committee.</p> <p>However, whilst the ALEO Assurance Hub (the Hub) is fulfilling its remit under its Terms of Reference, action notes or minutes are not formalised for Hub meetings, potentially risking clarity over decision making or follow up of outstanding actions, such as assurance required from ALEOs in relation to high-risk scores.</p> <p>In addition, whilst Finance checks assessed by the Hub are relevant, they did not fully cover the requirements under the Council’s FtPP guidance, including checks of cash balances; material sources of funding; subsidy control, and outstanding debts, payment schedules, and the adequacy of funding agreements. This potentially risks a gap in FtPP compliance being overlooked and related financial loss.</p> <p><b>IA Recommended Mitigating Actions</b></p> <p>a) Governance should keep formal records of ALEO Assurance Hub meetings and actions arising.</p> <p>b) Finance should align checks of each ALEO with the Council’s Following the Public Pound guidance requirements and report these into the ALEO Assurance Hub</p> <p><b>Management Actions to Address Issues/Risks</b></p> <p>a) <i>Records of actions are included in the “action file” which is issued to ALEOs. This is updated based on their returns and the Hub’s assessment. For completeness, Copilot will be used to record a note of the Hub’s discussions and retained as part of our records.</i></p> <p>b) <i>Finance will undertake checks of ALEOs currently reporting to the Council’s ALEO Hub to ensure they are in line with the Following the Public Pound policy requirements, and report these into the ALEO Hub annually.</i></p> <table><tr><th>Risk Agreed</th><th>Person(s)</th><th>Due Date</th></tr><tr><td>a) Yes</td><td>a) Assurance Manager</td><td>a) June 2025</td></tr><tr><td>b) Yes</td><td>b) Finance Operations Manager</td><td>b) October 2025</td></tr></table>	Risk Agreed	Person(s)	Due Date	a) Yes	a) Assurance Manager	a) June 2025	b) Yes	b) Finance Operations Manager	b) October 2025		
Risk Agreed	Person(s)	Due Date										
a) Yes	a) Assurance Manager	a) June 2025										
b) Yes	b) Finance Operations Manager	b) October 2025										

Ref	Description	Risk Rating	Moderate
1.2	<p><b>Aberdeen Heat and Power Company (AH&amp;P) Ltd</b> – AH&amp;P Ltd is a Tier One Group entity, in accordance with the Council's FtPP guidance, since it is an organisation of significant size over which the Council exercises substantial control, with its annual results included in the Council's Group Accounts. As such the Tier One requirements of the Council's FtPP guidance apply.</p>		

Ref	Description	Risk Rating	Moderate
	<p>As with all Tier One ALEOs under its remit, the ALEO Assurance Hub is monitoring the adequacy of governance, risk management and finance arrangements for AH&amp;P twice annually. In addition, Finance is reporting quarterly to Finance and Resources Committee on AH&amp;P's financial position at a high level, most recently in February 2025 indicating a deficit of £440k is forecast for 2024/25.</p> <p>Management assurance was provided that regular meetings are taking place between the relevant designated Service Lead officer within Corporate Landlord and AH&amp;P Ltd via weekly meetings and attendance at AH&amp;P Board meetings where strategic, operational and performance matters are discussed.</p> <p>However, unlike the other Tier One Group entities, a detailed annual performance report for AH&amp;P is not being reported to Full Council, or Finance and Resources Committee, in line with FtPP monitoring and reporting requirements for Tier One Group entities and ALEO Strategic Partnership meetings do not cover AH&amp;P Ltd.</p> <p>C&amp;PSS advised the reporting arrangements for AH&amp;P Ltd reflects the fact direct funding is not provided to AH&amp;P Ltd as with other ALEOs and there is less need for detailed performance reporting and monitoring based on the nature and extent of operational arrangements.</p> <p>However, AH&amp;P Ltd meets the requirements for performance reporting in line with other Tier One group entities and despite the Council not providing funding by the same means as it does for other ALEOs, it is ultimately liable for any financial losses and should AH&amp;P Ltd fail to deliver for its customers and the Council as expected, this risks reputational damage for the Council.</p>		
<b>IA Recommended Mitigating Actions</b>			
Performance reporting and monitoring arrangements should be established for Aberdeen Heat and Power in line with the Council's Following the Public Pound guidance.			
<b>Management Actions to Address Issues/Risks</b>			
<i>Performance reporting and monitoring arrangements will be established for Aberdeen Heat and Power in line with the Council's Tier 1 ALEOs.</i>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Chief Officer, Commercial & Procurement	October 2025

Ref	Description	Risk Rating	Moderate
1.3	<p><b>Assessment of Fraud Risks</b> – The Scottish Government has a commitment to protecting public resources from the risk of fraud, bribery and corruption, as set out in its Protecting Public Resources in Scotland strategy. In addition, under the Economic Crime and Corporate Transparency Act 2023, due to come into force on 1 September 2025, large organisations such as the Council, may be criminally liable where an employee, agent, subsidiary, or other “associated person”, commits a fraud intended to benefit the organisation or a client of the organisation, in the absence of reasonable fraud prevention procedures.</p> <p>“Reasonable procedures” are described in the Act and include top level commitment to fraud prevention; risk assessment; proportionate procedures; due diligence; training and communication; and monitoring and review. It does not need to be demonstrated that directors or senior managers ordered or knew about the fraud. If the Council is prosecuted</p>		

Ref	Description	Risk Rating	Moderate
	<p>under the Act and fails to prove that reasonable prevention procedures were in place, the offence is punishable by a potentially unlimited fine.</p> <p>The ALEO Assurance Hub discuss and review ALEO risk reporting but do not specifically consider the risk of fraud or the forthcoming corporate offence under the Economic Crime and Corporate Transparency Act 2023. Working with ALEOs to address this would provide greater assurance that fraud risks are being appropriately mitigated and reduce any potential risks of prosecution for failing to prevent fraud.</p>		
	<b>IA Recommended Mitigating Actions</b>		
	The ALEO Assurance Hub should work with ALEOs to obtain assurance over fraud risks and to help ensure compliance with the incoming Economic Crime and Corporate Transparency Act 2023.		
	<b>Management Actions to Address Issues/Risks</b>		
	<i>Agreed. The ALEO Assurance Hub will report to the Audit, Risk and Scrutiny Committee in June and this will include assurance on levels of fraud risk including the extent to which ALEOs are prepared for this legislation.</i>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Assurance Manager	June 25

Ref	Description	Risk Rating	Moderate
1.4	<p><b>ALEO Strategic Partnership and Service Leads</b> – The ALEO Assurance Framework includes a forum for senior Council and ALEO representatives, known as the ALEO Strategic Partnership, which should meet six weekly to discuss high level strategic issues. In addition, the ALEO Assurance Hub Terms of Reference requires each ALEO to be assigned a Service Lead from C&amp;PSS, to act as primary liaison and to make regular contact to discuss strategic, operational and performance matters.</p> <p><u>ALEO Strategic Partnership</u></p> <p>Summary agendas for what are described as "quarterly" meetings with the Chief Officer - C&amp;PSS, the Executive Director - Corporate Services, the Chief Officer - Finance, and representatives of ALEOs were supplied by email and indicate that relevant high level strategic issues are being discussed, including budgets, charters, delivery models and service level agreements. However, only four of the ALEOs monitored by the Hub were noted as regular attendees, with Aberdeen Heat &amp; Power (AHP) Ltd not covered as described at 1.2 above. In addition, email notes available for the September 2024 meeting were high level, did not cover all Tier One Group entities, and not all actions had a designated responsible officer and implementation due date.</p> <p><u>Service Leads</u></p> <p>Management assurance was provided, that Service Leads have been designated and that necessary meetings are taking place. However, the officers advised as fulfilling the Service Lead role for Tier One group entities are senior managers within the Council, rather than C&amp;PSS representatives as indicated in the ALEO Assurance Hub Terms of Reference reported to Audit, Risk and Scrutiny Committee. In addition, except for AH&amp;P Ltd, it was noted the meetings are not formally recorded or reported.</p> <p><u>Conclusions</u></p>		

	<p>Whilst some assurance is available over the operation of these aspects of the ALEO Assurance Framework, at the time of review it is not clear the ALEO Strategic Partnership meetings, are taking place as frequently as planned and meetings do not include all required attendees (AH&amp;P Ltd). Also, in relation to Service Lead meetings, the use of senior officers, including Chief Officers, to conduct this role, is potentially an inefficient use of senior officer time, when it was originally planned for C&amp;PSS representatives to fulfil this role.</p> <p>In addition, more generally, in the absence of SMART meeting records, there is a greater risk strategic, operational and performance actions will not be adequately identified and progressed as required.</p>		
	<b>IA Recommended Mitigating Actions</b>		
	<p>a) The ALEO Strategic Partnership meetings and Service Leads should be aligned with the ALEO Assurance Hub Terms of Reference, or the Terms of Reference should be revised and Audit, Risk and Scrutiny Committee updated.</p> <p>b) SMART actions should be recorded for ALEO Strategic Partnership and ALEO Service Lead meetings for follow up purposes.</p>		
	<b>Management Actions to Address Issues/Risks</b>		
	<p><i>The ALEO Strategic Partnership meetings and Service Leads should be aligned with the ALEO Assurance Hub Terms of Reference. SMART actions will be recorded for ALEO Strategic Partnership and ALEO Service Lead meetings for follow up purposes.</i></p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Chief Officer, Commercial & Procurement	October 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
<b>Corporate</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Function</b>	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.
<b>Cluster</b>	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual Issue / Risk Rating	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	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.
<b>Severe</b>	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

Arms-Length External Organisations (ALEOs) are companies, charities and other bodies that are separate from the Council but subject to its control or influence. Local authorities may elect to provide services through ALEOs to achieve Best Value. Typically, ALEOs are used to retain greater control and influence when compared with a standard commercial contractual arrangement, while bringing the benefits associated with the use of a separate and independent organisation.

#### Group Accounts

Where the Council has a material interest in an ALEO, these entities are required to be included within the Council's Group Accounts. Depending on the level of control that the Council exerts over these entities, these are classified as subsidiaries, joint ventures, or associates as follows.

Group Entities	Classification	ACC Control %
Aberdeen Exhibition & Conference Centre Ltd	Subsidiaries <sup>4</sup>	100
Sport Aberdeen Ltd		100
Bon Accord Care Ltd		100
Bon Accord Support Services Ltd		100
Aberdeen Heat & Power Ltd		100
Common Good <sup>5</sup>		100
Trust Funds <sup>1</sup>		100
Aberdeen Sports Village Ltd	Joint Ventures <sup>1</sup>	50
BP Aberdeen Hydrogen Energy Ltd		50
Integration Joint Board <sup>6</sup>		50
Grampian Valuation Joint Board	Associates <sup>1</sup>	39

#### ALEO Assurance Hub

The Council's ALEO Assurance Hub (the Hub) forms part of the Council's ALEO Assurance Framework. The Hub provides high level, strategic oversight over six of the Council's higher risk ALEOs (Aberdeen Heat and Power; Aberdeen Performing Arts; Aberdeen Sports Village; Bon Accord Care; Sport Aberdeen; and the BP Joint Venture), all of which are included within the Council's Group Accounts, with the exception of Aberdeen Performing Arts. The Hub's workplan, which is agreed annually by Audit, Risk and Scrutiny Committee, covers governance arrangements; risk management; and financial matters.

#### Other ALEO / Group Entity Oversight and Support Arrangements

<sup>4</sup> Subsidiaries are Group entities where the council has a 'controlling interest' i.e. greater than 50%. Joint Ventures are agreements between two or more entities whereby each "partner" shares equally in the related risks and benefits. Associates are entities the Council has a "significant interest" in but less than controlling or joint interest. equal partner in the Glasgow City Integration Joint Board with NHS Greater Glasgow and Clyde, which is termed as a 'joint board'.

<sup>5</sup> This review will not cover Common Good or Trust Funds since these were subject to a standalone review in December 2024 as part of Internal Audit report AC2510 Trusts and Common Good Fund.

<sup>6</sup> The Aberdeen City IJB will not be covered either as part of this review since the IJB is subject to its own separate agreed Internal Audit plan.



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The remaining Assurance Framework elements offering oversight and support to ALEOs / Group entities include:

1. Annual monitoring of the performance of “Tier One” ALEOs by Full Council. Tier One ALEOs are organisations whose annual results are included in the Council’s Group Accounts or receive cumulative funding from the Council greater than £7m.
2. Quarterly financial performance reporting to Finance and Resources Committee covering the financial performance of Group entities.
3. The ALEO Strategic Partnership is scheduled to meet every six weeks to discuss strategic matters, such as business planning and horizon scanning, in line with the Medium-Term Financial Strategy (MTFS).
4. Representatives of the Head of Commercial and Procurement, known as Service Leads, act as the Council’s primary liaison officers with ALEOs and undertake regular contact with ALEOs to discuss strategic, operational and performance matters.
5. The Director of Corporate Services acts as a key strategic liaison for all ALEOs.

## 5.2 Rationale for review

The objective of this audit is to ensure the Council’s approach to its Group structure provides appropriate assurance and the necessary control framework is in place, both overall and for individual bodies.

This area has been included in the agreed 2024/25 Internal Audit Plan due to the material interest the Council has in its Group entities, financial or otherwise. The Council remains ultimately responsible for the related service provision delivered on its behalf by Group entities. It is therefore essential adequate scrutiny of Group entities’ governance, risk management and financial controls is in place, to avoid mismanagement, financial loss and reputational damage.

Internal Audit AC2306 ALEOs – Performance and Payments, completed in March 2023, covered some related matters. Recommendations were agreed as part of this review to enhance Following the Public Pound compliance oversight; address absent or poorly defined ALEO funding agreements; and establish performance monitoring arrangements over Aberdeen Heat and Power Ltd.

## 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:

- **ALEO Assurance Hub** – Oversight of ALEOs’ governance arrangements, risk management, and financial matters, in accordance with agreed the Hub’s workplan and Terms of Reference.
- **ALEO Strategic Partnership** – Partnership is meeting six-weekly to undertake its duties in accordance with its Terms of Reference and relevant matters are progressed /escalated where necessary.
- **Commercial and Procurement Service Leads** – Service Leads have regular contact with Group entities to discuss strategic, operational and performance matters.
- **Following the Public Pound Compliance** – Central assurance FtPP Code of Practice requirements are being complied with.
- **Financial and Performance Reporting and Monitoring** – Accurate and informed reporting of Group entities’ financial position to Finance and Resources Committee and performance to Full Council / IJB.



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Whilst it understood individual services are responsible for certain elements of the ALEO/Group structure assurance and control framework, 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, 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 1.7 below)
  - Audit, Risk and Scrutiny Committee (final only)
  - External Audit (final only)

## 5.6 IA staff

The IA staff assigned to this review are:

- Lyndsay Jarvis, 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
- Vikki Cuthbert, Interim Chief Officer – Governance (**process owner**)
- Craig Innes, Chief Officer – Commercial and Procurement Services
- Jonathan Belford, Chief Officer – Finance

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	07-Jan-25
Scope agreed	14-Jan-25
Fieldwork commences	27-Jan-25
Fieldwork completed	21-Feb-25
Draft report issued	14-Mar-25
Process owner response	04-Apr-25

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Milestone	Planned date
Director response	11-Apr-25
Final report issued	18-Apr-25

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	26 June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2518 – Corporate Landlord Responsibilities
<b>REPORT NUMBER</b>	IA/AC2518
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Corporate Landlord Responsibilities.

### 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 Corporate Landlord Responsibilities.

### 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 AC2518 – Corporate Landlord Responsibilities

## 12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
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Tel	(01467) 530 988



## Internal Audit

### Assurance Review of Corporate Landlord Responsibilities

**Status:** Final

**Date:** 16 June 2025

**Risk Level:** Cluster

**Report No:** AC2518

**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	19-Mar-25	19-Mar-25
Scope agreed	24-Mar-25	24-Mar-25
Fieldwork commenced	31-Mar-25	31-Mar-25
Fieldwork completed	02-May-25	02-May-25
Draft report issued	23-May-25	26-May-25
Process owner response	13-Jun-25	07-Jun-25
Director response	20-Jun-25	16-Jun-25
Final report issued	27-Jun-25	16-Jun-25
AR&S Committee	26-Jun-25	

Distribution	
Document type	Assurance Report
Director	Eleanor Sheppard, Executive Director, Families & Communities
Process Owner	Scott Mathieson, Assistant Operations Manager
Stakeholder	Stephen Booth, Chief Officer
	Graham Williamson, Operations Manager
	Malcolm Brown, Contract Manager
	Keith Michie, Contract Manager
	Colin Leaver, Corporate Health & Safety Lead
	Craig Innes, Chief Officer, Commercial and Procurement Services
	Vikki Cuthbert, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer – Finance*
*Final only	External Audit*
Lead auditor	Debbie Steele, Auditor

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# 1 Introduction

## 1.1 Area subject to review

Aberdeen City Council as a Corporate Landlord has accountability to ensure that all buildings under its control comply with the appropriate statutory, regulatory and corporate standards. The Cluster, led by the Chief Officer - Corporate Landlord, is part of the Families and Communities Function.

Redesign of Property Management and Maintenance is part of the Council's transformation programme as part of the Target Operating Model (TOM) 1.2. The Programme Manager explained:

*"Our project goal is to create a new operational model for how we manage and maintain our Council properties including public buildings, schools, learning and community centres, visitor attractions, depots, office accommodation, health and social care buildings and homes".*

The project will redesign the service to make it more efficient and contribute to required savings.

As at March 2025 the Transformation Hub shows the Corporate Landlord operational portfolio comprises 271 non-housing properties. The Cluster consolidates all property activities, including health and safety, management of commercial and non-commercial land and property assets, hard facilities management, asset and contract management across the council stock. Information on these properties is held centrally, and includes valuations, operational costs and outcomes of condition surveys. The Uniform System is used to hold data for asset management, Confirm is the System used for planning and coordination of work, and the Modus System holds asbestos management plans.

To meet relevant legal and health and safety requirements, landlords must make sure that the equipment for supplying water, gas and electricity is kept in safe working order. Safeguards must be put in place over fire safety, emergency lighting, lift maintenance, hoists, legionella, intruders and the management of asbestos. In addition, public buildings over 250 square metres must display current Energy Performance Certificates. Effective reporting mechanisms are required to this end.

The budget for Corporate Landlord repair and maintenance work for 2024/25 is £3.3m. The Service has stated that this budget has been static at this level for a number of years having previously been in excess of £4 million. Spend in 2024/25 was over budget at £5m, due to the need to stay compliant with an ageing portfolio. Repair and Maintenance works are on an essential works only basis and the service standard in relation to repairs is to maintain buildings in condition C. Cluster staffing costs include a significant number of posts that are vacant due to challenges in recruiting technical and professional skill sets such as Chartered Surveyors.

## 1.2 Rationale for review

The objective of this audit is to ensure that the Council has systems in place that provide assurance over compliance with the legal requirements in relation to its Corporate Landlord role for operational properties. If these requirements are not being planned, scheduled, met and adequately evidenced, there is an increased risk to building users' safety, and thereby to the Council's financial resources and reputation.

The Corporate Landlord Risk Register highlights five Cluster risks:

- 1) Statutory non-compliance for Council properties.
- 2) Failure to deliver asset valuations (should be within 5-10 year periods).
- 3) Inadequate Asset Management planning.
- 4) The declining condition of operational property estate, with impact on repair, maintenance and management costs along with higher risk of building failure.
- 5) Delivery of capital and revenue income.

The area was previously audited in September 2017. The main findings were that:

- 
- Procedures to demonstrate compliance with Corporate Landlord Responsibilities and cyclical maintenance activities required formalisation and defined management.
  - Asset Management and the Health & Safety Team should collaborate to align Service and Corporate Policies.
  - A programme and procedures for ensuring Energy Performance Certificate (EPC) compliance should be set out, progress with its implementation coordinated and monitored.
  - Contractors and Council representatives should sign all paperwork.
  - Data regarding Corporate Landlord Responsibilities should be maintained centrally, accurately and up to date.

The current audit will seek to obtain assurance these points have been addressed, and that systems and processes have been designed and are operating effectively to address the relevant risks.

### **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
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 **MAJOR**, with the control framework deemed to provide **LIMITED** assurance over the systems in place to provide assurance over compliance with the legal requirements in relation to the Council's Corporate Landlord role for operational properties. If these requirements are not being planned, scheduled, met and adequately evidenced, there is an increased risk to building users' safety, and thereby to the Council's financial resources and reputation.

The review identified areas of weakness where enhancements are required to be made to improve the framework of control and compliance including:

- **Written Procedures** – The Corporate Landlord's role and remit for management of operational buildings and the statutory maintenance responsibilities is generally clear. However, not all processes are documented and there is a high level of reliance on experienced employees understanding of the requirements and their application, at both operational and administrative levels. Procedures rarely explain why tasks are being completed with reference to specific legislation, standards and codes of practice - users are expected to separately familiarise themselves with this. This presents a high risk, both at a professional and administrative level. Risks have also been flagged internally regarding succession planning. This risk is higher due to the absence of clear, up to date explanatory procedures. If procedures are incomplete, out of date, or not fully understood, there is a greater risk of their inconsistent application in practice, impacting on efficiency and compliance. If the Council cannot demonstrate compliance with its legal responsibilities, and duties of care, it will be at greater risk of fines/penalties and reputational damage.
- **Contracts** – There are compliant framework agreements in place covering delivery of planned statutory maintenance requirements, which set the overall requirements and specifications for services to be provided, at a high level. However, although the frameworks have been in place for three years, no call-off contracts have been recorded on the Council's contracts register system, in breach of the Council's procurement regulations.
- **Contractor Performance** – Whilst in practice the Service is meeting with suppliers and discussing performance, there is limited assurance that risks and issues are being resolved timeously. Minutes indicated variable meeting recurrence, and repeated issues which may not have been addressed. Key performance indicators are being produced and reviewed but are not all up to date. Success is being confirmed in cases where records indicate tasks have been completed up to 30 days after they were due. If statutory maintenance is being completed after it falls due, there is a risk that requirements are not being met. More regular review would give more assurance over value for money, budget management, and allow for management



intervention where necessary. Understanding performance, expectations, and costs will be essential for future procurement planning.

- **Planning and Scheduling** – Written procedures do not clearly set out the planning and scheduling requirements in full, but there are processes and systems in place to plan work at relevant frequencies. There is extensive manual duplication of data between systems and spreadsheets, which are reliant on experienced staff and localised knowledge for keeping them up to date. The maintenance management system is not being fully utilised to plan statutory maintenance tasks, and reports are not being produced from it and reviewed regularly to provide assurance that tasks are being planned, scheduled and delivered on time. There is a recurring rota of building inspections, which allow for in-depth review at site level, but this provides partial and retrospective, rather than comprehensive real-time assurance over compliance at the corporate level. There is a risk that issues presenting risks to health and safety may not be identified and addressed timeously.
- **Documentation** – Without comprehensive documentation the Service will be unable to fully demonstrate that compliance activities are being suitably planned, have taken place as planned, and that the results are acceptable. Review of a sample of documentation held in respect of operational properties identified that certification is not always being retained / held on file where expected, reducing assurance it is being obtained when required. Where certification was held on file, there is limited assurance that it had been reviewed and acted upon, or a decision recorded not to do so. There is no external assurance for operational properties and certification to ensure statutory compliance requirements are being met. Although the majority of work is 'contracted' out, responsibility for compliance rests with the Corporate Landlord. If the Service cannot demonstrate that it has completed and reviewed the results of testing, and implemented recommendations, or justified not doing so, there is a greater risk of non-compliance and risks to health and safety.

Recommendations have been made to address the identified risks including: review and updates to procedures to clearly explain roles and requirements; ensuring contract documentation is on file and procurement regulations are satisfied; reviewing how KPI's are set and monitored; improving processes and reporting to deliver assurance that statutory maintenance is taking place as scheduled, and that safety critical defects/risks are being addressed promptly, and development of an appropriate quality assurance system to confirm corporate landlord responsibilities are being discharged effectively.

## 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	<b>Contracts</b> – Framework agreements are in place to set the overall requirements and specifications for services to be provided, at a high level. Suppliers meeting relevant criteria were admitted to Lots within the framework covering the relevant supplies/services required, on a single year basis with an option to extend for up to three periods of one year each. The frameworks themselves are compliant with procurement requirements. However, although the frameworks have been in place for three years, no call-off contracts have been recorded on the Council's contracts register system. This is a breach of the Council's Procurement Regulations.	No	<b>Major</b>	13

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>Although suppliers' bids to enter the framework were ranked by cost and quality, no requirements were set to select and award work to suppliers on this basis. In some cases, a lower ranked (higher cost) supplier is being used. The Service selects a supplier for each activity based largely on previous experience. Best value may be at risk through short-term measures.</p> <p>There is a mismatch between the way the Service manages suppliers, work, and its application of procurement governance. The Service considers each individual job to be a 'contract', for planning and recording purposes, and therefore considers it impractical to record over 30,000 separate contracts, each of which is unlikely to exceed the Council's £10k threshold on the contracts register. At the same time, the Service manages KPI's at a contractor and maintenance category level, and awards work directly and regularly, as if there were overarching contracts with each supplier.</p> <p>Work is being managed with reference to the framework specifications. However, in the absence of overall contracts these are not specific enough in each case to provide the Council with full assurance over compliance.</p>			
1.4	<p><b>Planning and Scheduling</b> – A spreadsheet is used as the core record for forward planning of statutory and other maintenance, indicating the relevant requirements and frequency of inspections / maintenance for each operational building. There is a risk in using a spreadsheet, as records may be inadvertently changed by any user at any time, and changes/errors may not be identified or attributable to specific users.</p> <p>Although the process is helpful as it provides a visual representation of the work being planned, it may not be the most efficient method: information is duplicated from a separate maintenance management system, which is not well utilised for planning and scheduling work. Records of when work took place are on this system, and are updated, with certification, when the work is invoiced. The Service stated that invoices are not paid until certification has been received and checked. However, there is limited capacity within the Service to fully review all certification. Remedial works are also ordered and confirmed on the system,</p>	Yes	Major	15

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>however there is currently limited assurance that safety critical work is being highlighted to management, planned and undertaken promptly.</p> <p>Review of a sample of records indicated that visits were not being undertaken within the month/period planned. Where a fixed maintenance/inspection period is set by law, this presents a substantial risk of non-compliance. As subsequent inspections are scheduled based on planned rather than actual prior visits, there is a higher risk of recurring variation.</p> <p>Reports are not routinely run from the system to demonstrate that statutory maintenance is taking place as scheduled, and that defects presenting risks are being addressed promptly. The Service therefore has limited assurance that maintenance and health and safety risks are being adequately managed.</p> <p>Building inspections are carried out periodically and include confirmation that relevant certification has been completed and is held on site. Records indicated inspections are being planned including checking statutory maintenance is up to date for boilers, controls, legionella, and firefighting equipment. Although checks took place and relevant findings were summarised, there were no supporting records to fully detail the electrical checks that had taken place in the last two years. Gaps in the records also indicated variations between planned and completed inspections, reducing assurance these are all being completed as required. Whilst inspections allow for in-depth review at site level, this provides partial and retrospective, rather than comprehensive real-time assurance over compliance at the corporate level. There is a risk that issues presenting risks to health and safety may not be identified timeously.</p>			
1.5	<p><b>Documentation</b> – Without comprehensive documentation the Service will be unable to fully demonstrate that compliance activities are being suitably planned, have taken place as planned, and that the results are acceptable. Review of a sample of documentation held in respect of operational properties identified that certification is not always being retained / held on file where</p>	Yes	Major	17

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>expected, reducing assurance it is being obtained when required. Where certification was held on file, there is limited assurance that it had been reviewed and acted upon, or a decision recorded not to do so.</p> <p>Building inspections review a proportion of buildings and statutory maintenance at a high level. There is no external assurance for operational properties to ensure statutory compliance requirements are being met.</p> <p>Although the majority of work is 'contracted' out, responsibility for compliance rests with the Corporate Landlord. If the Service cannot demonstrate that it has completed and reviewed the results of testing, and implemented recommendations, or justified not doing so, there is a greater risk of non-compliance and risks to health and safety.</p>			

## 2.4 Management response

*The Cluster welcome the support and overview provided by internal audit in looking at the processes and works undertaken in our buildings and look forward to working with internal audit colleagues in delivering improvement. The Report highlights a number of areas of improvement which are acknowledged by the Service who are currently working on a transformation project around property repair and maintenance requirements which will lead to changes in operational structure, service delivery mechanisms and significant issues which have been highlighted around the access to data and certification thereof.*

*The service has spent significant resource (with others) in moving forward with a new digital repair and maintenance platform for Housing assets (NEC Housing) which has drawn significant resource and will create a compliance platform for Housing assets which will address many of the issues this report highlights for non-housing assets. On completion of this work in 2026 further work will be required to better digitise this area although this will require a staff and digital resource not currently available. Current processes are manual in many areas, with many areas also reliant on external contractors' portals.*

*The Service acknowledges the nature of the risks identified and agree with the advice of Internal Audit that the report identifies a Major risk within the overall area.*

*In relation to individual sections within the Report the service would respond as follows:*

### **Written procedures**

*The service acknowledge that written procedures should be reviewed and stored in a more accessible manor and that this is a moderate risk. The service acknowledge that it is reliant in many parts on the knowledge, capability and experience of key leads in each area and that this adds risk in the consistent delivery of works.*

### **Contract**

*The audit was undertaken prior to implementation of actions in response to a recent audit into procurement processes.*

*In general terms the spend has been aggregated in the establishment of the framework agreement with the contract notice published based on overall estimated (aggregate) value and there is an entry on the contract register which includes the total estimated spend.*

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*All contracts have a defined mechanism for call off under the framework which is being utilised with appropriate terms and conditions which is being used to hold suppliers to account if required.*

*It should be noted that this is a first iteration of this framework and a review group has been established to look at framework requirements across Building Services, Capital etc. to look at the most appropriate procurement routes to ensure delivery of best value in future iterations including more defined methods of call off where appropriate.*

*To be fully compliant will require a change in system and resource allocation.*

### **Planning and scheduling**

*The findings of the audit highlight the lack of an overall single source database for the recording of these works to operational buildings with a reliance on spreadsheets. Significant investment will be required to create this not currently available and in the meantime management procedures need to be improved. There are Building inspections – however not all information is available is held on site, only those required by regulation. Information is held on various databases.*

*Scheduling of work is currently undertaken on a 12 month basis which results in certification appearing to be out of date if works are required as a result of inspections where certification will only be available on the completion of works or jobs being schedule by the month of requirement rather than to the day. Options will be considered to move scheduling to a 10 or 11 month pattern to reduce this risk, albeit at a higher overall cost.*

### **Documentation**

*Issues in relation to documentation are acknowledged and reflect the required improvement activity noted above in relation to scheduling and planning.*

## 3 Issues / Risks, Recommendations, and Management Response

### 3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p><b>Written Procedures</b> – Historically, ‘policy’ documents set out the requirement for compliance across various corporate landlord activities (e.g. legislation / regulations), a commitment to compliance, and an overview of practical compliance activity / procedure. Whilst this remains the standard for corporate Health and Safety policies, it is intended that clusters have their own procedures for their staff to apply, reflecting relevant variations in tasks and requirements.</p> <p>There is no need for a separate ‘policy’ where there is a statutory requirement – as there is no option but to comply. This is the case for most Corporate Landlord responsibilities. However, clear guidance and instructions are required to ensure relevant staff across the Council will understand, comply and meet its Health and Safety obligations, statutory and regulatory obligations and internal governance requirements. Logical and structured procedures should promote consistency and reduce the risk of error or omission in task completion and record keeping, providing assurance to management over the process.</p> <p>Where procedures are in place, document ownership is reasonably clear – there is a distinction for example between corporate health and safety requirements, and cluster procedures. There is also clarity over Corporate Landlord's role and remit for management of operational buildings and the statutory maintenance responsibilities. However, there is limited version control evident, reducing assurance over their current status. Some of the internal requirements are also not up to date (<i>e.g. Legionella management policy 2010 pre-dates changes in 2013 to the code of practice requirements</i>).</p> <p>There is a high level of reliance on experienced employees understanding of the requirements and their application, at both operational and administrative levels. Procedures rarely reference specific legislation and standards – users are meant to separately familiarise themselves with this and relevant advice/codes of practice. This presents a high risk, both at a professional and administrative level. Risks have been flagged internally regarding succession planning, but it is unclear that there is a plan for resolving this in the short to medium term. This risk is higher due to the absence of clear up to date explanatory procedures.</p> <p>Processes are not well interlinked between Clusters (<i>i.e. Corporate Landlord, Building Services, Business Services</i>), and there is limited information on why tasks are being completed, or what to do if they do not produce the correct result. For example, planning and scheduling processes are clearly set out to follow for setting up most statutory maintenance tasks on the system and raising orders, but the need for these is not clear, and there is no guidance for escalating issues if the process cannot be followed.</p> <p>Legionella testing schedules did not have a written procedure supporting the spreadsheet process in place. Procedures for testing were also not up to date. There was no written guidance on whether risk assessments (RA's) should be updated periodically. The Service has noted that updated RA's are only required when a significant alteration/upgrade to the hot and cold-water systems. Legislation does not require periodic inspections.</p> <p>There were also no procedures for monitoring and performance management for any of the corporate landlord responsibilities. At a contract level, KPI's are held by Building Services/ contract managers, but there is no overarching guidance for this or at a corporate landlord level.</p> <p>If procedures are incomplete, out of date, or not fully understood, there is a greater risk of their inconsistent application in practice, impacting on efficiency and compliance. If the</p>		

Ref	Description	Risk Rating	Moderate
	Council cannot demonstrate compliance with its legal responsibilities, and duties of care, it will be at greater risk of fines/penalties and reputational damage.		
	<b>IA Recommended Mitigating Actions</b>		
	The Service should review and update its set of procedures to ensure the practical application of all corporate landlord requirements are clearly explained. Procedures should be scheduled for periodic review.		
	<b>Management Actions to Address Issues/Risks</b>		
	<i>The recommendations are accepted by Corporate Landlord and the Audit highlights risk around succession planning. Current knowledge is in place and responsibilities understood and carried out by all monitoring. Given the change in senior personnel (the three main employees working within this area have all left the council in the last 12 months) and the risk this has highlighted, this needs to be shared to wider staff groups and held centrally.</i>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Operations Manager	December 2025

Ref	Description	Risk Rating	Major
1.2	<p><b>Contracts</b> – The Service stated that multiple contracts were in place covering delivery of planned statutory maintenance requirements. Two framework agreements were set up in 2022 covering Multi-trade (£10.7m), and Specialist Maintenance and Repairs (£3.8m). These set the overall requirements and specifications for services to be provided, at a high level. Suppliers meeting relevant criteria were admitted to lots within the framework covering the relevant supplies/services required, on a single year basis with an option to extend for up to three periods of one year each.</p> <p>For the purposes of Committee approval and tendering, costs were aggregated at framework level, and these were therefore compliant with procurement requirements. However, although the frameworks have been in place for three years, no call-off contracts have been recorded on the Council's contracts register system. This is a breach of the Council's Procurement Regulations.</p> <p>Although suppliers' bids to enter the framework were ranked by cost and quality, no requirements were set to select and award work to suppliers on this basis. In some cases, a lower ranked (higher cost) supplier is being used. The Service selects a supplier for each activity based largely on previous experience. Best Value may be at risk through short-term measures.</p> <p>There is a mismatch between the way the Service manages suppliers, work, and its application of procurement governance. The Service considers each individual job to be a 'contract', for planning and recording purposes, and therefore considers it impractical to record over 30,000 separate contracts, each of which is unlikely to exceed the Council's £10k threshold on the contracts register. At the same time, the Service manages KPI's at a contractor and maintenance category level, and awards work directly and regularly, as if there were overarching contracts with each supplier. Work is being managed with reference to the framework specifications. However, in the absence of overall contracts these are not specific enough in each case to provide the Council with full assurance over compliance. For example, supplier competency (e.g. professional qualifications/registrations) is included in the tender specifications but there is no assurance this has been tested, given the absence</p>		



Ref	Description	Risk Rating	Major
	of specific contract documentation. This was only found on file separately for one of seven contractors reviewed by Internal Audit.		
	<b>IA Recommended Mitigating Actions</b>		
	The Service should ensure appropriately detailed call off contracts are in place for planned expenditure in respect of all of its statutory maintenance requirements.		
	The Service should ensure all call-off contracts are formally recorded on the contracts register system.		
	The Service should ensure it has documentary evidence demonstrating contractors have appropriate certification in line with contract specifications.		
	<b>Management Actions to Address Issues/Risks</b>		
	<i>There is a compliant framework in place which is being used to call off requirements which does offer the Council protection. As a first iteration of this agreement, it is recognised that there are lessons to be learned to improve recording/review. A review group has been established to look at framework requirements across Building Services, Capital etc. to look at the most appropriate procurement routes to ensure delivery of best value in future iterations including more defined methods of call off where appropriate.</i>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	No	Operations Manager	April 2026

Ref	Description	Risk Rating	Moderate
1.3	<p><b>Contractor Performance</b> – As noted at 1.1 above, there are no procedures for contract and performance management. Whilst in practice the Service is meeting with suppliers and discussing performance, there is limited assurance that risks and issues are being resolved timeously. Minutes indicated variable meeting recurrence, and repeated issues which may not have been addressed.</p> <p>It may be more difficult to hold suppliers to account without reference to specific contract details (see 1.2). Lack of a contract places compliance requirements (standards and regulations) at risk of not being met due to lack of direction from the buyer, and potential for misinterpretation of requirements by the contractor, or client expectations not being met as planned. If planned tasks are not completed within necessary timescales the Council may be at risk.</p> <p>The maintenance frameworks set out an expectation that contractor KPI's will be set and monitored regularly, and include broad themes around e.g. service levels, response times, and communication. A consistent template is being provided to contractors and data is being received and checked. However, issues were identified with the data:</p> <ul style="list-style-type: none"> <li>The information on file was not fully up to date. The most recent data varied by contractor, from July to November 2024 (when reviewed in May 2025).</li> <li>The Service has set a KPI target of 30 days from the 'service due' date in every case. This means that services completed up to 30 days overdue are being counted as compliant.<sup>1</sup></li> </ul>		

<sup>1</sup> If the recorded 'service due date' is in advance of expiry, this risk may be lower. However, the KPI data does not include another date to allow this to be measured.



Ref	Description	Risk Rating	Moderate						
	<ul style="list-style-type: none"><li>Of 1425 tests listed, only 138 (10%) were completed on the due date, and 104 (7%) were completed in advance. 1157 (81%) were completed after the due date, and 26 were not completed (2%).</li><li>This contrasts with the KPI data which shows 27 were outwith KPI (2%), 26 were not completed (2%), and 1372 (96%) within KPI.</li></ul> <p>If statutory maintenance is being completed after it falls due, there is a risk that requirements are not being met. In the event of an incident occurring after certification has expired, there could be a significant reputational and legal risk to the Council.</p> <p>Spend is being monitored annually - and has to be analysed in detail to remove e.g. capital spend with the same suppliers not related to statutory maintenance. More regular review would give more assurance over value for money, budget management, and allow for management intervention where necessary. Understanding performance, expectations, and costs will be essential for future procurement planning.</p> <p><b>IA Recommended Mitigating Actions</b></p> <p>The Service should review how KPI's are set and managed to ensure these provide assurance statutory timescales are being met.</p> <p>The Service should ensure spend and performance is monitored on a regular basis at a contract level. Issues should be addressed or escalated as appropriate.</p> <p><b>Management Actions to Address Issues/Risks</b></p> <p><i>Agreed in full but resources, appropriate method and frequency of review to be considered with colleagues in Commercial &amp; Procurement.</i></p> <p><i>There are regular contract meetings with contractors to review performance and hold suppliers to account. This process was reviewed in February 25 and is being further developed in line with refreshed contract management guidance published by Commercial &amp; Procurement in March 2025. KPI's have been problematic and unreliable and consistent recording has been sporadic. Will require further investment in contract management systems to improve albeit service looking to implement further oversight and control in the short term.</i></p> <table><tr><th>Risk Agreed</th><th>Person(s)</th><th>Due Date</th></tr><tr><td>Yes</td><td>Operations Manager</td><td>December 2025</td></tr></table>	Risk Agreed	Person(s)	Due Date	Yes	Operations Manager	December 2025		
Risk Agreed	Person(s)	Due Date							
Yes	Operations Manager	December 2025							

Ref	Description	Risk Rating	Major
1.4	<p><b>Planning and Scheduling</b> – As noted at 1.1 above, written procedures do not clearly set out the planning and scheduling requirements in full, but there are processes and systems in place to plan work at relevant frequencies.</p> <p>There is a core record of all operational assets held on Uniform, which is used as an asset register. An extract was provided but it was not possible to obtain access to the system to fully interrogate it for the purposes of the audit<sup>2</sup>. However, information pertinent to the audit is largely held on the maintenance management system (Confirm).</p> <p>A spreadsheet is used for forward planning of statutory and other maintenance. This is kept up to date by administrative staff. It indicates the relevant requirements and frequency of</p>		

<sup>2</sup> The software was not available for use in the virtual desktop environment used by Internal Audit as it had not been packaged and tested. Digital and Technology, in conjunction with Corporate Landlord, prioritised access to the Confirm system where the majority of data relevant to the audit is held.

Ref	Description	Risk Rating	Major
	<p>inspections/maintenance for each operational building. A new spreadsheet is set up for each financial year. There is a risk in using a spreadsheet, as records may be inadvertently changed by any user at any time, and changes/errors may not be identified or attributable to specific users. Although the process is helpful as it provides a visual representation of the work being planned, it may not be the most efficient method.</p> <p>This information is duplicated on the Confirm System, which has set frequencies of inspection (e.g. monthly, quarterly, annual) for each property<sup>3</sup>. Administrative staff liaise with operational teams to keep this up to date, further underlining reliance on experienced staff as discussed at 1.1 above. However, the system is not used to schedule visits automatically – each inspection or maintenance activity is raised individually as a separate works order on the system, and the job number is recorded on the spreadsheet to confirm it has been booked. The system is updated at this point to provide an indicative date for the next inspection, based on the declared frequency.</p> <p>Although the scheduling spreadsheet indicates that work has been ordered, it does not record when it took place, what the results were, and whether any unsatisfactory results have been acted on. Records of when work took place are on Confirm, and are updated, with certification, when the work is invoiced. The Service stated that invoices are not paid until certification has been received and checked. However, there is limited capacity within the Service to fully review all certification.</p> <p>Remedial works are also ordered and confirmed on Confirm. Approvals and competitive quotations are required to be obtained where required works are over specified values (£250). Below this threshold, contractors are authorised to carry out and recharge for this work directly. There is currently limited assurance (see 1.5 below for examples) that safety critical work is being highlighted to management, planned and undertaken promptly.</p> <p>Review of a sample of records indicated that visits were not being undertaken within the month/period planned (see 1.5 below for examples). Where a fixed maintenance/inspection period is set by law, this presents a substantial risk of non-compliance. As subsequent inspections are scheduled based on planned rather than actual prior visits, there is a higher risk of recurring variation.</p> <p>Reports are not routinely run from Confirm to demonstrate that statutory maintenance is taking place as scheduled, and that defects presenting risks are being addressed promptly. The Service therefore has limited assurance that maintenance and health and safety risks are being adequately managed.</p> <p>Building inspections are carried out periodically and include confirmation that relevant certification has been completed and is held on site. Records indicated inspections are being planned including checking statutory maintenance is up to date for boilers, controls, legionella, and firefighting equipment. Although checks took place and relevant findings were summarised, there were no supporting records to fully detail the electrical checks that had taken place in the last two years. Gaps in the records also indicated variations between planned and completed inspections, reducing assurance these are all being completed as required. Whilst inspections allow for in-depth review at site level, this provides partial and retrospective, rather than comprehensive real-time assurance over compliance at the corporate level. There is a risk that issues presenting risks to health and safety may not be identified timeously.</p>		
	<b>IA Recommended Mitigating Actions</b>		
	The Service should ensure management has comprehensive assurance that statutory maintenance is taking place as scheduled, and that safety critical defects/risks are being addressed promptly.		

<sup>3</sup> Electrical (fixed wiring) testing is on a five year cycle, and this is not managed using Confirm.

Ref	Description	Risk Rating	Major
	The Service should review the efficiency and effectiveness of operating multiple systems / processes for the same purpose and consider integration/automation where possible.		
	<b>Management Actions to Address Issues/Risks</b>		
	<i>As noted at 1.1 the knowledge and monitoring of requirements is in place, and procedures will be further documented and shared. The concerns raised will be taken forward by Corporate Landlord within Service re-design and the property repair and maintenance transformation project. Workstream to look at structure around public buildings and use of external contracts is being brought forward to consider the most effective delivery method in the medium term.</i>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Operations Manager	April 2026

Ref	Description	Risk Rating	Major
1.5	<p><b>Documentation</b> – Without comprehensive documentation, the Service will be unable to fully demonstrate that compliance activities are being suitably planned, have taken place as intended, and that the results are acceptable. Review of a sample of documentation held in respect of operational properties identified that certification is not always being retained/held on file where expected, reducing assurance it is being obtained when required. Whilst the Service has noted it focuses on compliance rather than full documentation, where certification relating to the audit sample was held on file, there is limited assurance that it had been reviewed and acted upon, or a decision recorded not to do so:</p> <p><u>Gas Safety</u></p> <ul style="list-style-type: none"> <li>• Six of 13 (46%) properties' boiler servicing took place more than 12 months after the previous check.</li> <li>• Two of 13 (15%) properties' boiler servicing took place in advance of expiry, and this was not reflected in subsequent scheduling.</li> <li>• Four of 13 (30%) properties' certification noted the same faults which had not been addressed for three years running.</li> <li>• One property's records (8%) had not been retained/held on file for two years as required.</li> </ul> <p><u>Fire Safety</u></p> <ul style="list-style-type: none"> <li>• One of eight properties' quarterly fire alarm system checks was completed two months in advance (12%). This could impact on costs, and assurance that checks continue to be completed quarterly. Invoices were also delayed by up to nine months.</li> <li>• Two of eight (25%) firefighting equipment checks took place more than 12 months after the previous checks. Another (12%) had two checks within nine months.</li> <li>• Two property files (25%) had no previous years' records.</li> </ul> <p><u>Electrical Safety</u></p> <ul style="list-style-type: none"> <li>• One of eight properties (12%) fixed electrical installation testing was completed five months late.</li> <li>• Four electrical certificates (50%) indicated remedial work was required. Only one of the four (25%) indicated work was attempted and charged, but it was not completed due to access and asbestos concerns.</li> </ul>		

Ref	Description	Risk Rating	Major
	<ul style="list-style-type: none"> <li>One electrical certificate indicated follow up inspections should be brought forward from the statutory (five year) period to two years, which could indicate higher risks had been identified, but no changes were made to the schedule. Another was scheduled for three years, with no documentation on file to indicate why this was required.</li> <li>Two of eight (25%) Portable Appliance Tests were completed more than 12 months after the previous check.</li> <li>Two of eight (25%) Portable Appliance Tests took place in advance of expiry, and this was not reflected in subsequent scheduling.</li> <li>Monthly Emergency Lighting test records were not all held on file in five of eight (62%) cases reviewed.</li> <li>Three of eight (38%) emergency lighting inspection tests indicated faults which were not addressed before the next inspection.</li> <li>One emergency lighting inspection (12%) was signed off by an apprentice rather than qualified staff.</li> </ul> <p><u>Lifts</u></p> <ul style="list-style-type: none"> <li>In one of two properties reviewed where lifts / hoists were included, an item had been removed but was still being scheduled and attended for inspection by contractors.</li> </ul> <p><u>Water Safety</u></p> <p>Although there is no fixed period set by legislation or the Health and Safety Executive (HSE), Legionella risk assessments carried out by independent contractors generally indicated they should be reviewed within two years. The Service allows up to 10 years unless there is a significant change to the water system, with central records indicating 24 of 151 properties (16%) dated back to 2016, and only 18 (12%) updated in the last two years. These records were incomplete, with 66 properties (44%) having no record of when a risk assessment was last completed:</p> <ul style="list-style-type: none"> <li>In three of 13 cases reviewed in more detail (23%) the dates were different from documentation held on file, and in one case (8%) there was no assessment on file.</li> <li>Monthly temperature testing records are being maintained by staff, and variations highlighted, but records indicated these were recurring with no indication they are being acted on.</li> <li>Control of Substances Hazardous to Health (COSHH) risk assessments in relation to Legionella treatments were out of date, had out of date hazard identification markings, which were also incompletely recorded, and related to a different chemical to that used in the current product.</li> </ul> <p><u>Energy Performance Certificates (EPC)</u></p> <p>An EPC is only valid for 10 years. EPCs are held on the ACC website and can also be accessed via a national portal.</p> <ul style="list-style-type: none"> <li>From a sample of 13 buildings, only nine (69%) had a published EPC.</li> <li>Five of nine (55%) EPCs were over 10 years old. The Service estimated over 100 buildings / two thirds of the portfolio require an update. This would be resource intensive.</li> </ul> <p>As noted at 1.4 above, internal building inspections review a proportion of buildings and statutory maintenance at a high level. There is no external assurance for operational properties to ensure statutory compliance requirements are being met.</p> <p>Although the majority of work is 'contracted' out, responsibility for compliance rests with the Corporate Landlord. If the Service cannot demonstrate that it has completed and reviewed the results of testing, and implemented recommendations, or justified not doing so, there is</p>		

Ref	Description	Risk Rating	Major
	a greater risk of non-compliance and risks to health and safety. See Appendix 3 for examples of risks and relevant legislation/requirements.		
	<b>IA Recommended Mitigating Actions</b>		
	The Service should develop and implement an appropriate quality assurance system to ensure documentation is being reviewed in sufficient detail to provide assurance corporate landlord responsibilities are being discharged effectively.		
	<b>Management Actions to Address Issues/Risks</b>		
	<p><i>The Cluster are currently as a matter of urgency implementing additional oversight in this area and will consider the options, benefits and costs of developing a Quality Assurance system in the medium term.</i></p> <p><i>Issues have been highlighted with servicing being undertaken in the month required rather than to dates in month and final certificates only being provided on completion of any identified works rather than the date of first inspection. The timetable for review is being considered and whether greater assurance would be provided by moving to say 10 or 11 month testing cycles. In very general terms only essential wind and watertight and essential health and safety works are being undertaken within the capacity of current available budgets for all repair and maintenance works. As such some advisory works will not be undertaken mid-year across the estate. Issues within report noted in relation to the scheduling of works and differentiating between inspections and works being completed. In general terms advisory works are not always undertaken. All Levels of requirement, advisory work may or may not be carried out – dependant on the fault/issue.</i></p> <p><i>For Emergency Lighting, a new specialist contractor is now being put in place.</i></p> <p><i>The 2 lifts noted require removal, are isolated and no longer visited by specialist contractor.</i></p> <p><i>For Water safety there is no requirement for regular re-inspection, specialist contractors raise this to encourage RA's to be carried out when not required. All buildings have been risk assessed. Monthly testing are only acted on if they are regularly out of the permitted temperature range.</i></p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Operations Manager	December 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
<b>Corporate</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Function</b>	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.
<b>Cluster</b>	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual Issue / Risk Rating	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	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.
<b>Severe</b>	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.

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## 5 Appendix 2 – Assurance Review Scoping Document

### 5.1 Area subject to review

Aberdeen City Council as a Corporate Landlord has accountability to ensure that all buildings under its control comply with the appropriate statutory, regulatory and corporate standards. The Cluster, led by the Chief Officer - Corporate Landlord, is part of the Families and Communities Function.

Redesign of Property Management and Maintenance is part of the Council's transformation programme as part of the Target Operating Model (TOM) 1.2. The Programme Manager explained:

*“Our project goal is to create a new operational model for how we manage and maintain our Council properties including public buildings, schools, learning and community centres, visitor attractions, depots, office accommodation, health and social care buildings and homes”.*

The project will redesign the service to make it more efficient and contribute to required savings.

As at March 2025 the Transformation Hub shows the Corporate Landlord operational portfolio comprises 271 non-housing properties. The Cluster consolidates all property activities, including health and safety, management of commercial and non-commercial land and property assets, hard facilities management, asset and contract management across the council stock. Information on these properties is held centrally, and includes valuations, operational costs and outcomes of condition surveys. The Uniform System is used to hold data for asset management, Confirm is the System used for planning and coordination of work, and the Modus System holds asbestos management plans.

To meet relevant legal and health and safety requirements, landlords must make sure that the equipment for supplying water, gas and electricity is kept in safe working order. Safeguards must be put in place over fire safety, emergency lighting, lift maintenance, hoists, legionella, intruders and the management of asbestos. In addition, public buildings over 250 square metres must display current Energy Performance Certificates. Effective reporting mechanisms are required to this end.

The budget for Corporate Landlord repair and maintenance work for 2024/25 is £3.3m and the Service has indicated £5m has been spent due to the ageing portfolio. Cluster staffing costs include a significant number of posts that are vacant due to challenges in recruiting technical and professional skill sets such as Chartered Surveyors.

### 5.2 Rationale for review

The objective of this audit is to ensure that the Council has systems in place that provide assurance over compliance with the legal requirements in relation to its Corporate Landlord role for operational properties. If these requirements are not being planned, scheduled, met and adequately evidenced, there is an increased risk to building users' safety, and thereby to the Council's financial resources and reputation.

The Corporate Landlord Risk Register highlights five Cluster risks:

- 6) Statutory non-compliance for Council properties.
- 7) Failure to deliver asset valuations (should be within 5-10 year periods).
- 8) Inadequate Asset Management planning.
- 9) The declining condition of operational property estate, with impact on repair, maintenance and management costs along with higher risk of building failure.
- 10) Delivery of capital and revenue income.

The area was previously audited in September 2017. The main findings were that:

- Procedures to demonstrate compliance with Corporate Landlord Responsibilities and cyclical maintenance activities required formalisation and defined management.



- Asset Management and the Health & Safety Team should collaborate to align Service and Corporate Policies.
- A programme and procedures for ensuring Energy Performance Certificate (EPC) compliance should be set out, progress with its implementation coordinated and monitored.
- Contractors and Council representatives should sign all paperwork.
- Data regarding Corporate Landlord Responsibilities should be maintained centrally, accurately and up to date.

The current audit will seek to obtain assurance these points have been addressed, and that systems and processes have been designed and are operating effectively to address the relevant risks.

### 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:

- Property Asset Information.
- Safety and Compliance – including how statutory compliance requirements and safety is managed across all areas and documented.
- Work and Contract Management – including how work is requested, prioritised, tracked and managed to completion.
- Compliance monitoring and assurance.
- Reporting.

### 5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

This review will also encompass an evaluation of the governance, risk management and controls in place to detect, prevent, and mitigate instances of fraud.

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:

- Debbie Steele (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)



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## 5.7 Council key contacts

The key contacts for this review across the Council are:

- Stephen Booth, Chief Officer,
- Scott Mathieson, Assistant Operations Manager, **(process owner)**
- Graham Williamson, Operations Manager
- Malcolm Brown, Contract Manager
- Keith Michie, Contract Manager
- Colin Leaver, Corporate Health & Safety Lead

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	19-Mar-25
Scope agreed	24-Mar-25
Fieldwork commences	31-Mar-25
Fieldwork completed	02-May-25
Draft report issued	23-May-25
Process owner response	13-Jun-25
Director response	20-Jun-25
Final report issued	27-Jun-25

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## 6 Appendix 3 – Risks

### 6.1 Risk categories

The following are examples of the risk categories and elements of legislation which controls should be designed to address and provide assurance over in respect of Corporate Landlord statutory maintenance responsibilities.

#### Gas Safety

Failure to carry out employer duties and maintain gas appliances, flue or installations as per Gas Safety (installation and use) Regulations 1998 would place the Council at risk of non-compliance with section 35 of the Regulations. Lack of certification or inaccurate documentation risks the Council not meeting regulated requirements. (Annual CP 12 certificate for Gas 36 (3) (c)).

#### Fire Safety

Failure to carry out fire safety duties with regards to fire safety measures could place employees/ contractors/ members of the public at risk of death or serious injury, and the Council at risk of an offence as per section 73 of the Fire (Scotland) Act 2005.

#### Electrical Safety

In the absence of electrical system and equipment checks the Council may not meet its obligations as per The Electricity at Work Regulations 1989 *"to prevent, as far as reasonably practicable, danger"*.

#### Water Safety (Legionella)

In the absence of controls to assess, prevent and provide information, instruction and training regarding the risk of exposure to the legionella bacteria the Council may not meet the requirements of the H & S Act 1974 and COSHH Regulations 2002.

#### Asbestos

In the absence of a management plan that identifies how risk involving exposure to asbestos will be mitigated when works are undertaken places the contractor/ employees / members of the public at risk of exposure which could lead to lifelong injuries/ life changing injuries/ fatality. Failure in the statutory duty to manage the risks of asbestos by having a plan which identifies its location, condition, managing the risk when undertaking works, communicated to those at risk of exposure and regular review of the plan would place the Council at risk of breaching The Control of Asbestos Regulations 2012(section 4).

#### Lifts

Failure to meet the LOLER Regulatory requirements imposed on employers places the Council at risk of breaches with the Lifting Operations and Lifting Equipment Regulations 1998. Failure to record defects risks the defect not being rectified and the defect worsening to the point where it fails and poses a risk to employees, contractors and members of the public and the operation of the premises and service provision. In the absence of management plans being reviewed, there is a risk to public safety, asset safety, security, noncompliance, fines and reputational damage to the Council.

#### Accidents / Incidents

Failure to record workplace related accidents / incidents that are connected to the Council being non-compliant with the statutory requirement to report on specified injuries, diseases and dangerous occurrences as per the Reporting of Injuries, Diseases, Dangerous Occurrences Regulations 2013 (RIDDOR).

#### Energy Performance Certificates (EPC)

The Scottish Government requires public authorities to complete and display an EPC for all public buildings which exceed 250m<sup>2</sup> floor area. An individual EPC will only be valid for 10 years. In the case

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of public buildings, the EPC would have to be renewed immediately after the 10 year period has elapsed. Building owners who fail to provide EPCs could be subject to a penalty charge notice (minimum £500) in each case.

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	26 June 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Annual Report
<b>REPORT NUMBER</b>	IA/25/010
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.3

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Committee with Internal Audit's Annual Report for 2024/25.

### 2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Note the Annual Report for 2024/25;
- 2.2 Note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;
- 2.3 Note that there has been no limitation to the scope of Internal Audit work during 2024/25; and
- 2.4 Note the outcome of Internal Audit's self-assessment against the requirements of the Public Sector Internal Audit Standards.
- 2.5 Note the content of Internal Audit's Quality Assurance and Improvement Plan.

### 3. BACKGROUND / MAIN ISSUES

- 3.1 Public Sector Internal Audit Standards require that Internal Audit produce an annual report on the adequacy and effectiveness of the Council's framework of governance, risk management and control. It

is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including its annual work programme.

- 3.2 This report is designed to meet three objectives; to present to the Audit, Risk and Scrutiny Committee, and through them, the Council:
- A formal opinion on the adequacy and effectiveness of the Council's arrangements for:
    - Governance
    - Risk management
    - Internal control
  - A narrative over the key strategic and thematic findings from the assurance work undertaken by IA during 2024/25, drawing out key lessons to be learned.
  - An account of the assurance activities and resources of IA during the period 2024/25.

- 3.3 This report covers the period from 1 April 2024 to 31 March 2025 and any work finalised during the 2024/25 assurance period. It also takes account of work undertaken up to the date of the issue of this report. The report is grounded in the whole activity and work of IA, whether in terms of formal audit evidence and work, management assurance and consultancy activity, or evidence gathered throughout wider engagement across the Council.

#### **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?
<b>Strategic Risk</b>	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 that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	M	Yes
<b>Compliance</b>	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	L	Yes

		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.		
<b>Operational</b>	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 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	<b>Yes</b>
<b>Financial</b>	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	L	<b>Yes</b>



		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.		
<b>Reputational</b>	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 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	<b>Yes</b>
<b>Environment / Climate</b>	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,	L	<b>Yes</b>

		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.		
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## 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 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. APPENDICES

- 10.1 Appendix A – Internal Audit Annual Report for the year ended 31 March 2025.

## 11. REPORT AUTHOR DETAILS

Jamie Dale, Chief Internal Auditor

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## **Internal Audit**

# **Annual Assurance Report and Chief Internal Auditor's Opinion 2024/25**

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# 1 Executive Summary

## 1.1 Introduction and background

Internal Audit's (IA) 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 presented when finalised to the Audit, Risk and Scrutiny Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Public Sector Internal Audit Standards set the mission of IA as to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

## 1.2 Purpose of this report

Public Sector Internal Audit Standards require that IA produce an annual report on the adequacy and effectiveness of the Council's framework of governance, risk management and control. It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the IA function, including its annual work programme.

This report is designed to meet three objectives: to present to the Audit, Risk and Scrutiny Committee, and through them, the Council:

- A formal opinion on the adequacy and effectiveness of the Council's arrangements for:
  - Governance
  - Risk Management
  - Internal Control
- A narrative over the key strategic and thematic findings from the assurance work undertaken by IA during 2024/25, drawing out key lessons to be learned.
- An account of the assurance activities and resources of IA during the period 2024/25.

This report covers the period from 1 April 2024 to 31 March 2025, and any work finalised during the 2024/25 assurance period. It also takes account of work undertaken up to the date of the issue of this report. The report is grounded in the

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whole activity and work of IA, whether in terms of formal audit evidence and work, management assurance and consultancy activity, or evidence gathered throughout wider engagement across the Council.

### **1.3 Conclusion**

The overall Chief Internal Auditor's opinion is:

In my opinion the Council had an adequate and effective framework for governance, risk management and control, covering the period 1 April 2024 to 31 March 2025.

For further commentary see the Annual Assurance Opinion section of this report.

### **1.4 Action requested of the Audit, Risk and Scrutiny Committee**

The Audit, Risk and Scrutiny Committee is requested to note the contents of this report and the assurance opinion, to inform its annual report and its review of the Council's financial statements, in particular the Annual Governance Statement.



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## 2 Annual Assurance Opinion

### 2.1 Basis of annual assurance opinion

In accordance with the Public Sector Internal Audit Standards, IA's assessment, and opinion over the framework of governance, risk management and control is based upon the whole activity and work of IA including:

- The results of internal audits completed (in final or draft) up to the date of this report.
- Any follow-up action taken in respect of audits from previous periods.
- The effects of any significant changes in the Council's control environment.
- Matters arising from previous annual reports to the Council.
- Any limitations that may have been placed on the scope of IA – there are no restrictions to declare in this report.
- Reports issued by External Audit.
- IA's knowledge of the Council's governance, risk management and performance monitoring arrangements.
- The assessment of risk completed during the formation of the 2025-26 Audit Plan and the work on risk in general led by the Council.
- The results of other assurance activities completed during the year.

The Standards also require that IA confirms to the Committee, at least annually, that it is organisationally independent. The organisational independence of IA is established through Financial Regulations (approved by full Council) and the Internal Audit Charter (approved by the Audit, Risk and Scrutiny Committee). Other factors that help ensure Internal Audit's independence are that: the IA Plan is approved by the Audit, Risk and Scrutiny Committee; and IA reports its outputs to Committee in the name of the Chief Internal Auditor. The Chief Internal Auditor considers that IA is organisationally independent.

### 2.2 Annual assurance opinion 2024/25

IA is satisfied that sufficient audit and assurance work has been undertaken to allow a reasonable conclusion to be drawn as to the adequacy and effectiveness of the Council's framework for governance, risk management and control. Aberdeen City Council had an adequate and effective framework for governance, risk management and control, covering the period 1 April 2024 to 31 March 2025.

### 2.3 Rationale for the opinion

#### 2.3.1 Overview

The Council has faced a challenging year, with several issues having to be addressed. These have primarily been financial, such as the pressures being faced across all local authorities and the Public Sector, operationally, such as the response to RAAC, legal challenges, and a recent review of working arrangements, but also politically. The

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latter has resulted in a year made up of requisitioned meetings, Full Council agendas having to be heard over multiple days, and a recognition of poor working relations between members of the different political groups. Where the impact on the Audit, Risk and Scrutiny, the Committee that Internal Audit reports to, has been minor compared to other committees and Full Council, there have been wider impacts. Across the year Internal Audit has noted increased delays in Management responding to the Internal Audit process. Analysis of the reasoning, primarily discussions with Management, has highlighted the extra workload because of the additional and extended meetings, which have created a need for officers to prioritise this at the expense of other workstreams, including Internal Audit reviews. Where Internal Audit recognises the political nature of the Council and the need for officers to prioritise other workstreams on occasion, a continuing trend, as has been seen in 2024/25, could risk the assurance that is able to be provided and could have a negative impact on Internal Audit's Annual Opinion in future years. In recognising this risk, Internal Audit has engaged with Governance officers and also made recommendations to the Council's Governance Reference Group on how to ensure effective scrutiny of reports.

### 2.3.2 Internal Control

It is the responsibility of the Council's Senior Management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Internal Auditor to provide an annual overall assessment of the robustness of the internal control system.

The main objectives of the Council's internal control systems are to:

- Ensure adherence to management policies and directives to achieve the organisation's objectives.
- Safeguard assets.
- Ensure the relevance, reliability, and integrity of information, so ensuring as far as possible the completeness and accuracy of records.
- Ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control.

On balance, most of the audited areas were operating as anticipated. Areas of good practice, improvement, and procedural compliance have been identified, and these have been detailed in individual assignment reports to the Committee.

However, during the year, IA identified Major risks across eleven (2023/24: eight) reviews in the following areas<sup>1</sup>:

- **Procurement Compliance** – Delegated Procurement Authority, Procurement Documentation, Approvals, Tenders and Quotations, and Direct Awards.

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<sup>1</sup> Some areas will include more than one recommendation.

- **Social Care Financial Assessments** – Charging Policy, Written Procedures, and Supporting Records.
- **Recruitment** – PVG Dispensation.
- **National Fraud Initiative** – Security Checks, and Payment Fraud Controls.
- **Trusts and Common Good Fund** – Payments and Monitoring.
- **ELC Funded Provider Places** – Contracts, and Budget Monitoring.
- **Adoption, Fostering and Kinship** – Adoption Allowance, and Payments.
- **Creditors Sub-System Payments** – Delegated Authority.
- **Right to Work in the UK** – Verifying Original Documents, and Incomplete Documentation.
- **Housing Allocations and Choice Based Letting** – New Applications, and Allocations.
- **Corporate Landlord Responsibilities** – Contracts, Planning and Scheduling, and Documentation.

Full details of the risks are presented to the Committee in individual audit reports.

Most other recommendations made during the year were around reinforcing application of existing controls, the improvement of efficiency and the drive for Best Value. Common trends in IA's recommendations were also around governance, systematising processes, or the need to better evidence and document the operation of controls.

When analysing the results of the individual reviews, it is clear that the Council, on the whole, has designed controls effectively and instead where issues emerge it is in the operation. This is particularly the case where there is a dedicated second line team that is reliant on first line services across the council e.g. hiring managers carrying out recruitments or officers providing responses to Freedom of Information requests. To support the strengthening of operations, Internal Audit has looked at making recommendations that can be rolled out across the Council thematically, whilst recognising issues within individual services. This will be the approach going forward, along with Internal Audit engaging with Management outwith the standard review process to support the strengthening of the operation of controls and maintenance of their design.

## 2.4 Areas of risk for future IA focus

In addition to the points above continuing to be areas of focus for the Council, in the year there will be significant new risk areas for us to consider. The specific risk and control areas in the upcoming year that IA intend to focus on to a greater degree, determined primarily as part of planning, include:

- RAAC Response
- Governance
- Carbon Budgeting
- Corporate Responsibilities
- Digital and Technology
- Other emerging risks identified during the year.

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## 2.5 Follow up of audit recommendations

Public Sector Internal Audit Standards require that IA 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.

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), 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 HSCP work but exclude the IJB and Pension Fund. Management have highlighted in update reports that, where necessary, progress with implementing actions has continued but some have taken longer than expected due to factors such as resourcing and delivery of other priority areas.

## 3 Audit Results

### 3.1 In year audit results

Across the year, irrespective of the period initially planned for the review, IA issued 20 audit reports (2023/24: 20). These reviews span the entire breadth of the Council's operations, touching on not just individual services but also cross-Council areas, and IA's work with the Aberdeen City IJB and the North East Scotland Pension Fund.

This section highlights the results of our work in 2024/25, including finalisation of reviews. It should however be noted that:

- Previous years' work, issued in the current year, is considered for and factors into IA's annual assurance opinion.
- Work in progress, where the report is at a draft stage, is also considered for and factors into IA's annual opinion.
- The same is considered for consultancy work, which also factors into IA's annual assurance opinion.
- For all assurance reviews, IA ensured that they were at the work in progress stage by year end. The majority are beyond this stage and draft reports are being finalised with the process owners for the areas under review.

Summaries are also included of fraud assurance, consultancy and other work performed by IA.

#### 3.1.1 Previous year reviews finalised in 2024/25

Directorate	Audit Area	Overall Rating
Corporate Services	Procurement Compliance	Major
HSCP	Social Care Financial Assessments	Major
Corporate Services	Recruitment	Moderate
Corporate Services	Creditors System	Moderate
Families & Communities	Private Sector Housing	Minor
Corporate Services	Prevent	Moderate
Corporate Services	Revenue Budget Setting and Financial Strategy	Minor

#### 3.1.2 2024/25 reviews finalised in year

Directorate	Audit Area	Overall Rating
Corporate Services	Allowances	Minor
Corporate Services	National Fraud Initiative	Moderate
Corporate Services	Financial Controls Improvement Plan	N/A
Families & Communities	SEEMiS	Moderate
IJB	IJB Budget Setting and Monitoring	Moderate
IJB	IJB Counter Fraud	Moderate

Directorate	Audit Area	Overall Rating
Corporate Services	Councillors Induction and Development	Moderate
Families & Communities	Resettlement Governance	Moderate
Families & Communities	ELC Funded Provider Places	Moderate
Corporate Services	Trusts & Common Good Fund	Moderate
Corporate Services	Risk Management	Moderate
Families & Communities	Adoption, Fostering and Kinship	Major
Corporate Services	Creditors Sub-System Payments	Moderate

### 3.2 Post year end assurance

The information presented in the above table, concerning audit work, covers the period 1 April 2024 to 31 March 2025. However, consideration has been given to any work during the period until the issue of this report. Since year end, IA has issued a further seven reports, completing the Internal Audit Plan for 2024/25:

#### 3.2.1 2024/25 reviews finalised in 2025/26

Directorate	Audit Area	Overall Rating
HSCP	HSCP Commissioning	Moderate
Corporate Services	Freedom of Information and Subject Access Requests	Moderate
Corporate Services	Right to Work in the UK	Moderate
NESPF	Pension Fund Payroll	Moderate
Families & Communities	Housing Allocations and Choice Based Letting	Moderate
Corporate Services	Group Structure Assurance	Moderate
Families & Communities	Corporate Landlord Responsibilities	Major

### 3.3 Consultancy and other work by IA

In addition to planned assurance work, IA has also supported several services across the year. This has either been through requests for support or structured management assurance pieces of work, including but not limited to Service Standards, Rent Assistance Scheme, the Performance Board, the City Region Deal/Investment Zone.

This is an overview of the more substantial pieces of work delivered during the year; however it should be noted that other informal advice was provided on an adhoc basis and will continue as IA looks to further support the Council overall.

### 3.4 Counter Fraud

IA does not have a dedicated responsibility across the Council to lead on Counter Fraud activities; this is instead within the remit of a separate inhouse team. The potential for fraud is however considered as part of all reviews carried out by IA from a control framework perspective.

## 4 IA Performance

### 4.1 Key Performance Indicators

Key Performance Indicator (KPI) results could be better, and this is recognised by IA, whilst also acknowledging the impact engagement from Council Management can have on the delivery of audit work. However, the results show that IA still in a better position than recent years. Also, where the KPIs, which are an important tool for IA Management, are not at the levels desired, the strong assurance base, which is used for annual reporting purposes, is a positive output from the year.

Description	Target	2022/23	2023/24	2024/25	Commentary
Percentage of planned audits commenced where the Service was given advance notice of commencement of field work.	100%	100%	100%	100%	All audits were agreed with Management in advance.
Percentage of current year audits (as adjusted through consideration of subsequent year's plan) where draft report issued by deadline.	90%	50%	33.33%	8.33%	Across the year, IA was not successful in issuing draft reports as per the agreed timescale. Analysis of the individual engagements show a mix or reasons, partly down to the work of IA but also through the availability of Management to provide the required information, access to systems, and engage with the process overall.
Percentage of current year audits (as adjusted) completed by end of current year.	65%	55.56%	68.18%	60%	Work was carried out in the previous year to ensure a minimal number of audits was carried forward and this facilitated strong performance, but the target has not been met overall. However, only one review has not been able to be completed in advance of year end reporting to the June Committee.
Percentage of previous year audits (as adjusted) completed by end of current year.	100%	100%	100%	100%	All previous year audits were completed within 2024/25.
Percentage of current year audits (as adjusted) that were completed in the year within 110% of planned time allocated.	90%	80%	35.71	33.33%	Across the year, IA was not successful in completing work within the planned timescale. Analysis of the individual engagements show a mix or reasons, partly down to the work of IA but also through the availability of Management to provide the required information,

Description	Target	2022/23	2023/24	2024/25	Commentary
					access to systems, and engage with the process overall.
Percentage of previous year audits (as adjusted) that were completed within 110% of planned time allocated.	90%	50%	40%	14.29%	Across the year, IA was not successful in completing work within the planned timescale. Analysis of the individual engagements show a mix or reasons, partly down to the work of IA but also through the availability of Management to provide the required information, access to systems, and engage with the process overall.
Percentage of planned time taken for current year audits that were completed in the year.	90 - 110%	88.30%	145.98%	133.04%	This shows that current year audits are being completed slower on the whole. However, analysis of the underlying data does highlight variances (both over and under) across individual reviews.
Percentage of planned time taken for all previous year audits completed by end of current year.	90 - 110%	129.51%	133.11%	211.60%	Across the year, IA was not successful in completing work within the planned timescale. Analysis of the individual engagements show a mix or reasons, partly down to the work of IA but also through the availability of Management to provide the required information, access to systems, and engage with the process overall.
Percentage of recommendations accepted by management.	95%	97.97%	98.15%	97.85%	Small number of recommendations not accepted in year, which is expected in line with the new risk based methodology.
Where management has not agreed recommendation, percentage who accept risk.	100%	100%	100%	100%	In the small number of cases where recommendations were not accepted by Management, they accepted the risk.

Based on the current year results, where efforts will be made across all KPIs, the completion of work within the budgeted time, specifically, the issue of reports, both in draft and final, will be a priority for IA.



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## **4.2 Quality assurance and improvement plan**

The Public Sector Internal Audit Standards (PSIAS) require that the annual report must also include a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme (QAIP).

In previous reports IA has updated the Committee on the work to address previously noted issues; the main driver for these being the internal quality assessment, any external quality assessments and recommendations made by External Audit.

IA is pleased to confirm an external review of the control framework was concluded in the previous year and found that IA fully conforms with PSIAS, with no recommendations due for implementation in 2024/25. An internal review of the control framework concluded that IA still fully conforms with PSIAS, with work underway to ensure full compliance with the recently published Global Internal Audit Standards from 2025/26.

## **4.3 Staffing**

At present IA is operating with a 12.8 FTE, 0.2 FTE under budget due to flexible working arrangements across the Team.

## 5 Appendix 1 – Grading of Recommendations

Risk level	Definition
<b>Corporate</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Function</b>	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.
<b>Cluster</b>	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual Issue / Risk Rating	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	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.
<b>Severe</b>	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.