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To: All Members of the Council

Town House,
ABERDEEN, 10 February 2025

RECONVENED COUNCIL

The Members of the **COUNCIL** are requested to meet in Council Chamber - Town House on **MONDAY, 17 FEBRUARY 2025 at 10.30am**. This is a hybrid meeting therefore Members may also attend remotely.

****** Please note this agenda has been produced for the purposes of the website and webcast. If Members and officers could refer to the original agenda for the meeting of 5 February for any annotations made and associated page numbers, that would be appreciated ******

ALAN THOMSON
INTERIM CHIEF OFFICER - GOVERNANCE

B U S I N E S S

GENERAL BUSINESS

- 9.3 Governance Review of Trusts - 2024 Update - CORS/24/350 (Pages 3 - 34)
- 9.4 Council Annual Effectiveness Report - CORS/24/349 (Pages 35 - 56)
- 9.5 February 2025 RAAC Update - F&C/25/030 (Pages 57 - 76)
- 9.6 Accounts Commission Findings - s102 Report Council Tax Refunds - A Significant Fraud - CORS/25/031 (Pages 77 - 108)
- 9.7 Treasury Management Policy - CORS/25/013 (Pages 109 - 134)

NOTICES OF MOTION

10.1 Notice of Motion by Councillor Ali

“Treating citizens fairly at work is important for the wellbeing of Aberdeen as a community. Aberdeen City Council relies on our own staff to deliver vital services to the public, and our ability to serve the public fundamentally relies on valuing our own staff.

The Scottish Government’s policy of "Fair Work First" highlights many important principles, and states that "Fire and re-hire" tactics do not align with the principles and expected practice of Fair Work.

This approach is taken forward by the UK government's Employment Rights Bill which proposes 28 new individual employment rights, and includes proposals to severely restrict the "Fire and re-hire" of staff by employers.

We support the approach by the UK and Scottish governments and, we believe "Fire and re-hire" is a detriment to staff, and agree that officers must not use "Fire and re-hire" with our own staff. We note that the Council approved in its 2024/25 General Fund budget savings of up to £5m per annum from organisational redesign, and these savings should not be from "Fire and re-hire". To reassess the delivery of previously approved budget savings in future years, this should be referred to the 2025/26 budget meeting on 5 March 2025.”

Website Address: www.aberdeencity.gov.uk

Should you require any further information about this agenda, please contact Martyn Orchard, tel 01224 067598 or morchard@aberdeencity.gov.uk

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	11 December 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Governance Review of Trusts – 2024 Update
REPORT NUMBER	CORS/24/350
DIRECTOR	Andy MacDonald and Gale Beattie
CHIEF OFFICER	Alan Thomson/Vikki Cuthbert and Julie Wood
REPORT AUTHOR	Steven Inglis and Helen Fothergill
TERMS OF REFERENCE	10 & 21

1. PURPOSE OF REPORT

- 1.1 To seek approval to establish a new charitable trust (“Aberdeen Archives, Gallery & Museums Trust”) and take specified actions in relation to the Alexander MacDonald Bequest, and to provide an update on other activity in relation to trusts to which the Council is connected.

2. RECOMMENDATIONS

That the Council:-

Proposed Aberdeen Archives, Gallery & Museums Trust

- 2.1 agrees the establishment of a new charitable trust (to be known as “Aberdeen Archives, Gallery & Museums Trust”) and approves the proposed constitution thereof in Appendix F;
- 2.2 instructs the Chief Officer – Governance to submit the necessary application (including signed trustee declaration form and the constitution) to the Office of the Scottish Charity Regulator (OSCR) for its approval; authorises that Chief Officer, prior to such OSCR approval being obtained but following consultation with the Co-Leaders, to make any amendments to the constitution which that Chief Officer considers to be appropriate; and authorises that Chief Officer to take any other appropriate action in relation to the application and any action necessary to bring the constitution into effect;
- 2.3 instructs the Chief Officer – Finance to arrange for registration of the new charitable trust with HM Revenue & Customs (HMRC), and to take any other appropriate action, in order to allow for gift aid to be claimed on monetary donations to the trust;
- 2.4 appoints the Chief Officer - City Development & Regeneration to be lead Council officer (in terms of the Council’s Powers Delegated to Officers) in respect of the new charitable trust; authorises that Chief Officer to approve the making of payments from the funds of the trust (in terms of the Council’s Powers

Delegated to Officers) and to take any appropriate action in relation to the operation and management of the trust; instructs the Chief Officer - Governance to add the trust to the Council's list of Arts & Culture Trusts (the current version of which list is in Appendix D); and appoints the Chief Officer – Governance to be secretary to, and the Chief Officer – Finance to be treasurer of, the trust;

Other Activity

- 2.5 instructs the Chief Officer – Governance to submit an application to OSCR in respect of the Alexander MacDonald Bequest (charity number SC018568) 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 winding-up of this charitable trust; and authorises that Chief Officer to take any other appropriate action in order to facilitate such expenditure and winding-up;
- 2.6 notes the other activity, as detailed in this report, in relation to trusts to which the Council is connected; and
- 2.7 instructs the Chief Officer – Governance to, as appropriate, bring a report to Council and/or provide a service update to elected members no later than December 2025 on future activity in relation to trusts to which the Council is connected.

3. CURRENT SITUATION

- 3.1 On 13 December 2023, Council considered a report on activity in relation to trusts to which the Council is connected, approved certain appointments and instructed the Chief Officer – Governance to, as appropriate, bring a report to Council and/or provide a service update to elected members no later than December 2024 on future activity in relation to trusts to which the Council was connected.
- 3.2 This report provides the requisite update on such trusts, as listed in Appendices A – D. In those Appendices, the Balance Sheet Value for a fund represents its total funds (including the value of any investments) whereas the Revenue Value is the useable cash amount which is readily available for disbursement. The Balance Sheet Value includes the Revenue Value. In this report, the term “trusts” is used for convenience but also includes reference to bequests and the like.

Proposed Aberdeen Archives, Gallery & Museums Trust

- 3.3 At present, monetary (cash) donations are collected in donation boxes across all of the Council's Archives, Gallery and Museum venues. Digital “tap to give” options are available in Aberdeen Art Gallery, Aberdeen Maritime Museum, Provost Skene's House and Aberdeen Treasure Hub, and will be available in financial year 2025/26 in the Town House Archives and the Tolbooth Museum. Donations can be offered and paid through the website www.aberdeencity.gov.uk/AAGM/support-us/donate. Additional offers of monetary donations are received, infrequently, through correspondence (email and mail). Monetary bequests tend to be unexpected and without prior notice.

- 3.4 In financial year 2023/24, such cash donations received amounted to £37,966 and “tap to give” donations were £21,529. In financial year 2024/25 (up to October 2024), cash donations of £26,052 and “tap to give” donations of £10,458 have been received.
- 3.5 If cash, “tap to give” or online donations are received by a charity from a UK taxpayer, those donations are eligible for a gift aid claim. Local authorities themselves cannot claim gift aid.
- 3.6 There are a number of existing trusts which directly benefit the Council’s art collection, but do not allow for support of the wider heritage collection or service. The purpose of Aberdeen Art Gallery Trusts (charity number SC018575), for example, is “*the advancement of the arts by providing for the purchase of works of art for the collection of Aberdeen Art Gallery & Museum.*” This means that any donations or bequests which are made to this Trust can only be used for the purchase of artworks and cannot be spent on caring for, preserving, displaying or interpreting the current collection.
- 3.7 A significant, unsolicited bequest was received in 2022 and has been deposited into the Aberdeen Art Gallery Trusts account. This will allow the Gallery to expand its collection for a number of years into the future.
- 3.8 It is proposed that a new charitable trust – to be known as “Aberdeen Archives, Gallery & Museums Trust” - should be established. In summary, the purposes of the new trust would be to support the whole operation and delivery of the Aberdeen Archives, Gallery and Museums but would not prescribe how such support should be provided or what forms it may take. This is to help ensure the longevity and flexibility of the new trust and that the whole Aberdeen Archives, Gallery and Museums service should benefit in the years to come.
- 3.9 It is proposed that the Council would be sole trustee of the new trust and the Chief Officer – City Development and Regeneration would be the lead Council officer in respect of the trust. Reference is made to the Powers Delegated to Officers mentioned under the “Disbursements” header below. It is further proposed that the Chief Officer – Governance and the Chief Officer – Finance would respectively be secretary and treasurer of the new trust.
- 3.10 The proposed governance arrangements, involving expenditure decisions by the Chief Officer – City Development and Regeneration under delegated powers, would provide speed of decision-making around expenditure, which nonetheless must always be in compliance with the trust purposes. Appropriate regard may be had to whatever Council objectives exist at the time but the Council as trustee would of course require to act in the interests of the trust.
- 3.11 Local authorities without a charitable arrangement are ineligible to claim gift aid or claim under the Gift Aid Small Donations Scheme.
- 3.12 The establishment of a new charitable trust supporting the wider operation and delivery of Archives, Gallery and Museums provides:

- a receiving account for future bequests;
- an opportunity for a campaign related to legacy gifts, with tax relief;
- an opportunity to claim gift aid;
- a reduction in the reliance on public funding to run the service.

3.13 Disbursements

In terms of the Council's Powers Delegated to Officers (General Delegations to Chief Officers no.46), Chief Officers have the power to approve the making of payments from the funds of trusts in respect of which the Council is sole trustee and they are the lead Council officer - following consultation with the Chief Officer – Finance and provided always that such payments are in accordance with the relevant trust deeds. Following the organisational restructure earlier this year, the lead Council officers for the different classifications of trust are as follows:

- Educational Trusts: Chief Officer - Education & Lifelong Learning
- Children's Social Work Trusts: Chief Officer – Children's Social Work & Family Support
- Adult Social Work Trusts: Chief Officer – Aberdeen City Health and Social Care Partnership
- Arts & Culture Trusts: Chief Officer - City Development & Regeneration

3.14 Similarly, under General Delegation no.47, Chief Officers have the power to, following consultation with the Chief Officer - Finance, accept monetary gifts, endowments, bequests and donations which relate to their remit as Chief Officer and to approve the expenditure of same - in accordance with any terms applying thereto.

3.15 Details of disbursements from funds over the past year are provided in Appendix E.

3.16 Alexander MacDonald Bequest (charity number SC018568)

Alexander MacDonald's Trust Disposition and Deed of Settlement dated 11 December 1882 left one-third of the residue of his estate to the Council – with *“the whole of the revenueapplied....in the purchase of paintings, as a matter of preference, but it shall be optional to make an occasional purchase of a piece of statuary”*.

For the selection of works of art, this deed requires that an Art Committee be appointed from time to time - hence the periodic meetings of the MacDonald Art Committee, most recently in 2001 and 1992.

As of 31 March 2024, the capital figure is £25,040 and the revenue figure is £7,389.17. This revenue sum has only risen by around £1,600 since 2007. Currently only the revenue can be spent.

Approval is sought to make an application to OSCR so as to permit the expenditure of the total remaining funds (i.e. capital and revenue) on artworks in terms of the trust deed's provisions and the subsequent winding-up of this

charitable trust. This is considered to be a more efficient and effective approach to managing this old trust.

3.17 Aberdeen Endowments Trust (charity number SC010507)

Aberdeen Endowments Trust (AET) has approached the Council to explore whether the Council might be agreeable to the management of Educational Trusts listed in Appendix A being transferred to AET. The objective would be to ensure the more efficient and effective use of those funds alongside the funds which AET already administers. Importantly, any funds so transferred would continue to be used for their current purposes so far as those are still viable and unless amended according to the appropriate legal process. Discussions with AET are at an early stage and any proposal for transfer would be reported to Full Council for a decision.

3.18 Glover House Trustees Ltd (company number SC503243)

Glover House Trustees Ltd, a private limited company set up in 2015, is sole trustee of The Grampian-Japan Trust. The Council is sole shareholder of the company. On 13 December 2023, Council approved the appointment of Councillor David Cameron (Lord Provost), Councillor Alison Alphonse and the Chief Officer - Corporate Landlord (Stephen Booth) as directors of the company. These three director appointments took effect on 1 April 2024.

4. FINANCIAL IMPLICATIONS

- 4.1 Officer resource (from Archives, Gallery & Museums, Legal Services and Finance) would be required to set up a new charitable trust and to administer the gift aid claims, in addition to the current resource required to bank donations on a regular basis. Costs to the Council for print production in relation to gift aid envelopes for cash donations, and promotional leaflets for legacy giving, would be offset by income through the trust.
- 4.2 The efficient and effective management of the trusts referred to in this report will maximise the funds available for expenditure on the trust purposes. The trusts provide an opportunity for delivering additional benefit to the city and its people. However the trust funds do not represent a recurring income source to support the discharge of the Council's core statutory duties.

5. LEGAL IMPLICATIONS

- 5.1 The proposed new charitable trust, like any charitable trust, would of course require to operate in compliance with charity law and trust law. To be registered as a charity, OSCR approval is required and their registration process must be adhered to. Non-charitable trusts must operate in compliance with trust law. This report details activity and proposed activity intended to ensure continued sound governance of trusts and appropriate use of the funds for the trust purposes.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report. Indirect implications are additional reliance on printed paper for processing gift aid and promoting legacy giving. Where possible, this will be managed through digital channels.

7. RISK

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

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	No significant risks identified	N/A	N/A	N/A
Compliance	If a trustee fails to comply with their legal duties, they may be held responsible for resultant losses and OSCR may take action against them. Where gift aid is being claimed by a charity, the rules on gift aid must be followed.	This report supports compliance and officers from Legal Services and Finance provide appropriate advice.	L	Yes
Operational	Risk of gift aid rules not being followed.	Implementation of appropriate procedures and staff training regarding gift aid.	N/A	N/A
Financial	Failure to maximise and make best use of the available funds for trust purposes.	This report supports members' oversight of the use of such funds.	L	Yes
Reputational	Failure to comply with legal duties may	This report supports compliance.	L	Yes

	lead to adverse publicity.			
Environment / Climate	No significant risks identified	N/A	N/A	N/A

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2023-2024</u>	
Impact of Report	
<p>Aberdeen City Council Policy Statement</p> <p><u>Working in Partnership for Aberdeen</u></p>	<p>A Vibrant City – “We will work tirelessly to make Aberdeen a more attractive place to live, work, study and visit with a vibrant cultural offering”.</p> <p>More generally, the purposes of existing trusts support overall objectives such as Supporting People with the Cost of Living, A City of Opportunity, A Vibrant City and An Active City.</p>
<u>Local Outcome Improvement Plan 2016-2026</u>	
Prosperous Economy Stretch Outcomes	Purposes of existing trusts support the delivery of LOIP outcomes.
Prosperous People Stretch Outcomes	Same as above.
Prosperous Place Stretch Outcomes	Same as above.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	New Integrated Impact Assessment has been completed in respect of the proposal for a new charitable trust for Aberdeen Archives, Gallery and Museums.
Data Protection Impact Assessment	If the proposal to establish a new charitable trust is approved, a Data Protection Impact Assessment will be undertaken when there is more clarity on the nature of the personal data to be processed and the mechanics of such processing. For example, personal data will be processed in managing gift aid on monetary donations.
Other	Not required

10. BACKGROUND PAPERS

- 10.1 [Governance Review of Trusts - 2023 Update – COM/23/383 - \(reported to Council on 13 December 2023\)](#)

11. APPENDICES

- 11.1 Appendix A – Educational Trusts
- 11.2 Appendix B – Children’s Social Work Trusts
- 11.3 Appendix C – Adult Social Work Trusts
- 11.4 Appendix D – Arts & Culture Trusts
- 11.5 Appendix E – Details of Disbursements
- 11.6 Appendix F – Proposed Constitution for proposed Aberdeen Archives, Gallery & Museums Trust.

12. REPORT AUTHOR CONTACT DETAILS

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APPENDIX A - EDUCATIONAL TRUSTS - NOTE: the funds noted below as being "part of EEIF" and with SC025063 listed against them in column D are part of Aberdeen City Council Charitable Trusts, an OSCR-registered charity with charity number SC025063 (known as Education Endowment Investment Fund). Funds noted as being "part of EEIF" but without a number in column D are part of what was historically known as the EEIF but are not part of charity number SC025063. In total, the 'historic' EEIF comprises over 60 trusts, bequests and legacies - a number of which were transferred from Grampian Regional Council to Aberdeen City Council by the Educational Endowments (Grampian Region) Transfer Scheme Order 1996.								
Trust/Fund	Purpose	OSCR-Registered Charity?	Charity Number	Governance Documents	Balance Sheet Value 31 March 2024	Revenue Value 31 March 2024	Assets	Beneficiary
Aberdeen Institution for Deaf and Dumb Fund (part of EEIF)	For the benefit of Aberdeen School for the Deaf	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£79,291	£27,700	Share of listed investments and cash in Loans Fund.	Aberdeen School for the Deaf
Mrs Athol Benzie Prize Fund (part of EEIF)	For best all-round pupil in the fifth year at Aberdeen Academy	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£4,192	£1,461	Share of listed investments and cash in Loans Fund.	Hazlehead Academy
Miss Bessie Heriot Prize Fund (part of EEIF)	For prize to best girl at Kalmhill Secondary School	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£7,740	£2,716	Share of listed investments and cash in Loans Fund.	Hartlaw Academy
Dr Charles McLeod Trust (part of EEIF)	For purchase of books on Physical Science and Astronomy at Aberdeen Grammar School	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£3,178	£1,115	Share of listed investments and cash in Loans Fund.	Aberdeen Grammar School
	Free annual revenue of the Trust to be applied for the following purposes:- (a)relieving financial hardship among the Burgesses of Guild of Aberdeen present and future and their widows or widowers and families (including without prejudice to the foregoing generality children of deceased Burgesses of Guild at Aberdeen) by the payment of annuities of such amounts as the Trustee in their absolute discretion may determine; and (b)assisting by means of grants or scholarships of such number and amounts as the Trustee in their absolute discretion (following consultation with the Lord Dean of Guild and her/his Assessors) may determine; (i)persons born or habitually resident in the city of Aberdeen who are prevented or inhibited from pursuing their educational or career goals due to financial circumstances or who are intending to undertake educational or vocational training courses or otherwise to further their proposed careers; or (ii)organisations or collective groups which are operating in the city of Aberdeen and undertaking, or intending to undertake, educational initiatives....							See column B
City of Aberdeen Council Guildry and Mortification Funds	(see trust deed for more detail)	Yes	SC011857	Trust Deed dated 25 May 2023	£2,795,565	£1,269,342	£1,495m in land and buildings, £1,167m in Loans Fund.	
Corporation Prize Fund (part of EEIF)	For school prizes	No	N/A	Not known	£551,742	£198,153	Share of listed investments and cash in Loans Fund.	Available to all school students in Aberdeen school
D M Andrew Bequest (part of EEIF)	For prize in Classics at Aberdeen Grammar School	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£19,630	£6,888	Share of listed investments and cash in Loans Fund.	Aberdeen Grammar School
Dr Duncan B Heriot Prize Fund	For prizes in English and History at Aberdeen Academy	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£3,893	£1,388	Share of listed investments and cash in Loans Fund.	Hazlehead Academy
Dr Duncan B Heriot Prize Fund (part of EEIF)	For prize to best boy at Kalmhill Secondary School	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£7,820	£2,809	Share of listed investments and cash in Loans Fund.	Hartlaw Academy
Edith and David R Bishop Prize Fund (part of EEIF)	For prize or prizes to pupil or pupils of Aberdeen Grammar School selected by the Rector	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£5,788	£2,031	Share of listed investments and cash in Loans Fund.	Aberdeen Grammar School
Miss Elizabeth H Bain Bequest (part of EEIF)	For music tuition and for instruments to pupils in city schools	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£138,100	£122,700	Share of listed investments and cash in Loans Fund.	Available to all school students in Aberdeen schools.
Miss Elizabeth M M Laing Prize (part of EEIF)	Prize for best pupil in French in the Third Year at Aberdeen Academy	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£643	£225	Share of listed investments and cash in Loans Fund.	Hazlehead Academy
Dr George MacKenzie Prize Fund (part of EEIF)	For prize to best pupil in German in Aberdeen Academy.	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£3,055	£1,062	Share of listed investments and cash in Loans Fund.	Hazlehead Academy
Miss H Shepherd Bequest (part of EEIF)	For annual award to the head boy and head girl at Torry Academy.	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£7,055	£2,534	Share of listed investments and cash in Loans Fund.	Lochside Academy
James Findlay Prize Fund (known as James Findlay Bursary Fund) (part of EEIF)	Annual prize or prizes to a student or students attending Aberdeen College in teaching practice and before awarding shall consult the Principal of the College	No	N/A	Trust Disposition and Settlement dated 06/05/1925, and registered in the Books of Council and Session on 02/11/1926, and Deed of Agreement dated January 1928	£46,234	£16,605	Share of listed investments and cash in Loans Fund.	North East Scotland College/University of Aberdeen
Jane Cable Smart Bequest (part of EEIF)	For prize(s) to most promising pupil(s) in Music at Skene Square School.	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1995	£13,200	£4,741	Share of listed investments and cash in Loans Fund.	Skene Square School
Jessie Durno Prize Fund (part of EEIF)	For prize in Mathematics at Aberdeen Academy	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£10,948	£3,832	Share of listed investments and cash in Loans Fund.	Hazlehead Academy
John M Robertson Memorial Prize Fund (part of EEIF)	For prize to best pupil in commercial subjects at Aberdeen Grammar School.	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£2,214	£777	Share of listed investments and cash in Loans Fund.	Aberdeen Grammar School
Kenneth MacIntosh Bequest (part of EEIF)	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	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£18,744	£6,577	Share of listed investments and cash in Loans Fund.	Aberdeen Grammar School
Lands of Torry	Free annual revenue of the Trust to be paid as follows:- (a)51% to the Aberdeen City Common Good Fund; and (b)49% to the University of Aberdeen Bursary Fund.	Yes	SC021299	Trust Deed dated 25 October 2023	£2,855,481	£25,081	£2,726m in lands and buildings.	Aberdeen City Common Good Fund; and University of Aberdeen Bursary Fund.
Liddle Prize Fund (known as Alexander Kilgour Fund) (part of EEIF)	For Liddle prize, which may take the form of a medal, to an undergraduate at University of Aberdeen for best composition in Latin and Greek. Conditions governing the award shall be determined by the Professors in the Faculty of Arts.	No	N/A	Letter setting up trust purposes dated 05/10/1857	£100,009	£35,917	Share of listed investments and cash in Loans Fund.	University of Aberdeen
Miss Lizzie L Milne Prize Fund (part of EEIF)	For prize in all-round excellence to pupil in senior classes at Ashley Road School.	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£8,594	£3,086	Share of listed investments and cash in Loans Fund.	Ashley Road School
Logie Pirie Scholarship Fund (part of EEIF)	For the benefit of schools in the Dyce, Bucksburn area	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£37,031	£6,722	Share of listed investments and cash in Loans Fund.	Bucksburn Academy, Stoneywood School, Brimmond School, Kingswells School, Dyce School and Dyce Academy

Miss Lucy Cruickshank Prize Fund (part of EEIF)	For prize to best pupil or pupils in French and German at High School for Girls.	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£30,544	£10,717	Share of listed investments and cash in Loans Fund.	Hartlaw Academy
Miss M S Smith Prize Fund (part of EEIF)	For prize or prizes for proficiency in art or handcrafts at Ashley Road School.	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£6,753	£2,425	Share of listed investments and cash in Loans Fund.	Ashley Road School
Miss Margaret C Harper Prize Fund (part of EEIF)	For prize to best pupil in German at Aberdeen Academy.	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£1,175	£403	Share of listed investments and cash in Loans Fund.	Hazlehead Academy
Margaret Duthie Memorial Prize Fund (part of EEIF)	For pupil showing the greatest endeavour at Dyce School.	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£12,428	£4,361	Share of listed investments and cash in Loans Fund.	Dyce Primary School
Mary Dumo Prize Fund (part of EEIF)	For prize in English at Aberdeen Academy	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£17,746	£6,217	Share of listed investments and cash in Loans Fund.	Hazlehead Academy
Mary Thomson Scottish Poetry Prize	For the three best reciters of a Scottish poem at Cults Primary School, Cults Academy, Hartlaw Academy and Rubislaw Academy.	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£10,443	£3,751	Share of listed investments and cash in Loans Fund.	Cults School, Cults Academy, Hartlaw Academy and Aberdeen Grammar
Mrs Mina Brooks Memorial Prize (part of EEIF)	For prizes for children's theatre	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£3,146	£1,104	Share of listed investments and cash in Loans Fund.	Available to all school students in Aberdeen schools.
Murray Pictures Prize Fund	Promoting knowledge and love of art among children of the City. Circulating the Murray Circulating Collection among educational establishments in the City. Council to award annual prizes and certificates to pupils attending schools in the City for the most meritorious essays on pictures in the collection and to publish any essay of exceptional merit.	No	N/A	Aberdeen Educational Endowments Scheme 1934	£52,372	£18,809	Share of listed investments and cash in Loans Fund.	Available to all school students in Aberdeen schools.
Norman Moy Prize	Prize for the best jazz musician in Aberdeen schools.	No	N/A	Trust Deed of 2016	£10,008	£3,594	All Funds in ACC Loans Fund.	Available to all school students in Aberdeen schools.
Primary and Intermediate Schools Sports Fund (part of EEIF)	General use in relation to sport.	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1996	£24,794	£1,924	Share of listed investments and cash in Loans Fund.	Available to all school students in Aberdeen schools.
35.9% of Rose Hip Fund (part of EEIF)	To be used at the discretion of the officer appointed by Aberdeen City Council for the purpose.	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1997	£1,485	£533	Share of listed investments and cash in Loans Fund.	Available to all school students in Aberdeen schools.
St Fittick Aberdeen Rotary Club Prize (part of EEIF)	For prizes to pupils at Torry Secondary School.	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1998	£2,084	£748	Share of listed investments and cash in Loans Fund.	Lochside Academy
William C B Thomson Memorial Fund (part of EEIF)	For prizes in art at Northfield Secondary School.	No	N/A	The Educational Endowments (Grampian Region) Transfer Scheme Order 1999	£4,531	£1,627	Share of listed investments and cash in Loans Fund.	Northfield Academy
William Meston Bursary Fund (part of EEIF)	For bursary to pupil of merit at Culter School undertaking a secondary course.	Yes	SC025063	The Educational Endowments (Grampian Region) Transfer Scheme Order 2000	£33,225	£11,658	Share of listed investments and cash in Loans Fund.	Culter Primary School
				Total:	£6,930,861	£1,811,333		

APPENDIX B - CHILDREN'S SOCIAL WORK TRUSTS - NOTE: the funds noted below as being "part of EEIF" and with SC025063 listed against them in column D are part of Aberdeen City Council Charitable Trusts, an OSCR-registered charity with charity number SC025063 (known as Education Endowment Investment Fund). Funds noted as being "part of EEIF" but without a number in column D are part of what was historically known as the EEIF but are not part of charity number SC025063. In total, the 'historic' EEIF comprises over 60 trusts, bequests and legacies - a number of which were transferred from Grampian Regional Council to Aberdeen City Council by the Educational Endowments (Grampian Region) Transfer Scheme Order 1996.

Trust/Fund	Purpose	OSCR-Registered Charity?	Charity Number	Governance Documents	Balance Sheet Value 31 March 2024	Revenue Value 31 March 2024	Assets	Beneficiary
A. McKay Fund (part of EEIF)	To be used at discretion of the Director of Social Work.	No	N/A	Not known	£927	£333	Share of listed investments and cash in Loans Fund.	Children's Social Work Department
Angus Taylor Donations (part of EEIF)	To be used at discretion of the Director of Social Work.	No	N/A	Not known	£630	£226	Share of listed investments and cash in Loans Fund.	Children's Social Work Department
Befriending Fund (part of EEIF)	To be used at discretion of the Director of Social Work.	No	N/A	Not known	£4,428	£1,590	Share of listed investments and cash in Loans Fund.	BeFriend a Child or The Aberdeen City Befriending Partnership
Disabled Living Centre (part of EEIF)	To be used at discretion of the Director of Social Work.	No	N/A	Not known	£8,187	£2,940	Share of listed investments and cash in Loans Fund.	Children with Disabilities service
Donations Social Work Director (part of EEIF)	To be used at discretion of the Director of Social Work.	No	N/A	Not known	£5,746	£2,063	Share of listed investments and cash in Loans Fund.	Care Leavers
Dyce Handicapped Children Fund (part of EEIF)	To be used at discretion of the Director of Social Work.	No	N/A	Not known	£3,106	£1,116	Share of listed investments and cash in Loans Fund.	Children with Disabilities service
Friends of Neo Natal Unit (part of EEIF)	To provide comforts for users of the named service.	No	N/A	Not known	£938	£337	Share of listed investments and cash in Loans Fund.	Aberdeen Maternity Hospital
Lewis J. Smith Bequest (part of EEIF)	To be used at discretion of the Director of Social Work.	No	N/A	Not known	£1,200	£431	Share of listed investments and cash in Loans Fund.	Children's Social Work Department
Social Work Dept. Training Fund (part of EEIF)	To be used at discretion of the Director of Social Work.	No	N/A	Not known	£2,350	£844	Share of listed investments and cash in Loans Fund.	Kinship Carers
The Richard Garden Trust (part of EEIF)	To support the families of children with head or spinal injuries.	No	N/A	Not known	£37,606	£13,506	Share of listed investments and cash in Loans Fund.	Children with Disabilities service
Westburn Comforts Fund (part of EEIF)	To provide comforts for residents at the named home.	No	N/A	Not known	£2,385	£857	Share of listed investments and cash in Loans Fund.	Westburn Centre
				Total:	£67,502	£24,243		

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APPENDIX C - ADULT SOCIAL WORK TRUSTS - NOTE: the funds noted below as being "part of EEIF" and with SC025063 listed against them in column D are part of Aberdeen City Council Charitable Trusts, an OSCR-registered charity with charity number SC025063 (known as Education Endowment Investment Fund). Funds noted as being "part of EEIF" but without a number in column D are part of what was historically known as the EEIF but are not part of charity number SC025063. In total, the 'historic' EEIF comprises over 60 trusts, bequests and legacies - a number of which were transferred from Grampian Regional Council to Aberdeen City Council by the Educational Endowments (Grampian Region) Transfer Scheme Order 1996.

Trust/Fund	Purpose	OSCR-Registered Charity?	Charity Number	Governance Documents	Balance Sheet Value 31 March 2024	Revenue Value 31 March 2024	Assets	Beneficiary
Aberdon Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£3,130	£1,124	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen that support people with far end dementia
Albyn Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£40,938	£14,702	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen
Agnes Park Legacy (part of EEIF)	To provide comfort at homes for the Elderly	No	N/A	Not known	£13,520	£4,855	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen
Balnagask Home Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£8,320	£2,988	Share of listed investments and cash in Loans Fund.	Balnagask House Care Home
Croft House Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£11,622	£4,174	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen
Elizabeth M. M. Laing (part of EEIF)	To provide comfort at homes for the Elderly	No	N/A	Not known	£1,250	£372	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen
Fergus House Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£20,864	£7,493	Share of listed investments and cash in Loans Fund.	Fergus House Care Home
Ferryhill House Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£9,227	£3,314	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen
Friends of Balnagask Court (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£739	£265	Share of listed investments and cash in Loans Fund.	Sheltered housing residents in or near the areas surrounding Balnagask Court
Gladys Pickman	For the use of Aberdon House.	No	N/A	Not known	£12,498	£12,498	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen that support people with far end dementia
Horizon Amenity Fund (part of EEIF)	For the benefit of users of the service	No	N/A	Not known	£3,371	£1,211	Share of listed investments and cash in Loans Fund.	Horizons Rehabilitation Centre
M J Elliot Trust (part of EEIF)	For the benefit of users of Rosehill House	No	N/A	Not known	£43,654	£15,678	Share of listed investments and cash in Loans Fund.	Day Care providers with the City of Aberdeen.
Northfield Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£19,114	£6,865	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen
Park House Amenity Fund (part of EEIF)	For the benefit of users of the service	No	N/A	Not known	£776	£279	Share of listed investments and cash in Loans Fund.	Sheltered housing residents in or near the area.
Polmuir Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£100,062	£35,936	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen
Rosewell Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£13,121	£4,712	Share of listed investments and cash in Loans Fund.	Rosewell House Rehabilitation Unit
Social Work Dept. Mental Health Training (part of EEIF)	To be used at discretion of Director of Social Work	No	N/A	Not known	£11,221	£4,030	Share of listed investments and cash in Loans Fund.	Social Workers within Aberdeen City Council's Social Work Department
Thorngrove Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£4,952	£1,778	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen
Victoria House Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£52,904	£19,000	Share of listed investments and cash in Loans Fund.	Homeless people/Housing First Project

Westbank Comforts Fund (part of EEIF)	To provide comforts for residents at the named home	No	N/A	Not known	£379	£136	Share of listed investments and cash in Loans Fund.	Care Homes in the City of Aberdeen
				Total:	£371,662	£141,410		

APPENDIX D - ARTS & CULTURE TRUSTS - NOTE: the funds noted below as being "part of EEIF" and with SC025063 listed against them in column D are part of Aberdeen City Council Charitable Trusts, an OSCR-registered charity with charity number SC025063 (known as Education Endowment Investment Fund). Funds noted as being "part of EEIF" but without a number in column D are part of what was historically known as the EEIF but are not part of charity number SC025063. In total, the 'historic' EEIF comprises over 60 trusts, bequests and legacies - a number of which were transferred from Grampian Regional Council to Aberdeen City Council by the Educational Endowments (Grampian Region) Transfer Scheme Order 1996.

Trust/Fund	Purpose	OSCR-Registered Charity?	Charity Number	Governance Documents	Balance Sheet Value 31 March 2024	Revenue Value 31 March 2024	Assets	Beneficiary
Aberdeen Art Gallery Trusts	The advancement of the arts by providing for the purchase of works of art for the collection of Aberdeen Art Gallery & Museum	Yes	SC018575	Trust Deed dated 10 March 2014	£398,585	£398,585	All Funds in ACC Loans Fund.	Aberdeen Art Gallery & Museum
Aberdeen Bulawayo Trust	The purpose of the Trust shall be to relieve poverty among the inhabitants of the City of Bulawayo, Zimbabwe	Yes	SC009373	Trust Deed dated 1 March 1989	£244	£244	All Funds in ACC Loans Fund. Trust Income is solely a grant from the Common Good Fund.	City of Bulawayo, Zimbabwe
Aberdeen Gomel Trust	To assist the city of Gomel and Gomel Oblast in Byelorussia	No	N/A	Trust Deed dated 28 May 1994	£4,687	£4,687	All Funds in ACC Loans Fund.	City of Gomel and Gomel Oblast in Byelorussia. Activities currently suspended.
Alexander MacDonald Bequest	<i>"the purchase of paintings, as a matter of preference, but it shall be optional to make an occasional purchase of a piece of statuary"</i> . See the Trust Disposition and Deed of Settlement for further stipulations, including that <i>"no pictures painted more than twenty-five years before the date of purchase shall be eligible...."</i> and that an Art Committee be appointed to select the works of art. This is the MacDonald Art Committee.	Yes	SC018568	Trust Disposition and Deed of Settlement dated 11 December 1882	£25,040	£7,389	All Funds in the ACC Loans Fund.	Aberdeen Art Gallery & Museum

Bridges of Aberdeen Heritage Trust	To advance heritage	Yes	SC018551	Trust Deed dated 14 November 2016. Name subsequently changed from Bridge of Don Fund to Bridges of Aberdeen Heritage Trust in May 2021.	£1,312,839	£318,172	£1.1m investment in Lands of Skene and £270k in ACC Loans Fund.	Citizens of Aberdeen City
Cole Bequest	For the benefit of Aberdeen Art Gallery	No	N/A	Not known	£8,170	£8,170	All Funds in ACC Loans Fund.	Aberdeen Art Gallery & Museum
Elsie M Byrne	For the benefit of Aberdeen Art Gallery	No	N/A	Not known	£9,832	£9,832	All Funds in ACC Loans Fund.	Aberdeen Art Gallery & Museum
Glover House Trustees Ltd	Sole trustee of Grampian-Japan Trust which owns Glover House	No	Company Limited by Guarantee (company number SC503243)	Articles of Association	£1	£1	All Funds in ACC Loans Fund	N/A
Grampian-Japan Trust	Various purposes related to the historical links between Grampian Region and Thomas Blake Glover and the development of industry in Japan	No	N/A	Declaration of Trust dated 20 March 1996 (as subsequently varied in 2012 and 2015)	£461,000	£0	Sole Asset is the property at Glover House, Bridge of Don, Aberdeen	North-East of Scotland and Japan
John M Henderson Bequest (part of EEIF)	To enabling Libraries to expend funds on music download services	Yes	SC025063 (part of Aberdeen City Council Charitable Trusts, known as EEIF)	Revised constitution adopted in 2015.	£1,266	£444	Share of listed investments and cash in Loans Fund.	Libraries within the City of Aberdeen.

Lands of Skene	Free annual revenue of the Trust to be paid as follows:- (a)40% to City of Aberdeen Council Guildry & Mortification Funds, charity number SC011857; (b)30% to Bridges of Aberdeen Heritage Trust, charity number SC018551; and (c)30% to the Aberdeen City Common Good Fund.	Yes	SC018533	Trust Deed dated 25 October 2023	£3,815,560	£2,535,311	£1.2M in land and buildings and £2.5M in ACC Loans Fund.	City of Aberdeen Council Guildry & Mortification Funds, Bridges of Aberdeen Heritage Trust and Aberdeen City Common Good Fund.
The Lord Provost's Charitable Trust	To distribute funds to such recognised Scottish charities operating within the City of Aberdeen as the Trustees may from time to time determine to be applied by the said charities for such purposes as the Trustees in their absolute discretion may specify.	Yes	SC028829	Trust Deed from 1999	£12,041	£12,041	Loans Fund Balance	Recognised Scottish charities operating within the City of Aberdeen
M Mowat & G Davidson	Upholding Ardo's Tomb 1662	No	N/A	Will from 1740	£886	£886	All Funds in ACC Loans Fund.	Ardo's tomb, St Nicholas' Church
Mrs McBey Fund No.1	To improve the permanent collection of Aberdeen Art Gallery by acquisition or commission upon report by the City Arts and Recreation Officer or his successor	No	N/A	Not known but referred to in minute of City of Aberdeen District Council Arts & Recreation (Art Gallery & Museums) Sub-Committee of 16 December 1994.	£3,032	£3,032	All Funds in ACC Loans Fund	Aberdeen Art Gallery & Museum

Marguerite McBey Trust	To advance the education of the people of Aberdeen and others through promotion and support of the arts by the protection, conservation and development of the Fine Art collection at the Aberdeen Art Gallery	Yes	SC031654	Trust Deed dated 10 May 2001	£527,804	£527,804	All Funds in ACC Loans Fund.	Aberdeen Art Gallery & Museum
Miss Hilda B S Duthie Bequest	For the benefit of Aberdeen Maritime Museum.	No	N/A	Letter from Miss Duthie's solicitors dated 09/08/1991. No restrictions on retaining any set capital sum	£3,326	£3,326	All Funds in ACC Loans Fund.	Maritime Musuem
Molly Craig Fund	To distribute funds to such recognised Scottish Charities operating within the City of Aberdeen as the trustees may from time to time determine	No	N/A	Not known	£2,034	£730	Share of listed investments and cash in Loans Fund.	Recognised Scottish Charities operating within the City of Aberdeen
Mrs Vera R E Taylor	Maritime Museum display	No	N/A	Not known	£17,044	£17,044	All Funds in ACC Loans Fund.	Maritime Musuem
Proctor's Orphanage Trust	To award quarterly grant payments to VSA for the benefit of children and families in Aberdeen City and Aberdeenshire	No	N/A	Disposition dated 1892 (as subsequently varied)	£205,708	£34,821	All Funds in ACC Loans Fund + a strip of ground 1 metre in width around the perimeter of Proctor's, Kirkton of Skene.	VSA
Rickart (Richard) Mortification Fund	In 1740 John Richard left £12 to be invested with interest to be used for the perpetual maintenance of Richard's Tomb	No	N/A	Will from 1740	£57,071	£57,071	All Funds in ACC Loans Fund.	Richard's Tomb located in the centre of the west wall of the St Nicholas Kirkyard

Robert Skene Matthew Bequest	To distribute funds to such recognised Scottish Charities operating within the City of Aberdeen as the trustees may, from time to time determine	No	N/A	Not known	£21,269	£7,639	Share of listed investments and cash in Loans Fund.	Recognised Scottish Charities operating within the City of Aberdeen
Stewart Reid Memorial Fund	To distribute funds to such recognised Scottish Charities operating within the City of Aberdeen as the trustees may from time to time determine.	No	N/A	Not known	£3,264	£1,172	Share of listed investments and cash in Loans Fund.	Recognised Scottish Charities operating within the City of Aberdeen
				Total:	£6,890,703	£3,948,401		

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APPENDIX E – DETAILS OF DISBURSEMENTS

Educational Trusts (Appendix A)

There are 37 Educational Trusts with a total Balance Sheet Value of £6,930,881 (as at 31 March 2024), which in summary have purposes supporting the advancement of education in Aberdeen. That sum includes a total Revenue Value of £1,811,333.

In terms of the Powers Delegated to Officers, the Chief Officer – Education & Lifelong Learning has approved the following expenditure:

- £350 in total from various prize funds - for funding Hazlehead Academy's school prizes in summer 2024, as follows:
 - Jessie Durno Prize Fund (Mathematics)
 - Margaret C Harper Prize Fund (best pupil in German)
 - George Mackenzie Prize Fund (best pupil in German)
 - Elizabeth M M Laing Prize (best pupil in French)
 - Mary Durno Prize Fund (English)
 - Athol Benzie Prize Fund (best all-round pupil in fifth year)
 - Duncan B Heriot Prize Fund (English and History)

Children's Social Work Trusts (Appendix B)

There are 11 Children's Social Work Trusts with a total Balance Sheet Value of £67,502 (as at 31 March 2024), which in summary have been established to support the delivery of children's social work services. That sum includes a total Revenue Value of £24,243.

In terms of the Powers Delegated to Officers, the Chief Officer – Children's Social Work & Family Support has approved the following expenditure:

- £280.96 from the A McKay Fund and £1,742.03 from the Donations Social Work Director fund – to help facilitate monthly sessions at the Westburn Resource Centre, running from May 2024 to May 2025. These sessions are designed to give care experienced young people the opportunity to meet one another, participate in focused discussions and have a safe and positive space in which to express their experiences of being in care.

Adult Social Work Trusts (Appendix C)

There are 20 Adult Social Work Trusts with a total Balance Sheet Value of £371,662 (as at 31 March 2024), which in summary relate to specific adult social work functions or specific residential homes. That sum includes a total Revenue Value of £141,410.

In terms of the Powers Delegated to Officers, the Chief Officer – Aberdeen City Health and Social Care Partnership has approved the following expenditure:

- £3,011.40 from the Social Work Department Mental Health Training fund – to deliver Adults with Incapacity training for all adult social work staff within the Partnership; and
- £120 from the Elizabeth M M Laing fund – to facilitate Easter Celebrations across a number of care homes in Aberdeen.

Arts & Culture Trusts (Appendix D)

There are 22 Arts & Culture Trusts with a total Balance Sheet Value of £6,890,703 (as at 31 March 2024). That sum includes a total Revenue Value of £3,948,401.

In terms of the Powers Delegated to Officers, the Chief Officer – City Development & Regeneration, at the request of the Council’s Aberdeen Archives, Gallery & Museums Service (AAGM), has approved the following expenditure:

From the Aberdeen Art Gallery Trusts (charity number SC018575)

- £42,000 towards the purchase of a ceramic pot (“*Alan Measles and Claire Under an English Moon*”) designed by Grayson Perry. The total cost was £120,000 and the Council secured the remainder of the funding from external bodies (Art Fund, National Fund for Acquisitions and Friends of AAGM). This acquisition aligns with the AAGM Collections Development Policy priority theme of “identity and representation”. Perry was awarded the Turner Prize in 2003. In 2020, he became the first British visual artist since Henry Moore in 1968 to win the prestigious and lucrative Erasmus prize, a Dutch version of the Nobel prize, given annually to a person or institution that has made “*an exceptional contribution to the humanities, the social sciences or the arts*”;
- £5,500 for the commissioned work “*You Are Not the Darkness, You Are the Light*”, a fused glass sculpture by Shelagh Swanson. This acquisition aligns with the priority theme of “identity and representation” and is in memory of those lost to, and survivors of, domestic violence in Aberdeen. It was unveiled by Her Majesty Queen Camilla as part of the Save Lives campaign on 18 January 2024. It is permanently located in the window of Gallery 8 where it is visible inside and outside of the building, signalling that the Art Gallery is a safe space where refuge and support can be given to anyone experiencing domestic abuse;
- £6,000 to purchase “*The Second Coming*”, a mixed media work on canvas by Ian Howard. This acquisition aligns with the priority theme of “energy, environment and local economy”. Howard was born in Aberdeen and specialises in painting, drawing and printmaking. He is an Academician of the Royal Scottish Academy of Art and Architecture and an Emeritus Professor of the University of Edinburgh;
- £1,975 to purchase “*Tall Ships, Aberdeen Harbour*”, a painting by Nigel Grounds. This acquisition aligns with the priority theme of “energy, environment and local economy”. The painting depicts the Malcolm Miller and Winston

Churchill Tall Ships tied up at the quayside in Aberdeen for the Tall Ships Race in 1991. One of the vessels depicted (Malcolm Miller) was built in Aberdeen by Hall Russell and launched in 1967. It is hoped that this vessel (now a luxury yacht) will be visiting Aberdeen as part of the Tall Ships Race planned for 2025. This painting will feature in AAGM activities relating to that event;

- £3,179 to purchase the following three works created by Gray's School of Art graduates, each of whom is a previous winner of the David and June Gordon Memorial Trust Award:
 - “*Golden Years*” (ink, wood stain and varnish on hand-engraved board) by Lachlan Smith;
 - “*Penumbra Bloom*” (oil on board) by Tomasz Wrobel; and
 - “*Borderpost*” (oil on linen) by Anna Geerdes.

- £6,000 to purchase “*Selkie*”, a sculpture by Claire Partington. This acquisition aligns with the priority theme of “identity and representation”, in particular by addressing themes of mental health, feelings, grief and emotions, and perceptions regarding feminism, toxic masculinity and family dynamics.

The acquisitions detailed above will enhance the AAGM permanent collection.

From the Hilda B S Duthie Bequest

- £1,315 towards the costs of a new exhibition in the Aberdeen Maritime Museum titled “*Aberdeen Ships, Trade and Empire*”. The exhibition focusses on the role of ships owned and built in Aberdeen in Empire and colonialism. The exhibition opened on 6 July 2024 and this funding enhances visitor access to, and engagement in, a significant part of the city’s history not covered in existing displays.

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ABERDEEN ARCHIVES, GALLERY & MUSEUMS TRUST

TRUST DEED

We, Aberdeen City Council, the local authority for the city of Aberdeen in terms of the Local Government etc. (Scotland) Act 1994 and having our principal office at Town House, Broad Street, Aberdeen, in order to create a trust to be known as Aberdeen Archives, Gallery & Museums Trust (the "Trust"):

(One) appoint ourselves as the sole trustee of the Trust (we and our statutory successors herein referred to as "the Trustee"); and

(Two) pay the sum of £1 to ourselves as the Trustee; And we direct as follows:

Trust purposes

1. The Trustee shall hold and apply the said sum of £1, and such other funds and assets as may from time to time be comprised in the Trust Property, in trust for the advancement of the arts, heritage and culture and the advancement of education by:
 - (a) facilitating and encouraging engagement by members of the public with the collections and services of Aberdeen Archives, Gallery and Museums;
 - (b) caring for, storing, preserving, researching, developing, displaying and interpreting the collections of Aberdeen Archives, Gallery and Museums;
 - (c) acquiring works of art and objects of artistic, heritage or cultural value for the collections of Aberdeen Archives, Gallery and Museums; and
 - (d) improving physical, sensory and intellectual access to the collections and services of Aberdeen Archives, Gallery and Museums.
2. For the purposes of this Trust Deed, Aberdeen Archives, Gallery and Museums comprises:
 - Aberdeen Art Gallery, Schoolhill;
 - Aberdeen Maritime Museum, Shiprow;
 - The Tolbooth Museum, Castle Street;
 - Provost Skene's House, Guestrow;
 - Aberdeen City & Aberdeenshire Archives, Town House, Broad Street; and
 - Aberdeen Treasure Hub (Museum Collection Centre), Granitehill Road;all in Aberdeen, and any other archives, galleries, museums and collection storage locations as may from time to time be owned, managed or operated by Aberdeen City Council or its statutory successors.

3. The expenses of creating and administering the Trust, and any tax payable in relation to the Trust, shall be met in priority to all other payments and transfers of assets out of the Trust Property.

Powers

4. In the administration of the Trust, the Trustee shall, in addition to the powers and rights which are conferred by law upon the trustee who is acting without remuneration, have the fullest powers with regard to investment, sale, administration and management of the Trust Property as if they were the owner; in particular (but without limiting the scope of the powers which it may exercise under the preceding provision), the Trustee shall have the following powers:
 - (a) To do the things described in clause 1;
 - (b) To expend the whole funds and assets of the Trust for the Trust Purposes;
 - (c) To carry on any other activities which further any of the Trust Purposes;
 - (d) To take such steps as it may deem appropriate for the purpose of raising funds;
 - (e) To accept grants, donations and legacies of all kinds (and to accept any reasonable conditions attaching to them);
 - (f) To establish and/or support any other charity, and to make donations for any charitable purpose, falling within the Trust Purposes;
 - (g) To purchase, take on lease, hire, or otherwise acquire, any property or rights;
 - (h) To improve, manage, develop, or otherwise deal with, all or any part of the Trust Property;
 - (i) To sell, let, hire out, license, or otherwise dispose of, all or any part of the Trust Property;
 - (j) To borrow money, and to give security in support of any such borrowings by the Trust;
 - (k) To employ or otherwise appoint or engage such staff as are considered appropriate for the administration of the Trust or for the conduct of the Trust's activities, and to make reasonable provision for the remuneration of such staff and for the payment of pension and/or other benefits for members of staff, ex-members of staff and their dependants;
 - (l) To engage such consultants and advisers as are considered appropriate from time to time;

- (m) To effect insurance of all kinds (which may include officers' liability insurance);
- (n) To invest any funds, which are not immediately required for the administration of the Trust or for the Trust's activities, in such investments as may be considered appropriate (and to dispose of, and vary, such investments);
- (o) To liaise with voluntary sector bodies, local authorities, UK or Scottish government departments and agencies, and other bodies, all with a view to furthering the Trust Purposes;
- (p) To form any company which is a charity or any Scottish charitable incorporated organisation (SCIO) (providing, in either case, its purposes are similar (wholly or in part) to the Trust Purposes), and, if considered appropriate, to transfer to any such company or SCIO (without any payment being required from the company or SCIO) the whole or any part of the Trust Property;
- (q) To retain any property comprised in the Trust Property for such time as the Trustee thinks proper;
- (r) To have any part of the Trust Property registered in the name of a nominee and to pay reasonable fees to such nominee;
- (s) To grant proxies in favour of the Trustee (or any other person) to attend, act and vote for the Trustee at any meetings (whether of the nature of general meetings, class meetings, creditors' meetings or otherwise) relating to any investment held by the Trustee or relating to any claim (or prospective claim) by the Trustee in any liquidation or other insolvency proceedings;
- (t) To compromise or settle, including by means of arbitration, all claims by or against the Trust or in relation to the Trust Property;
- (u) To appoint solicitors to the Trust or agents for the Trustee in any other capacity, and to pay to such solicitors or other agents their usual charges;
- (v) To reimburse the Trustee out of the Trust Property, in relation to all expenses reasonably incurred by it in the administration of the Trust; and
- (w) To do anything which may be incidental or conducive to the furtherance of any of the Trust Purposes.

Trustee meetings

5. Subject to the provisions of the following clauses, the Trustee may regulate its proceedings as it thinks fit.
6. A Trustee meeting shall be held at least once in each year.

7. The Trustee may call a meeting or request the secretary to the Trust to call a meeting.

Delegation

8. The Trustee may delegate the exercise of any of its powers (including powers relating to whether and in what way funds and assets of the Trust should be distributed and powers relating to whether any fee or other payment due to be made out of the Trust funds should be made out of capital or income) to any committee, sub-committee or officer of Aberdeen City Council or its statutory successors; and any such delegation of powers may be made subject to such conditions as the Trustee may impose, and may be revoked or altered.

Secretary

9. The Trustee may appoint a secretary to the Trust for such term, at such remuneration (if any), and on such conditions, as the Trustee may think fit; and any secretary so appointed may be removed by the Trustee.
10. The Trustee shall ensure that the secretary:
 - (a) keeps proper minutes of all proceedings at meetings of the Trustee (and at meetings of committees of the Trustee); and
 - (b) keeps proper records and documents in relation to all other matters connected with the administration and management of the Trust.

Accounts

11. The Trustee shall ensure that proper accounting records are maintained, in accordance with all applicable statutory requirements.
12. The Trustee shall prepare annual accounts, complying with all relevant statutory requirements; and:
 - (a) if an audit is required under any statutory provisions or if the Trustee otherwise thinks fit, the Trustee shall ensure that an audit of such accounts is carried out by a qualified auditor; and
 - (b) if an audit is not carried out, the Trustee must ensure that an independent examination of the accounts is carried out by a qualified independent examiner.
13. An accountant engaged in an audit of the Trust's accounts shall be entitled to have access to all accounting records and other documents relating to the Trust.

Operation of bank accounts

14. The Trustee should ensure that the systems of financial control adopted by the Trust in relation to the operation of the Trust's bank accounts (including online banking) reflect the recommendations made from time to time by the Trust's auditors (or independent examiners) or other external accountants.

Payments to charities etc

15. The receipt of the treasurer or other appropriate officer for any funds or other assets paid or transferred by the Trustee to any charity shall represent sufficient discharge to the Trustee.

Limitations on liability

16. The Trustee shall not be liable for loss or depreciation of the value of investments retained or made by them, nor for omissions, nor for neglect in management, nor for insolvency of debtors, nor for the acts, omissions, neglect or default of any banker, solicitor, factor or other agent employed by them.

Trustee Conduct

17. The Trustee shall, in exercising its functions as a trustee of the Trust, act in the interests of the Trust; and, in particular, must:
 - (a) seek, in good faith, to ensure that the Trust acts in a manner which is in accordance with its objects (as set out in this Trust Deed);
 - (b) act with the care and diligence which it is reasonable to expect of a person who is managing the affairs of another person;
 - (c) in circumstances giving rise to the possibility of a conflict of interest between the Trust and any other party, put the interests of the Trust before that of the other party, in taking decisions as a Trustee;
 - (d) ensure that the Trust complies with any direction, requirement, notice or duty issued to it or imposed on it in terms of the Charities and Trustee Investment (Scotland) Act 2005 or other applicable legislation.

Amendment of Trust Deed/winding-up

18. If, in the opinion of the Trustee, any change in circumstances or alteration in the law has made or is likely to make execution of the Trust Purposes impossible or impracticable, or the administration of the Trust

could be improved, or the Trust Purposes could be advanced in a more appropriate manner, the Trustee may (subject to clause 19) in its discretion:

- (a) supplement or amend the provisions of this Trust Deed or any deed supplemental to this Trust Deed; or
 - (b) wind up the Trust and transfer the Trust Property (after settlement of all debts and liabilities) to some other charity or charities having similar objects to those of the Trust.
19. In no circumstances is the Trust Property to be held or applied for any purpose which is not an exclusively charitable purpose.

Interpretation

20. In this Trust Deed:

“charity”	means a body which is either a “Scottish charity” within the meaning of section 13 of the Charities and Trustee Investment (Scotland) Act 2005 or a “charity” within the meaning of section 1 of the Charities Act 2011, providing (in either case) that its objects are limited to charitable purposes;
“charitable purpose”	means a charitable purpose under section 7 of the Charities and Trustee Investment (Scotland) Act 2005 which is also regarded as a charitable purpose in relation to the application of the Taxes Acts;
“Trust Deed”	means this trust deed (including any supplement or amendment thereto);
“Trust Property”	means the sum of £1 paid by us to the Trustee, and such other funds and assets as may from time to time be received by the Trustee as trustee under the Trust Deed (from us or any other person), and the assets in which any funds so received may from time to time be invested;
“Trust Purposes”	means the purposes specified in clause 1.

21. Any reference in this Trust Deed to a provision of any legislation shall include any statutory modification or re-enactment of that provision in force from time to time.

We declare that the Trust Deed shall be irrevocable.

This Trust Deed, consisting of this and the [x] preceding pages, is executed as follows:-

SIGNED for and on behalf of the said Aberdeen City Council

Signature:

Name:

Title/Role:

At Aberdeen

on [DATE]

in the presence of

Signature: Witness

Name:

Address:

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ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	11 December 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Council Annual Effectiveness Report
REPORT NUMBER	CORS/24/349
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Vikki Cuthbert
REPORT AUTHOR	Martyn Orchard
TERMS OF REFERENCE	14

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the annual effectiveness report for Council to enable Members to provide comment on the data contained within.

2. RECOMMENDATIONS

That Council:-

- 2.1 provide comments and observations on the data contained within the Council annual effectiveness report as appended to the report; and
- 2.2 note that the annual effectiveness reports of the committees have been, and are being, reported to the various committees from 5 November to 13 December 2024 inclusive.

3. CURRENT SITUATION

Annual Reports on Terms of Reference

- 3.1 The annual committee effectiveness reports were introduced in 2018/19 following a recommendation from the Chartered Institute of Public Finance and Accountancy (CIPFA) as part of the Council's work towards securing that organisation's accreditation in governance excellence. The Terms of Reference set out that each committee will review its own effectiveness against its Terms of Reference through the mechanism of the annual report.
- 3.2 The annual effectiveness reports were mentioned by CIPFA in their report which awarded the Mark of Excellence in Governance accreditation to Aberdeen City Council. CIPFA highlighted the implementation of the annual effectiveness reports as a matter of good practice in governance and were encouraged that, during consideration of the reports at committee and Council, Members had made suggestions for improvements to the reports in future years.

- 3.3 Data from the annual effectiveness reports is used to inform the review of the Scheme of Governance, ensuring that Committee Terms of Reference are correctly aligned, and identifying any areas of the Terms of Reference which had not been used throughout the year in order that they can be reviewed and revised if necessary. The information from the effectiveness reports has also been used in the past to feed into the Annual Governance Statement.
- 3.4 The reports provide a mechanism for each committee to annually review its effectiveness, including data on attendance, any late reports, referrals to Council and the number of times officer recommendations were amended, and to ensure that it is following its Terms of Reference.
- 3.5 Similarly, recording the sections or stretch outcomes of the Local Outcome Improvement Plan (LOIP) which apply to each report allows Members to be aware of the direct impact of any proposals before them on the LOIP, and gives a general overview at the end of each year of the number of reports which have had an impact on the LOIP stretch outcomes.
- 3.6 Any comments from Members on areas of data that should be considered would be welcomed to ensure that Members are presented with meaningful data.
- 3.7 The annual effectiveness report for 2023/2024 is therefore appended for Council's consideration.
- 3.8 Below are links to the annual effectiveness reports for the various committees which have been (or shortly will be) considered by the respective committees. At the time of publication of this report, the annual reports have been considered by nine of the ten committees, with the Pensions Committee still to meet on 13 December 2024.
- [Finance and Resources Committee Annual Report](#)
 - [Anti-Poverty and Inequality Committee Annual Report](#)
 - [Planning Development Management Committee Annual Report](#)
 - [Net Zero, Environment and Transport Committee Annual Report](#)
 - [Staff Governance Committee Annual Report](#)
 - [Communities, Housing and Public Protection Committee Annual Report](#)
 - [Education and Children's Services Committee Annual Report](#)
 - [Audit, Risk and Scrutiny Committee Annual Report](#)
 - [Licensing Committee Annual Report](#)
 - [Pensions Committee Annual Report](#)
- 3.9 The annual effectiveness reports have been noted at all committee meetings where they have been considered to date.
- 3.10 Section 14 of the Council annual effectiveness report provides combined data for all committees during the reporting period.

4. FINANCIAL IMPLICATIONS

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

7. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation	*Does Target Risk Level Match Appetite Set?
Strategic Risk	N/A			Yes
Compliance	Failure to submit this report would mean that the Council would not be complying with its instruction that all committees and Full Council receive such a report each year.	L	Council is given the opportunity to consider the report and provide feedback on any amendments Members would wish to see in the content so that this can be taken on board for next year's Scheme of Governance review.	Yes
Operational	N/A			Yes
Financial	N/A			Yes
Reputational	N/A			Yes
Environment / Climate	N/A			Yes

8. OUTCOMES

There are no links to the Council Delivery Plan, however the committee effectiveness annual reports link to the Scheme of Governance, by ensuring that each committee is fulfilling its Terms of Reference.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	It is confirmed by Interim Chief Officer - Governance (Assurance), Vikki Cuthbert, that no impact assessment is required.
Data Protection Impact Assessment	Not required

10. BACKGROUND PAPERS

None.

11. APPENDICES

A Council Annual Effectiveness Report 2023/2024

11. REPORT AUTHOR CONTACT DETAILS

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Council Annual Effectiveness Report 2023/2024



Contents

1. Introduction from the Lord Provost	3
2. The Role of the Council.....	4
3. Membership during 2023/2024	4
4. Membership Changes.....	5
5. Member Attendance	5
6. Meeting Content.....	7
7. Reports and Decisions	9
8. Reports with links to the Local Outcome Improvement Plan	10
9. Training and Development	11
10. Code of Conduct Declarations and Transparency Statements.....	11
11. Civic Engagement.....	11
12. Executive Lead - Commentary	12
13. The Year Ahead	12
Appendix 1 – Local Outcome Improvement Plan Stretch Outcomes	14
Appendix 2 - Council Terms of Reference.....	15

1. Introduction from the Lord Provost

- 1.1 I am pleased to present the fifth annual effectiveness report for Full Council. During 2023/24, the Council made a number of significant decisions, for example the progression of the City Centre and Beach Masterplans and in relation to the presence of Reinforced Autoclaved Aerated Concrete (RAAC) within some of the city's housing stock. Furthermore, the annual review of the Scheme of Governance has resulted in a number of positive changes in terms of how the organisation conducts its business and makes decisions.
- 1.2 One of my many highlights of the past year was in September, when I hosted a civic reception at the Town House for Community Councillors and the staff who support them. I was honoured to present a number of long service certificates to Community Councillors who have given many years of distinguished service to their communities and the city as a whole. In my speech that evening, I commented that Community Councils are the first pillar of local government, and I hugely appreciated the work they do. On that note, it was very pleasing to see the progress made with the review of the Community Council governance documents which were unanimously approved by Council in April 2024.
- 1.3 It is very encouraging to see that only one exempt/confidential report was considered by Full Council in the past year, and this demonstrates our commitment to conducting as much business in public as possible. Furthermore, there were no late reports which provides a good level of assurance with regard to our governance arrangements.
- 1.4 The number and length of Full Council meetings remains a challenge, however I remain resolute in my view that it is better to adjourn lengthier meetings and re-convene on a second day, rather than continuing late into the night, without sufficient breaks and where due diligence on very important matters could be sacrificed.
- 1.5 As we approach the end of the year and the start of the festive season, I wish you all the best and good wishes for 2025.



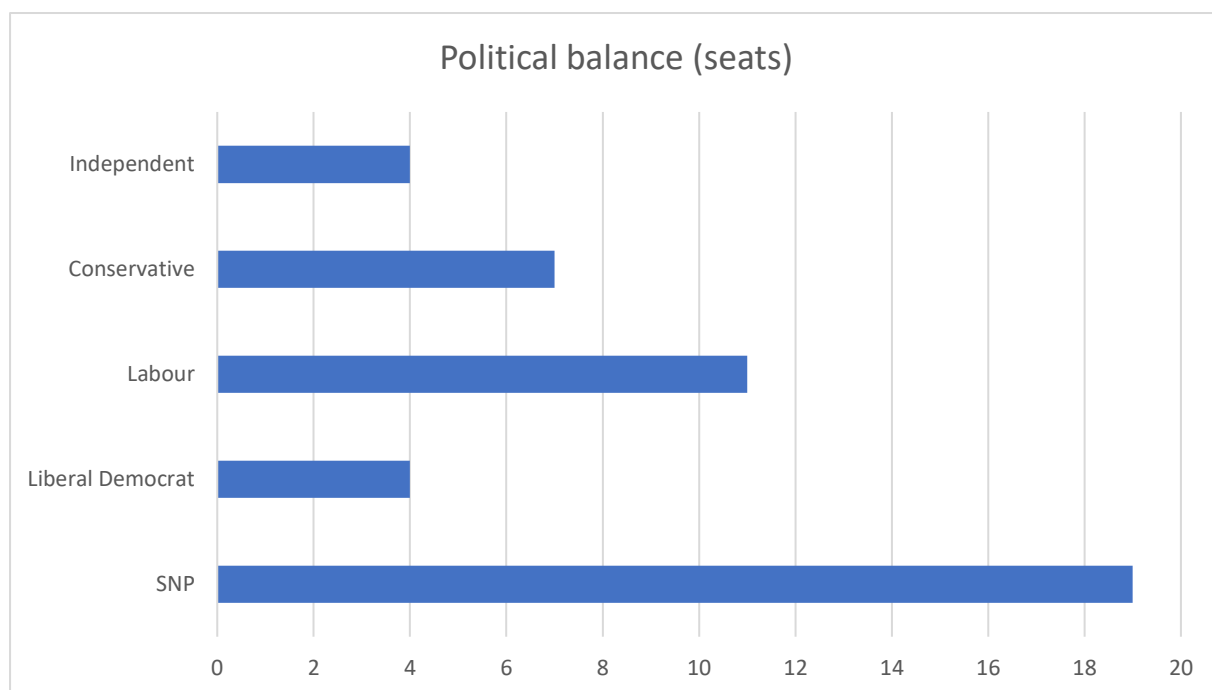
Councillor David Cameron
Lord Provost

2. The Role of the Council

- 2.1 The Council is the overall decision-making body of the organisation. It is responsible for agreeing the Council's budget and setting Council Tax. Council delegates the discharge of its functions to various committees and joint committees, as well as officers under the terms of the Local Government (Scotland) Act 1973. However, any delegation to a committee or an officer does not prevent the Council from determining the matter, or exercising the power so delegated.
- 2.2 The Terms of Reference for Council, as approved by Council in August 2024, are appended to the report.

3. Membership of the Council during 2023/2024

- 3.1 The Council has 45 Elected Members, and the composition during the reporting period (15 October 2023 to 15 October 2024) was:-



4. Membership Changes

4.1 There were no membership changes during 2023/24.

5. Member Attendance

Member	Total Anticipated Attendances	Total Attendances
Lord Provost	18	18
Depute Provost	18	18
Councillor Al-Samarai	18	16
Councillor Ali	18	18
Councillor Allard	18	18
Councillor Alphonse	18	18
Councillor Blake	18	15
Councillor Bonsell	18	18
Councillor Boulton	18	16
Councillor Bouse	18	17
Councillor Brooks	18	18
Councillor Hazel Cameron	18	18
Councillor Clark	18	18
Councillor Cooke	18	18
Councillor Copland	18	18
Councillor Cormie	18	18
Councillor Crockett	18	18
Councillor Cross	18	10
Councillor Davidson	18	18
Councillor Fairfull	18	10
Councillor Farquhar	18	18
Councillor Graham	18	18
Councillor Grant	18	18
Councillor Greig	18	18
Councillor Henrickson	18	18
Councillor Houghton	18	7
Councillor Hutchison	18	18
Councillor Kusznir	18	14
Councillor Lawrence	18	18
Councillor Macdonald	18	18
Councillor MacGregor	18	18
Councillor McLellan	18	18
Councillor McLeod	18	16
Councillor McRae	18	14
Councillor Malik	18	16

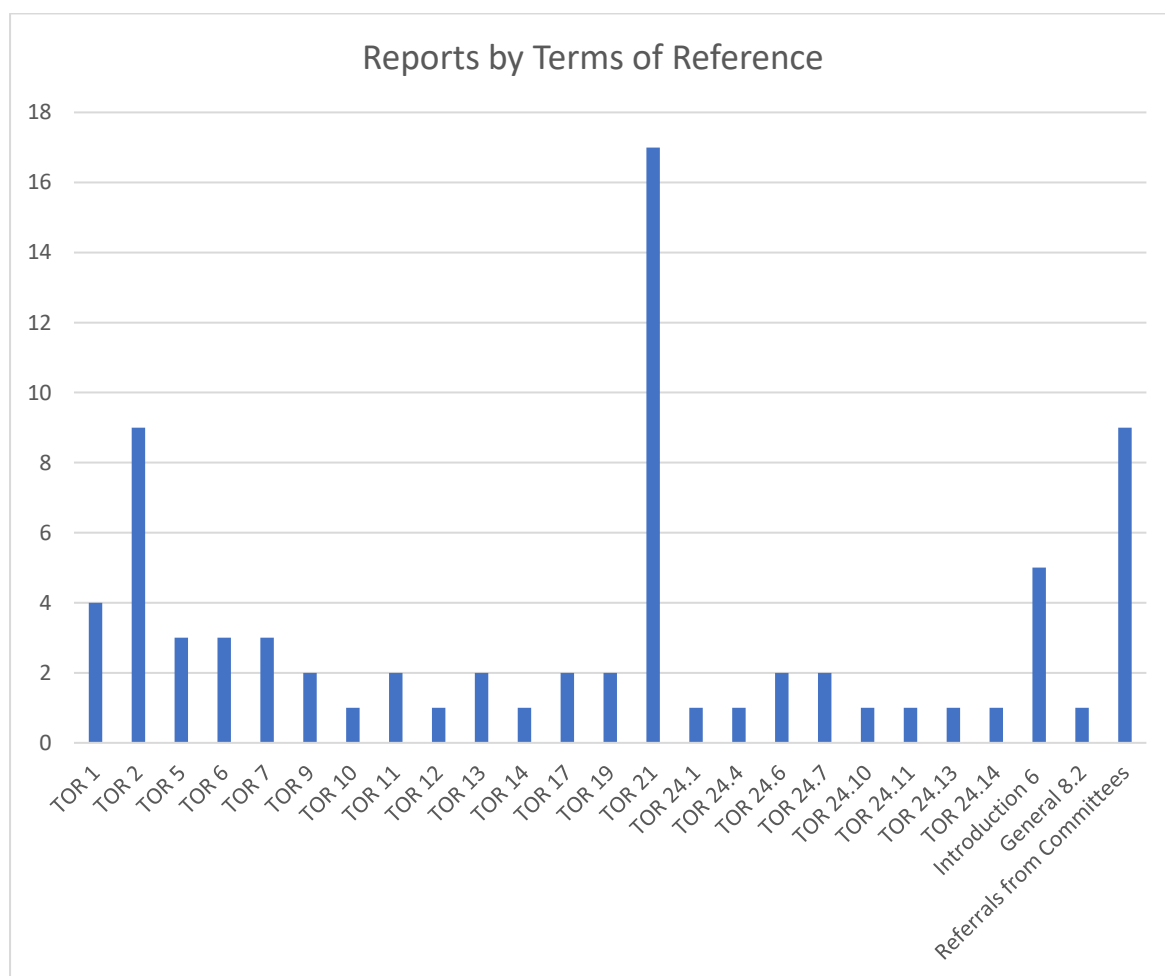
Member	Total Anticipated Attendances	Total Attendances
Councillor Massey	18	14
Councillor Mennie	18	18
Councillor Nicoll	18	17
Councillor Radley	18	18
Councillor Mrs Stewart	18	10
Councillor van Sweeden	18	18
Councillor Thomson	18	17
Councillor Tissera	18	14
Councillor Watson	18	17
Councillor Yuill	18	18

6. Meeting Content

6.1 During the 2023/2024 reporting period (15 October 2023 to 15 October 2024), the Council had 18 meetings and considered a total of 64 reports. This is a higher number of meetings than previous years, and an increase of 4 meetings from last year. Of the 18 meetings, 7 were scheduled meetings, 2 were special meetings for Community Council Governance, 4 were re-convened meetings and 5 were requisitioned meetings under Standing Order 8.2.

6.2 Terms of Reference

6.2.1 The following chart details how reports aligned to the Terms of Reference for Council. A small number of reports (5) did not fall within specific Terms of Reference and were reported to Council in accordance with Introduction 6 within the Terms of Reference document - "in accordance with Standing Order 47.7, Council can determine any matter which would otherwise fall to be determined by a committee or sub-committee". It should be noted that the combined total is more than 64 as some reports fell within more than one of the Terms of Reference.



- 6.2.2 During the course of 2023/2024 the Council received reports under 22 of the 38 sections of the Terms of Reference, with the highest number (17) of reports falling under Terms of Reference 21 – “to consider any matter which the Council has previously considered and agreed to receive a further report on”. This is predominantly due to reports relating to the City Centre and Beach Masterplans and Reinforced Autoclaved Aeriated Concrete (RAAC) having been considered, which were previously considered at the Finance and Resources Committee or the Communities, Housing and Public Protection Committee.
- 6.2.3 Of the sections of the Terms of Reference where there were no reports, no reports were required in 2023/2024 - for example no members required to be elected to the Licensing Board and no reports needed to be considered relating to the Standards Commission for Scotland with regard to the overseeing of members’ standards of conduct. However, those Terms of Reference need to remain in place as reports will fall under those Terms of Reference in the future.
- 6.2.4 As the committee structure was reviewed in late 2022, few changes to the Terms of Reference were made following the Scheme of Governance reviews in 2023 and 2024. Any changes that were made, were generally in relation to committees to provide clarity where required, to ensure consistency between committees and to reflect the new management structure. The Terms of Reference will continue to be monitored throughout the year, in preparation for the 2025 Scheme of Governance review.

7. Reports and Decisions

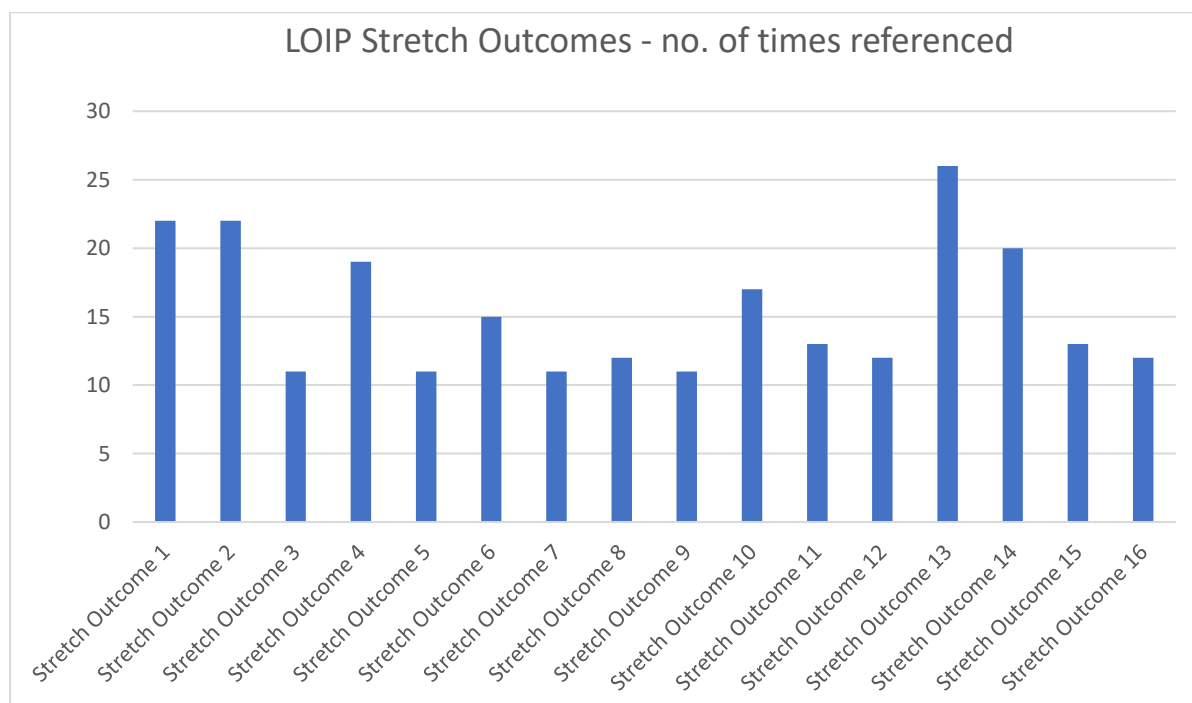
7.1 The following information relates to the reports and Notices of Motion presented to Council throughout the reporting period, as well as the use of Standing Orders and engagement with members of the public.

	Total	Total Percentage of Reports
Confidential Reports	1	2%
Exempt Reports	1	2%
Number of reports where the Council amended officer recommendations	11	17%
Number of reports approved unanimously	22	34%
Number of reports or service updates requested during the consideration of another report to provide additional assurance and not in business planner	12	
Number of reports deferred or referred to a committee	7	11%
Number of times the Lord Provost has had to remind Members about acceptable behaviour in terms of the Member Officer Relations Protocol/Councillors' Code of Conduct	9 (an increase of 1 from the previous year)	
Late reports received (i.e. reports not available for inspection at least 3 clear days before the meeting)	0	0%
Number of referrals to Council under SO 34.1	7 (an increase of 2 from the previous year)	

Notices of Motion, Suspension of Standing Orders, Interface with the Public	
Number of Notices of Motion to Council	17
Number of times Standing Orders suspended	6
Specific Standing Orders suspended	29.2 (submission of budgets) 40.2 - 4 times (length of meeting) 42.1 ("six month rule")
Number of deputations heard	12
Number of petitions considered	1

8. Reports with links to the Local Outcome Improvement Plan

8.1 The following table details of the 64 reports, how each report linked to the Local Outcome Improvement Plan (LOIP). The LOIP Stretch Outcomes are appended to this report for reference at Appendix 1. As can be seen from the chart below, the most common Stretch Outcomes referred to were Stretch Outcomes 1 (20% reduction in the percentage of people who report they have been worried they would not have enough food to eat and/or not be able to heat their home by 2026), 2 (74% employment rate for Aberdeen City by 2026), 13 (Addressing climate change by reducing Aberdeen’s carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate) and 14 (increase sustainable travel: 38% of people walking; 5% of people cycling and wheeling as main mode of travel and a 5% reduction in car miles by 2026).



9. Training and Development

- 9.1 Committee specific training opportunities for Members during the reporting period are covered within the committee annual effectiveness reports. Further development opportunities will be considered for next year based on committee business throughout the year, Executive Lead proposals and Member feedback on what may be required to assist them in performing their roles.

10. Code of Conduct Declarations and Transparency Statements

- 10.1 14 declarations of interest and 113 transparency statements were made by Members during the reporting period. Information in respect of declarations of interest and transparency statements is measured to evidence awareness of the requirements to adhere to the Councillors' Code of Conduct and the responsibility to ensure fair decision-making.

11. Civic Engagement

- 11.1 Civic leadership and engagement are at the heart of the Council's Operating Model. The values and principles of civic leadership and engagement are being driven through the Council's transformation programme.
- 11.2 There have been good examples of civic engagement in the course of business submitted to Council in 2023/24, for example in relation to Community Council Governance, the City Centre and Beach Masterplans, the Council's budget consultation and in relation to the review of polling districts and polling places. A number of different consultation events took place with good levels of attendance and high levels of engagement.
- 11.3 Further civic engagement activities are set out in each committee's individual annual effectiveness report.

12. Executive Lead - Commentary

- 12.1 This has been an extremely busy year for Council which has made key decisions on city centre masterplanning projects, transformation activity and the very complex response to Reinforced Autoclaved Aerated Concrete (RAAC) in some of the city's housing stock. The Council's Medium Term Financial Strategy was the subject of two comprehensive reports, updating members on the serious financial challenges faced within the city and on the public's response to two rounds of engagement on potential budget options. It has also responded to an increased number of referrals from committees. The volume of business under consideration has resulted in some scheduled Council meetings being adjourned in order that business can be concluded on a second day.
- 12.2 Notwithstanding, Council has achieved some significant milestones by setting a balanced budget in March 2024, approving the revised Council Delivery Plan and Community Planning Aberdeen Outcome Improvement Report and Locality Reports, and the Scheme of Governance following its annual review by the cross-party Governance Reference Group. In addition, the Scheme for the Establishment of Community Councils was unanimously approved, including some boundary changes, in order to support our growing number of operational community councils in the city.

13. The Year Ahead

- 13.1 In December 2024, the Council will consider a report on Phase 2 of the Budget consultation which follows on from the Council decision of 3 July 2024 to update the Budget Protocol as part of the Scheme of Governance. This helps to ensure that elected members understand the impact, under the Public Sector Equality Duty, of the budget agreed by Council in March 2025.
- 13.2 During the 2024/25 annual reporting period, officers will progress the transformation programme to allow the Council to set a budget in a manner that strategically allocates resources against the Local Outcome Improvement Plan. The Council's outcome focused approach recognises the influence which local authority services can have on the health and wellbeing of citizens. These wider determinants of health, specifically how they might prevent poor outcomes, will be reflected in the budget report and associated delivery plan due to come before Full Council in March 2025. A development programme to increase awareness and understanding of the wider determinants of health and support the use of relevant evidence in decision making will be available for elected members and staff during 2024/25.

14. Combined Committee Data

- 14.1 During the reporting period, 366 reports were considered by the 10 committees which are the subject of annual effectiveness reports. This does not include reports relating to planning or licensing applications which are subject to a separate reporting process, however these are covered in the annual reports for the Planning Development Management and Licensing Committees.

	Total	Total Percentage of Reports
Confidential Reports	0	0%
Exempt Reports	24	6.5%
Number of reports where the Committee amended officer recommendations	11	3%
Number of reports approved unanimously	304	83%
Number of reports or service updates requested during the consideration of another report to provide additional assurance and not in business planner	16	
Number of reports delayed for further information	0	0%
Number of times the Convener has had to remind Members about acceptable behaviour in terms of the Code of Conduct	0	
Late reports received (i.e. reports not available for inspection at least 3 clear days before the meeting)	2	0.5%
Number of referrals to Council under SO 34.1	7	

Number of Notices of Motion	12
Number of times Standing Orders suspended	9
Number of deputations heard	16
Number of petitions considered	0

Appendix 1 - Local Outcome Improvement Plan Stretch Outcomes

Economy	
1.	20% reduction in the percentage of people who report they have been worried they would not have enough food to eat and/ or not be able to heat their home by 2026
2.	74% employment rate for Aberdeen City by 2026
People (Children & Young People)	
3.	95% of all children will reach their expected developmental milestones by their 27-30 month review by 2026
4.	90% of children and young people report they feel listened to all of the time by 2026
5.	By meeting the health and emotional wellbeing needs of our care experienced children and young people they will have the same levels of attainment in education and positive destinations as their peers by 2026
6.	95% of children living in our priority neighbourhoods (Quintiles 1 & 2) will sustain a positive destination upon leaving school by 2026
7.	83.5% fewer young people (under 18) charged with an offence by 2026
8.	100% of our children with Additional Support Needs/disabilities will experience a positive destination
People (Adults)	
9.	10% fewer adults (over 18) charged with more than one offence by 2026
10.	Healthy life expectancy (time lived in good health) is five years longer by 2026
11.	Reduce the rate of both alcohol related deaths and drug related deaths by 10% by 2026
12.	Reduce homelessness by 10% and youth homelessness by 6% by 2026, ensuring it is rare, brief and non-recurring with a longer term ambition to end homelessness in Aberdeen City.
Place	
13.	Addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate
14.	Increase sustainable travel: 38% of people walking; 5% of people cycling and wheeling as main mode of travel and a 5% reduction in car miles by 2026
15.	26% of Aberdeen's area will be protected and/or managed for nature and 60% of people report they feel that spaces and buildings are well cared for by 2026
Community Empowerment	
16.	100% increase in the proportion of citizens who feel able to participate in decisions that help change things for the better by 2026

Appendix 2 - Council Terms of Reference

ABERDEEN CITY COUNCIL

The Council reserves the following functions:

1. The setting of council tax in accordance with s93(1) of the Local Government Finance Act 1992 or the setting of a reduced amount of council tax under s94 of that Act or paragraph 3 of Schedule 7 to that Act.
2. The setting of a balanced budget annually, including the setting of fees and charges, including the approval of commissioning intentions and service standards.
3. The approval of the capital programme.
4. The borrowing of money as provided for in s56(6)(d) of the Local Government (Scotland) Act 1973.
5. The approval of any annual investment strategy or annual investment report required by any consent issued by Scottish Ministers under s40 of the Local Government in Scotland Act 2003.
6. The approval of the Council's Treasury Management Policy and Strategy.
7. The appointment of committees, including external members, and the number and allocation of committee places, the appointment and removal from office of the Lord Provost, Depute Provost, Leader or Co Leaders and/or Depute Leader and a convener for each committee and a vice convener as appropriate and the approval of senior councillor allowances. However the appointment of external *advisers* to committees is not reserved to the Council and may be undertaken by the relevant committees themselves.
8. The election of members to the Licensing Board.
9. The review of polling districts and polling places.
10. Subject to the Powers Delegated to Officers, the administration of trusts in respect of which the Council is sole Trustee.
11. The approval of the Local Development Plan.
12. The approval of an Administration's political priorities.
13. The consideration of the Council's Delivery Plan.
14. The consideration of its annual report of its effectiveness.
15. The consideration, where required, of reports by both the Standards Commission for Scotland and the Financial Conduct Authority, and the overseeing of members' standards of conduct.
16. The establishment of the Appointment Panel in accordance with the Standing Orders for Council, Committees and Sub Committees.
17. The approval of the Council's Scheme of Governance.
18. The approval of the Council/Committee Diary.
19. The approval of Schemes for the Establishment for Community Councils and the review or amendment of such Schemes in terms of sections 52 and 53 of the Local Government (Scotland) Act 1973; and the revocation of such Schemes (or amended Schemes) and the making of new Schemes in accordance with section 22 of the Local Government etc. (Scotland) Act 1994.
20. The establishment of Working Groups.

- 21. To consider any matter which the Council has previously considered and agreed to receive a report (or further report) on.
- 22. To consider Monitoring Officer reports under Section 5 of the Local Government and Housing Act 1989.
- 23. Making schemes for the reorganisation of educational endowments under section 112(2) or 112(3) of the Education (Scotland) Act 1980.

24. ANALYSIS

- 24.1 to receive a bi-annual Population Needs Assessment to understand the needs which public bodies must address;
- 24.2 to receive, as appropriate, an in-depth analysis of key groups, priorities and challenges across public services to identify and action potential efficiencies and improvements to help ensure that the needs of customers and citizens are met and commissioning intentions are delivered; and
- 24.3 to receive, as appropriate, sufficiency and market analyses to understand existing and potential provider strengths and weaknesses, and identify and take action in respect of any opportunities for improvement or change in providers.

PLANNING

- 24.4 to endorse the refresh of the Local Outcome Improvement Plan (LOIP) including recommending any changes which may be required; and
- 24.5 to approve annual procurement workplans, reflecting the LOIP, the Population Needs Assessment, the Council's commissioning intentions, the Council's service standards, the views of customers and citizens, and the best evidence of effective interventions to ensure a preventative focus on demand reduction.

DOING

- 24.6 to establish Arm's Length External Organisations (ALEOs) where it is determined that services should not be provided in-house;
- 24.7 to decommission services, including ALEOs, that do not meet the Council's commissioning intentions and outcomes;
- 24.8 to take such action to ensure that appropriate supply management and capacity building (market facilitation) is in place to ensure a good mix of resilient service providers, that offer customers an element of choice in how their needs are met; and
- 24.9 to approve the Strategy Framework to facilitate the delivery of agreed outcomes.

REVIEWING

- 24.10 to approve amendments to the Council's Performance Management Framework (PMF);
- 24.11 to receive annual reports on the LOIP and Locality Partnership Plans;
- 24.12 to consider and monitor performance associated with the Council's agreed commissioning intentions and ultimate contribution to the LOIP outcomes;
- 24.13 to receive annual reports from each of the Council's ALEOs to enable scrutiny of performance;

24.14 to receive an annual procurement performance report to enable scrutiny of performance; and

24.15 to receive reports on any changes in legislative requirements, policy and population needs which may facilitate opportunities to work differently to improve outcomes or may require revisions to existing commissioning intentions and outcomes.

For the avoidance of any doubt, this reservation 24 does not affect the Terms of Reference of the Pensions Committee, Aberdeen City Region Deal Joint Committee or Aberdeen City Integration Joint Board, and it does not prevent the exercise of delegated powers where authority is delegated to officers under the Powers Delegated to Officers, Procurement Regulations or otherwise.

EXECUTIVE LEAD: CHIEF EXECUTIVE

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	5 February 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Feb 2025 RAAC Update
REPORT NUMBER	F&C/25/030
DIRECTOR	Families and Communities
CHIEF OFFICER	Corporate Landlord
REPORT AUTHOR	Stephen Booth
TERMS OF REFERENCE	1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide members with a formal update on the progress being made implementing Council instructions relating to RAAC in Balnagask, including the options available to the Council to compulsorily acquire properties, and provide an indicative timeline for the completion and reporting of outstanding instructions.

2. RECOMMENDATIONS

That Council:-

- (a) Note the list of instructions from the meeting of Council in August 2024 and agrees the proposed reporting method for each of these as noted in the Report;
- (b) Note that the Health and Safety of residents remains a priority and that inspections continue to be carried out as part of our mitigation strategy;
- (c) Note the progress with the voluntary acquisition process of privately owned accommodation, the next steps in the process;
- (d) Note the options available for CPO and agree that the measures are not in place at this time to support a CPO and that the voluntary acquisition process remains the preferred option;
- (e) Note the alternative options proposed by the Torry RAAC Campaign Group Management Committee and instruct officers to explore the feasibility, benefits and risks associated with each option, alongside any other identified opportunities to support owners, and report the findings to a future meeting of the Communities Housing and Public Protection Committee; and
- (f) Note that further Reports on the subject will be brought to the budget meeting and the next meeting of the Communities Housing and Public Protection Committee as outlined from paragraph 3.2.

3. CURRENT SITUATION

- 3.1 At its meeting on 21st August 2024, the Council considered a Report on Housing with RAAC at Balnagask [CORS/24/233](#). This Report provides an update on relevant instructions from Council and outlines proposed future reporting proposals, whilst also looking for decisions on evolving issues.

3.2 A summary of decisions and progress is noted below:

Decision	Committee Reporting/ Update
<p>(a) note the engagement undertaken over the summer period and thank the community for their participation and contributions to the online engagement and drop-in sessions. In addition, note the planned follow-on engagement with RAAC impacted owners and residents.</p>	<p>All owners and tenants were written to with the committee decision.</p> <p>Officers have met with the Management Committee and community representatives on several occasions.</p>
<p>(b) agree that the optimum option is the demolition and rebuild of homes on site and instruct the Chief Officer - Capital to proceed with the demolition aspect of this (Option 4a), and report back to the next appropriate meeting of the Communities, Housing and Public Protection Committee on the initial phasing of demolition and landscape details.</p>	<p>Technical work to progress this option is currently being undertaken.</p> <p>This will be Reported to the Communities, Housing and Public Protection Committee on 11 March 2025.</p>
<p>(c) instruct the Chief Officer - Corporate Landlord in consultation with the Chief Officer - Capital, Chief Officer - Housing, and the Chief Officer - Finance, to assess the 'building new homes' option as alluded to in Option 4b with consideration towards undertaking a detailed masterplanning exercise assuming the site is vacant to determine future redevelopment proposals. For the wider site give consideration to creation of appropriate greenspace, preferred housing mix, opportunities to extend tenure mix and provision for housing for varying need and report this to a future meeting of the Communities, Housing and Public Protection Committee in 2025 (as early as possible).</p>	<p>A further Report on the redevelopment proposals prior works to be progressed on the masterplan and site.</p> <p>The next update in these works is proposed to be Reported to Communities, Housing and Public Protection Committee in late 2025 (provisionally 11th November 2025).</p>
<p>(d) approve the funding noted within the Financial Implications section of the recommendations and instruct the Chief Officer - Capital, following consultation with the Convener of the Finance and Resources Committee, and the Chief Officer - Procurement, to procure appropriate works and services, and enter into any contracts necessary for the delivery of the demolition, masterplanning and landscaping works without the need for further approval from any other Committee of the Council subject to due diligence, consistency with the financial model and affordability and regular update on progress of project delivery to the Communities, Housing and Public Protection Committee.</p>	<p>This technical detail of the instruction will be updated in the Report to Communities, Housing and Public Protection Committee on 11 March 2025.</p> <p>The ongoing financial implications will also be considered in the Budget Report on 5 March 2025.</p>
<p>(e) instruct the Chief Officer - Corporate Landlord to look at a range of delivery options for new housing on the site including opportunities to work with partners to meet the masterplan aspirations, and the requirement of the Housing Revenue Accounts 30 year business plan; reporting this in as part (ii) above.</p>	<p>This work has not progressed in any detail although some informal discussion has been undertaken to assess developer interest in this site.</p> <p>Work will be progressed when decisions are made around demolition and phasing by the Communities,</p>

	Housing and Public Protection Committee on 11 March 2025.
<p>(f) instruct the Chief Officer - Corporate Landlord in consultation with the Chief Officer - Finance to take forward negotiations with private owners to acquire their properties voluntarily at Market Value, noting that this would be a valuation of the property at the current date and be on the same basis as the CPO process.</p> <p>In addition to Market Value the Council would be willing to meet reasonable legal and professional costs along with home loss and disturbance payments.</p>	This work is currently being progressed and is outlined in Section 3 of this Report.
<p>(g) instruct the Chief Officer - Corporate Landlord in consultation with the Chief Officer - Housing as part of the negotiations with private owners to assess the housing options available for each individual owner to identify any support that can be offered in rehoming.</p>	This work is currently being progressed and is outlined in Section 3 of this Report.
<p>(h) instruct the Chief Officer - Corporate Landlord in consultation with the Chief Officer - Governance to bring back a report to Council in late 2024/early 2025 on options available to the Council to compulsorily acquire private properties to assist the delivery of the agreed option where required.</p>	An update in relation to this instruction is included within Section 3 of this Report.
<p>(i) instruct the Chief Officer - Housing to continue the re-homing process and report progress to the Communities, Housing and Public Protection Committee on a regular basis, noting that there may be requirements to commence legal proceedings under the Scottish Tenancy Agreements, where tenants refused to move to alternative accommodation having received reasonable offers of alternative accommodation to ensure that tenant safety remains the Council's primary objective.</p>	<p>The current position in relation to Council tenants is noted as follows as of 15 January 2025:</p> <p>Total No. of Council properties - 366 No. of properties still occupied - 69 No. of occupied properties where an offer of new tenancy has been made - 21 No. of occupied properties where an offer has been accepted - 44 No. of homes where no offer has been accepted - 4</p> <p>Officers are working closely with those tenants where no alternative accommodation has been agreed and will continue to do so with the intention of avoiding legal proceedings unless there is no other reasonable option.</p>
<p>(j) note that the Chief Officer - Housing ensured a continued offering of support to impacted individuals and families as they go through the rehoming process and settle into their new homes and communities.</p>	This workstream is progressing with no further committee reporting required.
<p>(k) note that the Chief Officer - Housing and Chief Officer - Corporate Landlord would continue to engage with the Scottish Housing Regulator regarding progress with the delivery of the</p>	This workstream is progressing and the Regulator will continue to be updated through the annual assurance statement and other informal channels.

<p>preferred option to ensure that any impact on our wider housing performance standards was taken into account, during regulation and consideration of the Council's performance.</p>	
<p>(l) note that any private tenants (as well as private owners) can be added to the RAAC Impact housing list as per the decision of the Urgent Business Committee held on 29 February 2024.</p>	<p>This workstream is progressing with no further committee reporting required.</p> <p>At 20 January 2025, 16 owners and 7 private tenants are / have been in discussions over moving within the Council's housing stock. Of those owners/private tenants, 5 private owners and 3 private tenants have been rehomed.</p>
<p>(m) note the approved £3m budget as reported at the Urgent Business Committee on 29 February 2024 including but not limited to, additional staffing costs, specialist consultant fees, contractors costs for access and works, rehoming costs, temporary accommodation, school transport, utilities connections and security costs for the wider site. To note the spend to date in relation to the rehoming programme as identified within paragraph 4.2.</p>	<p>This element of the instruction will be updated in the Report to Communities, Housing and Public Protection on 11 March 2025. The ongoing financial implications will also be considered in the Budget Report on 5 March.</p>
<p>(n) approve the virement of £4m within the HRA Capital Programme Budget as described in section 4 to set aside the initial funds needed to progress the approved works.</p>	<p>This workstream is progressing with no further committee reporting required.</p>
<p>(o) instruct the Chief Officer - Finance to include the financial consequences of the report within the 30 year business plan for the HRA, which was due to be reported in September 2024.</p>	<p>This workstream is ongoing and will continue to be reported through the Housing 30 year Business Plan.</p>
<p>(p) note that ongoing dialogue with Scottish Government officials and Housing Minister regarding financial implications, including financial flexibilities, and future housing need, meant the Council may request that the Scottish Government consider a statutory dispensation to permit the Council certain flexibilities, and instruct the Chief Officer - Finance to request that dispensation, where required.</p>	<p>This will be further considered following the decisions made at the Council Budget meeting on 5 March 2025.</p>
<p>(q) note the Chief Officer - Finance would determine the accounting treatment for any expenditure incurred to address the RAAC situation, taking account of legislation, proper accounting practice, statutory guidance issued by Scottish Ministers, flexibilities approved by Scottish Ministers and, in the event of funding being made available to the Council, how that would be treated. Note that early engagement with external audit would take place as part of determining the accounting treatment to be applied.</p>	<p>This will be further considered following the decisions made at the Council Budget meeting on 5 March 2025 and will continue to be monitored thereafter.</p>

<p>(r) instruct the Chief Executive to formally advise both the UK and Scottish Government of the Council's decision on the preferred option, the financial impact for the Council and private owners, and request a joint meeting with both the relevant UK and Scottish Government Ministers to discuss funding support for the short-term costs and longer-term housing development requirements.</p>	<p>Letters have been sent to both the UK and Scottish Governments.</p> <p>It has not been possible to arrange a joint meeting to discuss. Responses from both Governments are available.</p>
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Progress with Voluntary Acquisition

- 3.3 Since the Council's decision on 21st August to progress with Voluntary Acquisition, correspondence has been sent to all residents to advise them of the decision. Officers engaged with the Valuation Office Agency to progress with the Valuation and assessment of loss process. Atkins Realis, who had supported the previous option appraisal and new build progress, were engaged to provide further support in co-ordinating the process, meeting with residents where this was requested and guiding them through the process. Scottish Action for Mental Health (SAMH) have also been engaged to provide mental health support to any owners who feel this may be required.
- 3.4 Throughout the voluntary acquisition process owners have been contacted by letter in September, October and November 2024. Letters have been issued by a mixture of email, royal mail and guaranteed delivery at the different stages of the process. Owners have also been offered a meeting with Atkins Realis to discuss Council decisions, the voluntary acquisition process and at owners request have been linked with the Valuation Office Agency to undertake an independent valuation survey of their property and thereafter provide an offer for purchase.

Further details in relation to communication timeline can be found at;

<https://www.aberdeencity.gov.uk/services/housing/raac-housing>

- 3.5 The level of engagement at 20 January 2025;

Number of homes in private ownership	138
Owners who have engaged and proceeded to valuation inspection	55
Owners who have engaged but have decided not to proceed to valuation inspection	21
Owners who have engaged but are undecided whether to progress to valuation inspection	29
Owners who have not responded to any correspondence	33
Number of formal offers made for voluntary acquisition	46
Number of owners who have indicated they will accept	4
Number of concluded acquisitions	0

- 3.6 The level of concluded deals represents the financial and other difficulties faced by owners due to the presence of RAAC within their home, predominantly the financial implication of this, coupled with difficult property market conditions in the city in relation to where values may have been before.
- 3.7 For clarity the Council are making offers on a voluntary basis to include the following:
- Current Market Value of Property (This is the value of the property as it is today)
 - Home loss Payment (10% of Market Value)
 - Disturbance costs (moving costs etc.)
 - Reasonable fees (solicitors/ property advise etc.)

Alternative proposals from residents

- 3.8 Senior officers from the Council have met with RAAC Management Group representatives on several occasions both on and off site to discuss the very difficult situations for owners and residents. These meetings have provided updates on council decisions, details on the process around voluntary acquisition along with house keeping and other issues in the area. This has given officers an opportunity to correct any misunderstanding and allowed residents an opportunity to raise other related general issues.
- 3.9 On 23 December 2024, following a number of conversations involving officers, the Torry RAAC management Group submitted a proposal of alternatives to voluntary acquisition for consideration by officers and in turn the Council. This is attached as Appendix in 11.1. Officers ask members to note that the paper is written from owners perspective and does not fully reflect all the interdependences on items such as availability of stock, location, demand v needs and infrastructure. At this stage it would be prudent to consider all unintended consequences that may arise and fully report on these allowing members to make a decision. Regardless of these issues, the proposals are briefly described below and officers seek instructions to explore these further.
- 3.10 Roof replacement option

In its simplest form, owners would like the Council to consider ringfencing part of the site (approx. 50 of the 372 buildings) and removing the RAAC roofs from these properties and replacing them with a new timber cartridge roof. Those residents interested could then be allocated one of these properties and be able to remain in the community.

The residents have no expectation or requirement to see the properties upgraded to current standards by the Council and these associated costs would remain with the owners.

- 3.11 House ex-cambion (swap) option

Owners have asked the Council to consider whether they would be prepared to offer owners the opportunity to swap their property with an existing Council properties (which they would then be the owners of) with a like for like value (or with a balancing payment).

Other considerations to support voluntary acquisitions

- 3.12 In order to remain open to alternative ways to deal with what is a health and safety situation, officers will continue to explore other proposals which may assist Owners to

move. Officers are seeking instruction to explore any other viable opportunities which may include shared equity options.

- 3.13 Due to the nature by which properties have been sold, there are parts of the area where there is very limited Council ownership and there are a small number of terraces which are wholly within private ownership or the council have a minority. The opportunity exists for these owners to approach to Council looking to replace their roofs and asking the council for either grant or loan support to undertake this work and in doing so ask the Council to contribute to the costs of meeting repairs to the council property. Officers recommend that this would require to be considered on a case by case basis with any Report brought to Finance and Resources committee should this materialise.

Compulsory Purchase Order (CPO) process (es)

- 3.14 On 21st August 2024 officers were asked to report back on the process for Compulsory purchase to enable the Council to take a view on if it wished to pursue this process.
- 3.15 Officers have given further consideration to the CPO process and the variety of delivery options available.
- 3.16 The Council have the opportunity to pursue a CPO under either the '*Housing Renewal Areas/Demolition Notices/Voluntary Acquisition and Compulsory Purchase under the Housing (Scotland) Act 2006*' or the *Voluntary Acquisition and Compulsory Purchase under the 1987 Act* or the *Voluntary Acquisition and Compulsory Purchase under the Town and Country Planning (Scotland) Act 1987*.
- 3.17 There are benefits and disbenefits of each route, but regardless of these routes there is a requirement be able to deliver any proposed scheme which may include having a consent in place for a replacement scheme and the ability to complete the scheme over a reasonable time. As the masterplan work is ongoing and any scheme has no funding at this time and is unlikely to be independently financially viable there is risk in progressing a CPO and being able demonstrate its deliverability. Likewise the barriers to development, in particular planning consent, would also be a risk to future delivery.
- 3.18 It is the opinion of officers that it would be unwise to proceed to CPO at this time whilst significant numbers of owners are engaged in the voluntary process and until such time as there is funding in principle and a delivery mechanism in place for the redevelopment of the site.

Approach to Risk - Progress with property inspections/ re-inspections and updated structural engineers advise

- 3.19 The Councils primary approach to addressing the health and safety risk has been to undertake detailed surveys of sampled properties and to continue to re-inspect occupied properties in council ownership. Completed surveys will continue to be made available on-line and shared on request with adjoining owners or those with shared roofs.
- 3.20 In relation to detailed structural engineering assessment of the properties, all properties that have had a detailed inspection undertaken by the Councils engineers (over 140 properties) have been identified as high risk as defined by the IstructE guidance. None have at this time have moved to critical risk.

- 3.21 All Council owned properties which are still occupied have had this inspection undertaken with the exception of 8 properties. In 3 off these properties tenants have moved out, 1 is due to move on 3rd February and access is being negotiated with tenant on the other 4 properties.
- 3.22 A programme of re-inspection of Council property is also underway as part of the mitigation strategy for the risk. Should the current situation in relation to the condition change members will be advised by Service Update.

4. FINANCE IMPLICATIONS

- 4.1 This Report considered the financial implications in relation to the voluntary acquisition process and also introduces some other options which the Council may wish to consider.
- 4.2 The full anticipated cost of voluntary acquisition is, at this time, in the region of £12.75 million. Voluntary acquisition is entirely a matter for the Council's General Fund, for which there is currently no budget approved. This will require to be considered as part of the budget setting process on 5 March 2025.
- 4.3 It should be noted that the circumstances surrounding valuation of private properties, is also impacted by fluctuations in the property market, where regardless of the existence of RAAC in those properties there has been a downward movement in value recently.
- 4.4 A number of alternative proposals have been suggested by property owners which require further consideration and cost implications. Officers are seeking agreement to consider these works along with any other options which may be identified and report back.

5. LEGAL IMPLICATIONS

5.1 Voluntary Acquisition

The Council's preferred strategy of addressing private properties affected by RAAC remains to voluntarily acquire same. This approach practically aligns with the Council's wider instruction to demolish Council affected properties, and is considered the optimum option for streamlining the approach to delivering housing and fully addressing the safety concerns. The Council continues to offer compensation packages in accordance with statutory requirements per the Land Compensation (Scotland) Act 1973.

5.2 Compulsory Purchase

The Council has statutory powers to determine and initiate a Compulsory Purchase Order (CPO) where it is determined necessary to acquire privately owned properties and where there are legally justifiable reasons for same. Use of CPO powers are subject to strict legal requirements and depending on which legislative framework is adopted, the grounds for CPO action can encompass various reasoning. It should be noted that the officers are not in a position to ask members to make a decision on CPO as the financial and legal considerations are not met. Voluntary acquisition remains the preferred method to address affected private properties.

5.2 Building Scotland Act 2003

While voluntary acquisition efforts remain ongoing, officers are investigating options for those private owners who are not engaging in the voluntary process. Legal officers continue to work with appropriate council services to advise on appropriate legal powers necessary to address Council concerns and remedy potential safety concerns.

The Building (Scotland) Act 2003, the Housing (Scotland) Act 1987 and 2006 provides powers for the Council to address dangerous and defective buildings, and provide enforcement mechanisms on private owners to address properties that fall below minimum housing standards. At the moment, use of these powers is not considered the optimal approach to addressing RAAC concerns within Balnagask.

5.4 Emergency Measures

Where structural conditions deteriorate to an extent that poses an imminent risk to safety (heightened risk level beyond the recommendations within our expert reports), the Council may consider exercising powers which include evacuation and temporary rehousing measures (non-exhaustive list). Given the implications of these options, Council officers are taking an expert-led approach with safety considerations being forefront, while opting for a people-led voluntary approach per 5.1 of this Report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no significant changes in the environmental impact of the decisions requested in those highlighted in the Option Appraisal Report on 21st August.

6.2 As noted in the Report on 21st August 2024, a screening exercise was undertaken to inform whether an Environmental Impact Assessment is required in relation to the future demolition of properties. This was submitted to the Planning Authority for a decision in late December 2024 and the Planning Authority have confirmed that this will not be required. This was not a process open to public engagement.

6.3 This decision allows officers to work through the next steps in this process in order to present a Report to the next CHPP Committee which will address the demolition and landscaping proposals for the site. This process will identify the range of environmental concerns around noise, dust, access, phasing and possible timings and engagement. Demolition timings will be subject to the Council being able to secure vacant possession of properties.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	CPO is advanced prematurely and not granted	It is proposed not to progress CPO until voluntary acquisition process has been given	L	yes

		adequate time and all other requirements are in place.		
Compliance	Failure of RAAC Panels	<p>Surveys continue to be undertaken to council owned and void properties and an update on health and safety implications is included in this report.</p> <p>The programme to re-home council tenants is well advanced and will continue to be progressed.</p> <p>Owners have been made aware of RAAC presence. They have been advised to seek independent advice. Example of survey findings undertaken on Council properties have been shared on-line. Owners have been invited to take part in the voluntary acquisition process.</p> <p>FAQ's have been prepared and continue to be updated.</p>	M	Yes
	Legal process	<p>Legal advice is being taken at all parts of the process. Officers have written to the Housing Regulator advising them of the impact of the identification of RAAC within our housing stock and the subsequent steps required to manage it will have on our wider housing performance standards.</p>	L	yes
Operational	Failure of a RAAC panel.	<p>This is a health and safety issue. As above, affected tenants are being rehomed. A short-term management strategy has been applied to properties containing RAAC panels until such time as the property is decanted.</p>	M	Yes
	Wider pressure on housing stock.	<p>Housing team to manage and monitor and report to the Board where there is significant change.</p>	L	Yes
Financial	The current financial burden to mitigate the RAAC impact is still being progressed and is in the process	<p>Work with housing, legal, finance and external advisor teams to understand and address the RAAC impacts to inform future reports to CHPP and Budget Reports.</p> <p>No external funding stream to support the Council (or owners) has been identified and funding</p>	M	No

	of being quantified. There is significant financial strain on owners as a result of RAAC	required to address current decision will impact both HRA and General funds. This will impact rent levels and service delivery. The council have agreed to voluntary acquire homes and provided opportunity for owners to join council house waiting lists this report considers further options.	M	No
Reputational	Failure of a RAAC panel.	This is a health and safety issue. As above, affected tenants are being rehomed. A short-term management strategy has been applied to properties containing RAAC panels until such time as the property is decanted.	L	Yes
	Failure to engage effectively with tenants and owners	Implement communication and engagement plan.	L	Yes
	Recognising difficulties that owners will have in relation to RAAC in their homes.	ACC have appointed VOA to provide valuation advice and make offers for properties. SAMH and Atkins Realis have also been instructed to provide support as required.	M	No
Environment / Climate	n/a			

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2023-2024</u>	
Aberdeen City Council Policy Statement	Impact of Report
<u>Working in Partnership for Aberdeen</u>	The issues arising with the occurrence of RAAC in our housing stock requires us to work collaboratively across clusters to ensure the housing stock is safe and meets the varying needs of our citizens. The goal is to ensure that our current housing stock is fit for the future and brought up to the highest standards where possible..
<u>Aberdeen City Local Outcome Improvement Plan 2016-26</u>	
Prosperous Economy Stretch Outcomes	The actions from this report will help mitigate the immediate impact on affected tenants ensuring that they are prioritised for rehoming and are supported financially throughout the process but within the

			capped limits set by current legislation
Prosperous Outcomes	People	Stretch	Taking early intervention action as outlined within this report will help mitigate any negative impact on people's physical and mental wellbeing.
Prosperous Outcomes	Place	Stretch	This report has collated information from various workstreams including stakeholder engagement sessions to inform recommendations to mitigate the occurrence of RAAC in Council housing stock at Balnagask. Future reports and actions will take account of the Regional and City Strategies to formulate any further recommendations

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	<p><u>IIA 21st August 2024</u></p> <p>A link to the IIA prepared for Council on 21st August is attached. It is not considered that there is any significant change in instruction within this report which would alter the impacts previously considered. link to IIA - 21st Aug</p>
Data Protection Impact Assessment	Not required
Other	

10. BACKGROUND PAPERS

- 10.1 Report to Urgent Business Committee on 29 February 2024 - Reinforced Autoclaved Aerated Concrete (RAAC) Update, RES/24/086
- 10.2 Report to Communities, Housing and Public Protection on 30 May 2024 - RAAC Funding Update - May 2024, F&C 24/154
- 10.3 Council on 3 July 2024 (RES/24/204)
- 10.4 Council 21st August 2024 - Housing with RAAC at Balnagask (CORS/24/233)

11. APPENDICES

- 11.1 Proposal From Residents Group

12. REPORT AUTHOR CONTACT DETAILS

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Proposal to Aberdeen City Council to Consider Viable Alternatives to a Compulsory Purchase Order for Balnagask RAAC Houses in Private Ownership

1.0 Background to this Submission

1.1 Aberdeen City Council (ACC) is seeking to demolish 372 out of 504 dwellings in the Balnagask housing scheme which are affected by RAAC. However, ACC is only in ownership of a majority of properties within this area, with a further 132 properties currently in private ownership. Council owned properties and privately owned properties are interspersed throughout the area, thereby making it difficult for the Council owned properties to be demolished in isolation.

1.2 ACC has approached the owners of the remaining properties seeking voluntary acquisition of their properties at market value. By way of explanation the District Valuer in determining market value deems that the market value must reflect the existence of RAAC panels in the roofs of these dwellings and accordingly a deduction requires to be made to reflect this situation. ACC are currently not prepared to increase the valuation, as determined by the valuer, to reflect pre-RAAC market values for those dwellings.

1.3 Accordingly, given that the majority of owners would be severely financially disadvantaged by accepting the current level of valuations, and in many instances rendered unable to clear their existing mortgages, the situation is unlikely to be resolved anytime soon, unless alternative solutions are investigated, since there is no guarantee that an unconditional CPO would be approved, even if ACC were of a mind to make application for one.

1.4 If ACC does decide to proceed to make such an application, the majority of residents are determined to object to an unconditional CPO being granted on a number of grounds, one of which would be that ACC had failed to seriously explore, consider and evaluate alternative proposals offered by owners, thereby significantly delaying any demolition activity over much of the site concerned for a number of years. This would, result in increased costs to ACC, who will have to ensure that its properties are kept secure and maintained, especially where these are contained within mixed blocks which have shared services with owners. It would also delay any potential development of the overall site for a similar period.

1.5 In order to try to assist both ACC and the owners resolve this situation, the Torry Community RAAC Campaign Group Management Committee (TCRC) has met with its members and established their willingness to consider alternative options to those currently available, being voluntary acquisition and CPO, neither of which are acceptable to the owners in their present form. This proposal, therefore, outlines two options, which TCRC believe are worthy of investigation and consideration by ACC so as to enable an early resolution of the current situation, which is severely impacting on the mental and physical health and wellbeing of the owners.

1.6 Following recent informal meetings between TCRC and ACC Chief Officers and ACC Joint Council Leaders, during which we informally described these two options, each of which we believe would be seriously considered by owners, to avoid Aberdeen City Council (ACC) having to proceed with the making of an application for a Compulsory Purchase Order (CPO), we are now writing to formally propose those alternative solutions to ACC.

1.7 This submission seeks to achieve the main objectives of the ACC scheme, while minimising monetary loss and disruption to affected property owners and reducing associated legal and financial costs. We therefore request that ACC gives full and fair consideration to these alternative proposals as part of its evaluation of viable options.

2.0 Overview of the Alternative Proposal (1)

2.1 This proposed alternative involves exchanging privately owned houses, that are scattered throughout the Balnagask scheme, with vacant, council-owned properties located at the periphery of the development site in either a single, or in multiple clusters. Upon identifying suitable properties, ACC would engage with the owners, reach legal agreement over transfer of title and, thereafter, through a mechanism to be agreed, to effect removal of all RAAC panels from each dwelling and replacing these with a prefabricated, insulated cassette roof.

2.2 Where private owners' houses are already contained within a 'cluster' area they could either choose to retain title of that property and have the RAAC removed and new roof fitted under the mechanism to be agreed, or move to an alternative property, which has already had the remedial works completed and titles in those respective properties be exchanged. Budget estimated costs and roof design details have already been provided to ACC Chief Officers for review.

This would allow:

- Affected residents to retain homeownership by exchanging their properties, where required, for equivalent council-owned homes, which would be made 'RAAC free'.
- The assembly of a contiguous site of sufficient size to meet the ACC scheme's objectives.
- A reduction in demolition and displacement, aligning the development with human rights and proportionality principles.

2.3 By clustering affected residents in housing near the site's periphery, this approach ensures that the authority can progress with its demolition and redevelopment plans, while respecting the property rights of owners and minimizing community disruption.

3.0 Key Benefits of this Proposal

3.1 Benefits to ACC

- **Facilitates Scheme Objectives:** This solution ensures the assembly of a sufficiently large site, enabling the ACC redevelopment scheme to proceed without compromising its core objectives.
- **Reduces Legal Risks:** By minimizing reliance on CPO powers, the authority mitigates the risk of costly and time-consuming legal challenges from property owners.
- **Enhances Public Perception:** A balanced approach that considers the rights of affected owners is likely to generate goodwill and public support, strengthening the authority's reputation.
- **Efficient Use of Resources:** Leveraging existing council-owned properties, which are to be otherwise demolished, maximises the utility of public assets and reduces the need for additional acquisitions or construction.
- **Reduced Loss of Housing Stock:** By reducing the overall numbers of houses to be demolished, and 'repurposing' them as outlined above, will lessen the loss of housing stock at a time where a 'housing crisis' has been declared by ACC.

3.2 Legal Benefits

- **Proportionality and Necessity:** This alternative aligns with the principles set out in the European Convention on Human Rights (ECHR), specifically Article 1 of Protocol 1, which protects the right to peaceful enjoyment of property. By preserving property rights and minimising displacement, the proposal ensures that the authority's actions remain proportionate and necessary.
- **Reduced Risk of Legal Challenges:** Minimising the use of CPO powers reduces the likelihood of legal challenges from affected property owners, which could delay the demolition project and incur additional costs by ACC.

3.3 Financial Benefits

- **Cost Savings on Compensation:** Avoiding full-scale CPO proceedings significantly reduces the financial burden associated with compensating for property value, disturbance, and legal fees. The estimated costs involved in 'repurposing' the dwellings are less than the costs of voluntary acquisition, thereby leading to an overall saving to ACC.
- **Efficient Use of Resources:** Utilising vacant council-owned properties, that would otherwise be demolished, ensures that existing public assets are deployed effectively, avoiding unnecessary expenditure on acquiring additional housing.

- **Demolition and Relocation Costs:** This proposal reduces the number of properties requiring demolition, lowering associated costs and mitigating environmental waste.

3.4 Community Benefits

- **Preservation of Homeownership:** By offering a 'property swap', affected residents retain the ability to own their homes, RAAC free, mitigating the financial, emotional and social impact of displacement.
- **Minimised Disruption:** Clustering affected residents within local properties preserves social ties and maintains a sense of community cohesion.
- **Public Support:** A compromise solution that balances public and private interests is more likely to gain widespread community acceptance, reducing opposition and fostering goodwill toward the scheme.

3.5 Market Realities and Feasibility

- **Uncertain Demand for the Cleared Site:** At present, there is no guaranteed demand or approved development plan for the cleared site, making any intention to demolish purely speculative. Proceeding with wholesale demolition without a clear, funded plan risks leaving the site unused, wasting resources, and causing unnecessary disruption.
- **Funding Constraints:** ACC currently lacks sufficient funds to carry out development in the near future, further underscoring the speculative nature of the proposal and the potential inefficiency of proceeding with total demolition at this stage.
- **Low Commercial Value of the Land:** ACC Chief Officers have assessed the land as being of low commercial value. Therefore, reducing the extent of the cleared site under this proposal would not significantly impact the overall land realisation value, ensuring that the authority's financial interests are not adversely affected.

4.0 Overview of the Alternative Proposal (2)

4.1 ACC currently own a number of properties in shared blocks within which ACC is a minority owner. This causes problems to ACC in managing these properties due to arrangements for repairs and other shared costs having to be organised. As a consequence, ACC has been trying to sell those properties to reduce its management costs, which can be disproportionate in terms of monetary, time and effort spent on them.

4.2 This second option relates to the ‘swopping’ of an owned house in Balnagask for one of these dwellings in a minority owned block, as and when a vacancy arises. Albeit there is unlikely to be sufficient vacancies to deal with a majority of owners in Balnagask, this scheme would, nevertheless provide an option for any owner who desired to leave the Balnagask scheme but retain the same level of pre-RAAC equity they have in their current property.

5.0 Key Benefits of this Proposal (many similar to option 1)

5.1 Benefits to ACC

- **Facilitates Scheme Objectives:** This alternative solution ensures the assembly of a potentially larger site for demolition, enabling the scheme to proceed without compromising its core objectives.
- **Reduces Legal Risks:** By minimising reliance on CPO powers, the authority mitigates the risk of costly and time-consuming legal challenges from property owners
- **Enhances Public Perception:** A balanced approach that considers the rights of affected residents is likely to generate goodwill and public support, strengthening the authority’s reputation.
- **Efficient Use of Resources:** Leveraging existing council-owned properties maximises the utility of public assets and reduces the need for additional acquisitions or construction. The higher management costs of these properties will be removed from the HRA budget.

5.2 Legal Benefits

- **Proportionality and Necessity:** This alternative aligns with the principles set out in the European Convention on Human Rights (ECHR), specifically Article 1 of Protocol 1, which protects the right to peaceful enjoyment of property. By providing options that minimise the potential for forced displacement of owners, the proposal ensures that the authority’s actions remain proportionate and necessary.
- **Reduced Risk of Legal Challenges:** Minimising the use of CPO powers through owners’ voluntary agreement to relocate reduces the likelihood of legal challenges from affected property owners, which could delay the demolition project and incur additional costs to ACC.

5.3 Financial Benefits

- **Cost Savings on Compensation:** Avoiding full-scale CPO proceedings significantly reduces the financial burden associated with compensating for property value, disturbance, and legal fees.

- **Efficient Use of Resources:** Utilising vacant council-owned properties in minority ownership blocks, that would otherwise be costly and inefficient to manage, ensures that existing public assets are deployed effectively, avoiding unnecessary expenditure on such housing.

5.4 Community Benefits

- **Preservation of Homeownership:** By offering a property swap, affected residents retain the ability to own their homes, mitigating the financial, emotional and social impact of displacement.
- **Provision of Choice:** By ensuring owners have a choice between staying within the community, or leaving it, means that those who remain are more likely to be committed to furthering community cohesion.
- **Public Support:** A compromise solution that balances public and private interests is more likely to gain widespread community acceptance, reducing opposition and fostering goodwill toward the scheme.

6.0 Practical Considerations (Both Options 1 and 2)

The success of this alternative relies on the following key practical steps, which we believe are achievable with the authority's cooperation:

- **Inventory of Vacant Properties:** Conduct an assessment of suitable council-owned properties within Balnagask and city-wide minority owned blocks to ensure they meet the needs of affected residents in terms of size, type and location.
- **Property Evaluation and Matching:** Match affected properties with equivalent vacant Council properties and assess any required refurbishments, adaptations or transfer of equipment from existing dwellings, such as kitchen, bathroom fittings etc.
- **Legal and Administrative Framework:** Establish a clear framework for the exchange of ownership and associated agreement documentation to prevent any potential for misunderstandings between each of the parties to occur.
- **Stakeholder Engagement:** Work collaboratively with affected owners, TCRC, and legal advisors to finalise the details of the proposal and ensure broad support.

7.0 Conclusion and Request for Consideration

7.1 This proposal provides a balanced, cost-effective, and community-centred alternative to a full-scale CPO. It achieves the authority's objectives while respecting the rights and interests of affected residents, reducing financial liabilities, and fostering public support for the scheme.

7.2 We, therefore, request the opportunity to discuss this proposal further and to work collaboratively with ACC to develop a detailed implementation plan. We would also welcome the opportunity to assist ACC in engaging with affected residents in helping them reach the decision that is suited to them and to ensure a smooth transition, thereafter.

We thank you for your consideration and look forward to receiving your response to each of the options and to the possibility of us working together on a collaborative basis to achieve a solution that benefits all parties.



John Meiklejohn

Chair

On behalf of Torry Community RAAC Campaign Group Management Committee

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ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	5 February 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Accounts Commission Findings – s102 report Council Tax refunds – a significant fraud
REPORT NUMBER	CORS/25/031
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Jonathan Belford
TERMS OF REFERENCE	21

1. PURPOSE OF REPORT

- 1.1 To seek Council approval to accept the Accounts Commission findings relating to the significant fraud perpetrated against the Council.

2. RECOMMENDATIONS

That the Council:-

- 2.1 Note the content of the Accounts Commission report and accept the Commission findings contained therein;
- 2.2 Commend the individual who identified the fraud, with the Chief Executive writing to them to express the Council's gratitude;
- 2.3 Note the Commission finding (4) in respect of the Internal Audit function regularly considering areas that might be perceived as low risk when developing audit plans and instruct the Chief Internal Auditor to consider this finding within the proposed Internal Audit Plan for 2025/26-2027/28, which is due to be presented to the Audit, Risk and Scrutiny Committee in February 2025;
- 2.4 Ask the External Auditor to set out in their Annual Audit Plan for 2024/25 and future years how, in light of the Commission's findings, the tests of assurance they undertake may be revised in respect of the significant risks of material misstatement due to control weaknesses and fraud caused by management override of controls; and
- 2.5 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.

3. CURRENT SITUATION

3.1 At a meeting on 12 December 2024, the Accounts Commission was presented with a statutory report, see Appendix 1, by the Controller of Audit on the significant fraud perpetrated against Aberdeen City Council.

3.2 The Accounts Commission agreed to make findings on the Controller of Audit's statutory report which are noted below.

- 1 *The member of staff who identified this fraud should be commended, for having the confidence to initially raise the issue and to then escalate it when they remained concerned by the response received. The Commission wishes to stress the importance of the council keeping its policies, training, and procedures in relation to counter-fraud and whistleblowing up to date and communicated to all staff. This will ensure that staff continue to have the confidence to raise concerns if they suspect something fraudulent may be happening.*
- 2 *The Commission recognises that the council reacted quickly once the suspected fraud was brought to their attention and has made progress to recover lost funds. However, this case exposed real weaknesses in internal controls, allowing the perpetrator's actions to go unnoticed for 17 years. While controls and policies were in place, reports were not routinely run or reviewed and there was no scrutiny by the council to ensure the effectiveness of controls, something that is of concern to the Commission.*
- 3 *The Commission is pleased to see evidence that the council is taking the matters highlighted by this fraud seriously, including the segregation of duties immediately following the issue coming to light, the development of an improvement plan by the service, and the engagement of internal audit to further strengthen key controls. However, controls have yet to be embedded in a way that fully addresses all the issues identified. December 2024 was identified as a key implementation date for improvement actions, but the absence of interim milestones makes it difficult to assess progress on the ground. As a matter of priority, the Commission asks the council's 'Task and Finish' Group to confirm to elected members and management when all actions will be complete, given it has now been more than a year since the perpetrator was charged.*
- 4 *There is an important obligation on Aberdeen City Council to have and to implement effective financial controls, which safeguard public assets, across all its functions, irrespective of the level of income and expenditure involved. Building on this experience, the Commission would urge the council to ensure that no areas are neglected within their control environment and that the council's internal audit function regularly considers areas that might be perceived as low risk when developing audit plans. Through governance processes, we expect to see evidence that the council's management team is acting upon and applying recommendations from both external and internal auditors to address potential weaknesses and risks.*

- 5 *The Commission expects all councils in Scotland to ensure that fundamental internal controls are in place and working effectively. Such controls include appropriate segregation of duties, ensuring systems reconciliations are carried out, maintenance of system documentation (detailing key controls), and budget monitoring. All councils should also be self-assessing controls and processes through their annual governance statement. It is also important that across all councils, internal and external auditors raise and discuss any areas of potential concern.*

Action Taken by Aberdeen City Council

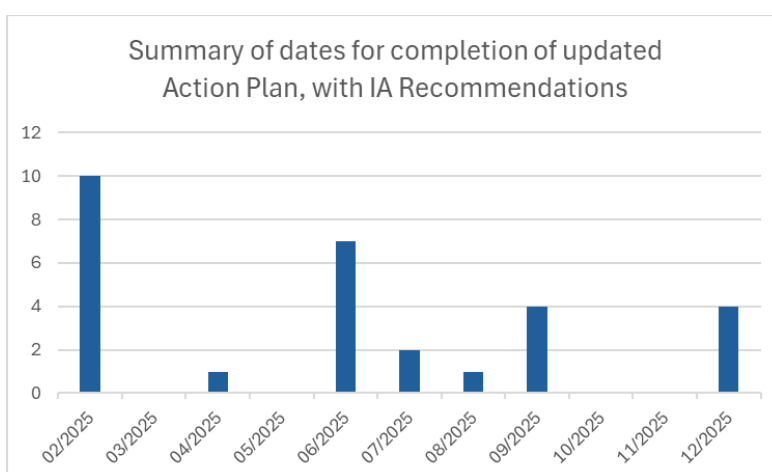
- 3.3 The subject of the statutory report was already known to the Council, having been reported confidentially by the Chief Officer – Finance to both the Audit Risk and Scrutiny Committee (RES/24/058) and Council (CORS/24/113) in February and April 2024 respectively. The timeline of events that was included in these reports has been updated and is shown as Appendix 2.
- 3.4 The findings of the Commission draw specific attention to the action plan put in place, which was intended to be the further actions required following the revision and strengthening of the Council Tax refunds process in the aftermath of the embezzlement discovery. These actions immediately improved segregation of duties, approval and scrutiny for Council Tax accounts that were ‘in credit’.
- 3.5 While the control weaknesses were closed down immediately and the Chief Internal Auditor has provided to management some level of assurance that the controls and the application of those controls is in place, there were ten overarching actions identified that would go further than simply resolving and restoring control in respect of this one process. The Chief Officer – Finance acknowledges this has taken longer than had been initially intended, as highlighted by the Commission, with resources being prioritised on a risk based approach.
- 3.6 A summary of actions is included in the table below.

Subject	Number of Actions	Has action been taken by management to address these actions?	Has Internal Audit (IA) provided positive assurance on controls to date?	Did IA suggest further actions to implement?	Updated Action Plan with milestones in place?
Changes to Processing and Approval of CT Credits	2	Yes	Yes	No	n/a
Wider Council Tax Scrutiny and Controls	3	Yes	Yes	Yes	Yes
Applications to other Council Systems	7	Yes	Yes, for 6 out of 7	Yes	Yes

- 3.7 The Chief Internal Auditor, having been asked by the Chief Officer – Finance to review the matter, indicated that most of the initial actions were partially complete, and included in the briefing note to management a wider range of actions that would benefit the control environment. Any outstanding actions and these additional, more specific actions have been allocated to the team, and incorporated into the updated action plan.
- 3.8 The Accounts Commission finding was clear that the actions must be completed and for milestones to be created to support the successful progress, tracking and implementation of these actions. The Chief Officer – Finance, in consultation with other Council Officers, has updated the action plan and progressed the implementation and embedding of the wide range of actions.

Subject	Number of Areas for Action	Number of Sub-actions recommended by IA?	Has action been taken by management to address these actions?	Are milestones and target dates in place?	How many have been closed off by end Jan 2025?
Wider Council Tax Scrutiny and Controls	3	14	Yes	Yes	9/14 (64%)
Applications to other Council Systems	7	24	Yes	Yes	0/24 (0%)

- 3.9 The outstanding actions will be managed by the Task and Finish Group and overseen by the Risk Board to increase scrutiny around the progress. The target timeline for completion of these actions, subject to a number of these being dependant on decisions that have yet to be taken, can be summarised as presented in the following graph.



- 3.10 The timeline reflects the indicative date on which the action will be completed, there are milestones between now and those dates, in some cases the result

of an iterative process where completion can only be achieved after one or more decision points. The dates will be reviewed based on progress.

- 3.11 Chief Officer – Finance and the Chief Internal Auditor intend to provide a joint report to the Audit, Risk and Scrutiny Committee in September 2025 to provide an update on the work completed, including the Commission’s findings, and assurance level that can now be relied upon.

Audit:

- 3.12 As required for local authorities, internal and external auditors have carried out audit work and testing on the Council finances and systems of internal control during the entire period that the embezzlement has taken place. Specific internal audit work on Council Tax, systems, processes and controls, has been carried out periodically based on the assessment of risk and the priorities set out in the Internal Audit Plan annually. Annually the Council has received an assurance opinion on the adequacy and effectiveness of the framework for governance, risk management and control from the Chief Internal Auditor, as detailed in their Annual Audit Reports.
- 3.13 Similarly the External Auditor has provided an audit opinion on the annual Financial Statements of the Council and basis for that opinion is included in their Annual Audit Report.
- 3.14 The findings from the Commission draw attention to both internal and external audit raising and discussing areas of potential concern; while it is incumbent on the Council management to act on the recommendations of our auditors to address weaknesses and risks.
- 3.15 Taking account of this, and noting the Commission’s findings with specific reference to Internal Audit, the Chief Internal Auditor is due to present their internal audit plan for 2025/26-2027/28 to the Audit, Risk and Scrutiny Committee in February 2025. Despite the short timescale between the publication of the findings and the presentation of the internal audit plan, it will be important for the Chief Internal Auditor to have considered the impact of the finding on their plan and to have responded to the risk. That response should be incorporated into their Internal Audit Plan in February.
- 3.16 The External Auditor should provide details of any changes that they intend to make to their approach to significant risks that exist in the audit of the Council Financial Statements, when their Annual Audit Plan is next presented to the Audit, Risk and Scrutiny Committee.

Refunds to Council Tax payers:

- 3.17 The report makes specific reference to the fact that the Council has not yet contacted taxpayers that have been affected. For clarity the process of managing Council Tax credits includes, and included throughout, the Council trying to contact the Council Tax account holder once a credit was identified on their account. This often results in no contact being made and no replies being received.

- 3.18 Looking at the data and Council Tax accounts that are affected the vast majority of these remained in credit for a period of time, often years, the system prepared to provide a refund if contact was made by the account holder.
- 3.19 It should also be noted that for anyone moving within the city boundaries, any credit that arose due to moving home in Aberdeen, is, and always was, moved from the old property to the new property, with the credit being applied to the new Council Tax liability. It means that these historically, long standing credits are highly likely to have arisen from individuals who left the city.
- 3.20 The Council currently has 2 experienced Council Tax officers working on correcting the c.5,700 individual transactions and they are retracing the steps taken by former-employee, Michael Paterson, to embezzle the money in the first place, establishing how to reinstate the correct position to each Council Tax account.
- 3.21 As at the time of writing the number of accounts that have now been checked is 1,908.
- 3.22 Beyond this, the Council has also started to identify if a refund can be processed for any of the account holders. The 1,908 accounts amount to £563,434 (51%) of the embezzled money. The investigation of these accounts indicates that there are partial details of account holders for 597 accounts. The Council has started to make contact with those individuals, so far approximately 100 have been contacted, and this number is rising on a weekly basis.
- 3.23 The Council will continue to correct and reinstate all Council Tax accounts affected. Due to the historic nature of the transactions and the limited information that would allow the Council to trace former account holders the Council may not be able to reunite the money with the rightful owner but will continue to pursue all options and where an individual is identified in the future the entitlement to a refund will not be removed.

Raising awareness more widely:

- 3.24 The Commission recognise the wider implications for Local Government sector and have drawn attention to this in their findings (4 & 5). In order to assist other Council's in understanding this embezzlement and to share knowledge the Chief Officer – Finance has agreed with the CIPFA Directors of Finance Section that a presentation will be provided at an upcoming meeting.
- 3.25 In December 2024 a Counter Fraud Officer provided briefings and attended meetings of the Scottish Local Authority Investigators Group (SLAIG) and to the shared Internal Audit team on this embezzlement. The presentations provided context and detail as to how the crime was committed, and the safeguards which could have prevented it. Presentations were delivered to both groups, with question and answer sessions adding to the understanding on the day.

Accounts Commission meeting:

- 3.26 The Chief Executive, Chief Officer – Finance and Group Leaders are due to meet with representatives of the Accounts Commission on 3 February 2025.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report. Resources to retrace and correct Council Tax accounts are being paid for from within existing budgets.
- 4.2 In respect of having the money available to make refunds to the rightful owners, where possible, action was taken at the end of financial year 2023/24 to set aside the full value (£1.106m) of the money embezzled. This was accounted for in the 2023/24 Annual Accounts and has prepared the Council to be able to recompense former Council Tax account holders whose accounts were affected by the embezzlement.
- 4.3 Where the Council can locate and establish a former Council Tax account holder as part of the actions then the Council has the financial resources to refund all individuals.

Recouping Funds

- 4.4 To date the Council has received the maximum value possible, £417,523, from former-employee Michael Paterson's pension. This money will be included in the Council's income for 2024/25, offsetting the cost of setting aside £1.106m last year.
- 4.5 In respect of the balance of the money set aside, £0.689m, a claim against the Council's fidelity guarantee insurance policy has been made, the outcome of which is still being assessed by our insurers. The outcome of the claim will be included in a future financial performance report to the Finance and Resource Committee.

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

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	Fraud on this scale if repeated could	Underlying control environment is in place, including	L	Yes

	impact the finances of the council to an extent that strategic direction would have to be altered.	scrutiny by internal and external auditors. Review of other systems and payment controls has been undertaken to identify improvements and implement new controls.		
Compliance	Failure of controls leads to failing to meet legal obligations to CT payers – and other customers and bill payers.	Underlying control environment is in place, including scrutiny by internal and external auditors. Actions have been taken to enhance specific control arrangements and requirements to mitigate the specific frauds identified.	L	Yes
Operational	Staff are vulnerable to allegations if controls do not manage the work they undertake.	Changes to the processes and procedures in Council Tax and other systems improve segregation of duties and reporting to provide dual insight into refunds protecting staff.	L	Yes
Financial	Loss of money received by the Council may have to be replaced and refunded, which will have to be funded by General Fund. There is a cost to correct our systems and records.	All avenues will be explored to recoup funds from the accused. The Annual Accounts for 2023/24 include provision for the full value of the embezzled monies.	M	Yes

Reputational	Loss of trust from the population and our customers that the Council cannot manage finances adequately. Increase in non-payment as CT payers uncertain about their account being managed accurately and effectively.	Developing a communications strategy will help to ensure consistent messages are used to inform citizens and council tax payers about the situation.	M	Yes
Environment / Climate	None			n/a

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2023-2024</u>	
	Impact of Report
Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u>	There are no direct implications for the stretch outcomes
<u>Aberdeen City Local Outcome Improvement Plan 2016-26</u>	
Prosperous Economy Stretch Outcomes	There are no direct implications for the stretch outcomes
Prosperous People Stretch Outcomes	There are no direct implications for the stretch outcomes
Prosperous Place Stretch Outcomes	There are no direct implications for the stretch outcomes

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	It is confirmed by Chief Officer – Finance that no Integrated Impact Assessment is required.
Data Protection Impact Assessment	Not required.

Other	No other impact assessments have been carried out.
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10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

Appendix 1: Accounts Commission report: The 2023/24 audit of Aberdeen City Council - Council tax refunds – a significant fraud

12. REPORT AUTHOR CONTACT DETAILS

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

The 2023/24 audit of Aberdeen City Council

Council tax refunds – a significant fraud



ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
January 2025

Contents

Commission findings	3
Introduction	5
Timeline of key events	7
Council tax – accounts in credit	9
Strengthening the council’s internal controls	14
The council’s response to taxpayers	19
Conclusions	20

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Commission findings

The Accounts Commission accepts the Controller of Audit’s report on a matter arising from the 2023/24 audit of Aberdeen City Council – a significant council tax refund fraud perpetrated against the council. The Commission welcomes that the Controller used her powers to bring this issue, and the council’s response, to the Commission’s attention. Following consideration of the report (presented at [page 5](#)) at its meeting on 12 December, the Commission has made the findings presented below:

- 1** The member of staff who identified this fraud should be commended, for having the confidence to initially raise the issue and to then escalate it when they remained concerned by the response received. The Commission wishes to stress the importance of the council keeping its policies, training, and procedures in relation to counter-fraud and whistleblowing up to date and communicated to all staff. This will ensure that staff continue to have the confidence to raise concerns if they suspect something fraudulent may be happening.
- 2** The Commission recognises that the council reacted quickly once the suspected fraud was brought to their attention and has made progress to recover lost funds. However, this case exposed real weaknesses in internal controls, allowing the perpetrator’s actions to go unnoticed for 17 years. While controls and policies were in place, reports were not routinely run or reviewed and there was no scrutiny by the council to ensure the effectiveness of controls, something that is of concern to the Commission.
- 3** The Commission is pleased to see evidence that the council is taking the matters highlighted by this fraud seriously, including the segregation of duties immediately following the issue coming to light, the development of an improvement plan by the service, and the engagement of internal audit to further strengthen key controls. However, controls have yet to be embedded in a way that fully addresses all the issues identified. December 2024 was identified as a key implementation date for improvement actions, but the absence of interim milestones makes it difficult to assess progress on the ground. As a matter of priority, the Commission asks the council’s ‘Task and

Finish' Group to confirm to elected members and management team when all actions will be complete, given it has now been more than a year since the perpetrator was charged.

- 4** There is an important obligation on Aberdeen City Council to have and to implement effective financial controls, which safeguard public assets, across all its functions, irrespective of the level of income and expenditure involved. Building on this experience, the Commission would urge the council to ensure that no areas are neglected within their control environment and that the council's internal audit function regularly considers areas that might be perceived as low risk when developing audit plans. Through governance processes, we expect to see evidence that the council's management team is acting upon and applying recommendations from both external and internal auditors to address potential weaknesses and risks.
 - 5** The Commission expects all councils in Scotland to ensure that fundamental internal controls are in place and working effectively. Such controls include appropriate segregation of duties, ensuring systems reconciliations are carried out, maintenance of system documentation (detailing key controls), and budget monitoring. All councils should also be self-assessing controls and processes through their annual governance statement. It is also important that across all councils, internal and external auditors raise and discuss any areas of potential concern.
-

Introduction

- 1.** The Code of Audit Practice requires auditors to produce an Annual Audit Report (AAR) summarising the significant matters arising from their audit work. For local authorities, auditors address the AAR to elected members and the Controller of Audit.
- 2.** I have reviewed the 2023/24 AAR for Aberdeen City Council (the council) from the appointed auditor, Michael Oliphant (Audit Services Group, Audit Scotland). The auditor's AAR was considered by the council's Audit, Risk and Scrutiny Committee on 27 June 2024. The auditor issued an unmodified opinion on the council's 2023/24 annual accounts.
- 3.** The auditor reported on a significant fraud identified by the council in September 2023. A former employee had diverted fraudulent payments totalling £1.109 million to his own bank accounts over a period of 17 years. Having plead guilty to criminal charges of embezzlement, the perpetrator received a four-year prison sentence at the High Court in Edinburgh in July 2024.
- 4.** I have decided to use the reporting powers available to me under s102 (1) of the Local Government (Scotland) Act 1973 to bring this issue, and the council's response, to the Commission's attention.

Background

- 5.** The perpetrator identified council tax accounts with historic credit balances and used their unsupervised authority to issue council tax refunds of up to £3,000, to divert refunds to themselves, often on a weekly basis.
- 6.** There was no major impact on the financial statements during this period, covering financial years 2006/07 to 2023/24 and the payments did not represent a material misstatement in any given year. There was no impact on the council's budget as the amounts were taken from balances held by the council on behalf of taxpayers who had made overpayments on their council tax accounts. Nevertheless, the funds were held for safekeeping by the council who will need to manage any associated reputational risk and ensure credit balances are restored. The council has reached agreement with the perpetrator to recover funds. In addition, a claim to the council's insurers is currently under negotiation but is expected to cover the remainder of the loss.

7. There were failures in controls within the council that allowed this fraud to continue over a prolonged period. In particular, a lack of segregation of duties and monitoring in relation to council tax refunds allowed the perpetrator to transfer balances between council tax accounts, input bank account details and process refunds without any further checking of processing.

Timeline of key events

Date	Event
1 November 2006 – 6 September 2023	Perpetrator processed 655 payments to himself totalling £1.109 million.
12 September 2023	Staff member identified and investigated an irregular transaction on a council tax account and raised the entry with the perpetrator. The perpetrator subsequently repaid the queried amount into the council tax standing order bank account.
13 September 2023	The perpetrator contacted staff member to discuss irregular transaction, but staff member was not convinced by the explanation offered.
14 September 2023	The perpetrator reversed all entries relating to the last embezzlement transaction.
14 September 2023	Staff member investigated further and raised with Council Tax and Recovery Manager. Senior revenues staff and the council's counter-fraud team advised.
15 September 2023	The perpetrator was suspended (under a precautionary suspension) and all access to buildings and computer systems was disabled.
21 September 2023	Counter-fraud team contacted Police Scotland following initial investigation.
21/22 September 2023	Chief Officer – Finance advised members of the Corporate Management Team, Internal and External Audit. Director advised Councillor Malik (Audit, Risk and Scrutiny Committee Convener) and Councillor McLellan (Finance and Resources Committee Convener).
September/October 2023	Chief Officer – Finance undertook review of systems and processes. Improvement plan produced.
26 November 2023	The perpetrator was arrested and charged by Police Scotland.
12 December 2023	A formal disciplinary meeting was held and the accused was dismissed.
21 December 2023	All elected members advised of the matter and the upcoming court appearance.

Date	Event
12 February 2024	Report to Audit, Risk and Scrutiny Committee.
17 April 2024	Follow-up report to full council.
June 2024	The High Court in Edinburgh found perpetrator guilty of embezzlement of £1.109 million from the council. He was later jailed for four years.
July-September 2024	Internal Audit requested to review the implementation of the service's improvement plan. A review was undertaken and reported to management in September 2024.

Council tax – accounts in credit

8. The council administers the council tax database which includes approximately 124,500 properties and raises annual income in excess of £100 million ([Exhibit 1](#)). The database requires to be regularly updated for changes in taxpayers' circumstances, such as changes in address or other household details. The council offers taxpayers a number of payment options although direct debit is the most popular.

9. Unpaid income is collectable for all prior years and the council pursues outstanding debts for all years until they are either paid or identified as uncollectable. Over the last 17 years, approximately £2 billion of council tax income was administered and collected.

Exhibit 1

Council tax credit balances as a percentage of council tax

Year	Council tax billed (net of discounts) £000	Credit balances at year end £000	Credits as a percentage of council tax billed
2023/24	139,111	366	0.26%
2022/23	130,850	441	0.34%
2021/22	126,185	482	0.38%
2020/21	123,777	454	0.37%
2019/20	120,282	281	0.23%
2018/19	113,871	376	0.33%

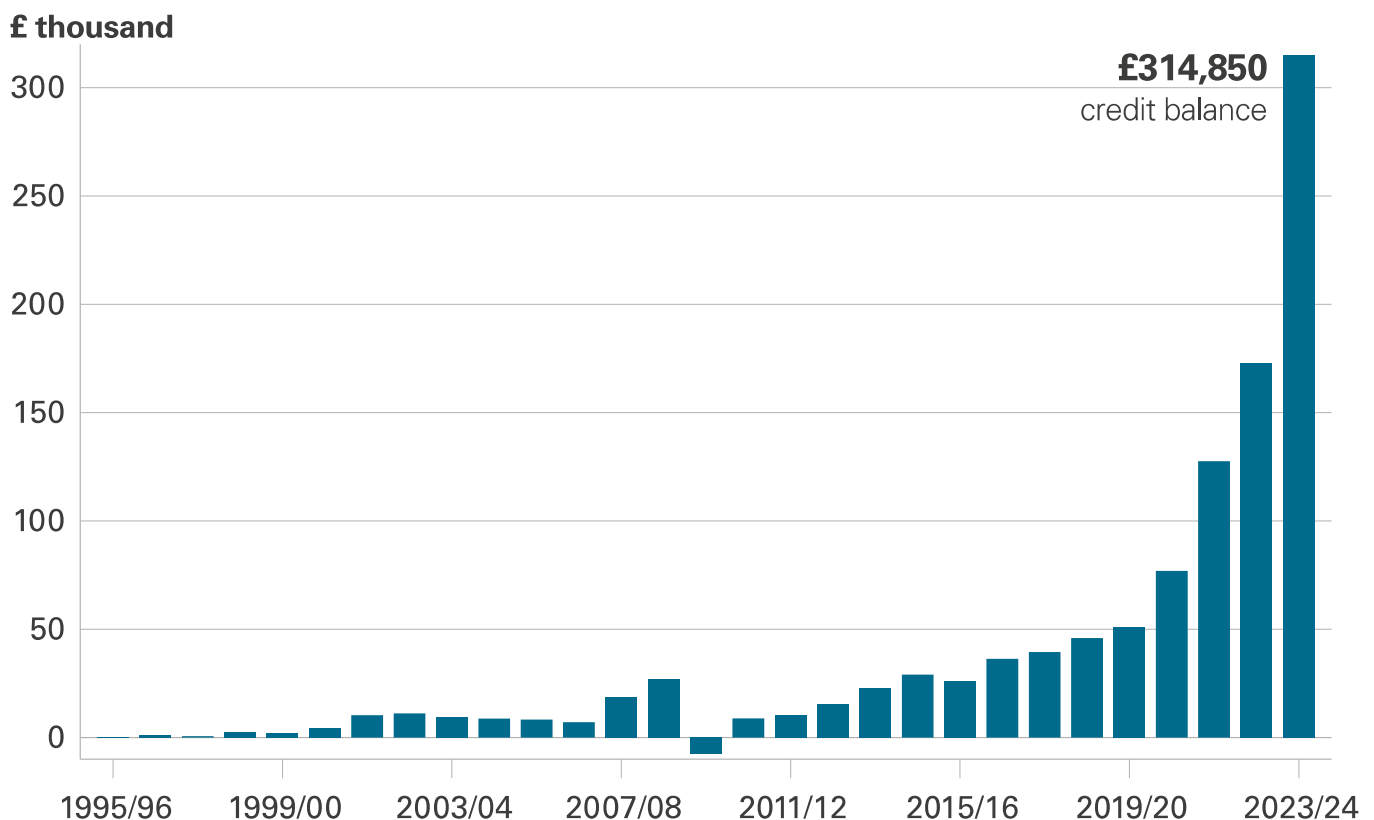
Source: Aberdeen City Council audited accounts and council tax reports

10. At 31 March 2024, the cumulative value of accounts in credit covering all council tax years was £1.2 million. This comprised 6,600 accounts of which 95 per cent had balances less than £500. Exhibit 1 also gives an indication of the relatively small scale of council tax credit balances when compared with the amount of council tax billed each year. In general, the balances on these accounts are less than 0.5 per cent of billing totals. For example, with reference to financial year 2021/22, council tax billed

amounted to £126.185 million while accounts in credit for that financial year were £482,000 at 31 March 2022.

11. There is no single reason for an account to be overpaid (in credit) but many will arise from a change in address where the taxpayer has not provided a forwarding address. When a taxpayer changes address within the city area, any credit balance is transferred to the new council tax account. If the move is outwith the city, a refund is required. Prior to 2006, this was dependent on taxpayers getting in touch to request a refund. As most amounts are small, this generally did not happen. In 2006, the council introduced a policy to automatically refund paying bank accounts for any overpayments which had arisen by direct debit. [Exhibit 2](#) shows the age of the historical balances held by the council at 31 March 2024 on behalf of taxpayers.

Exhibit 2
Age of credit balances at 31 March 2024



Source: Aberdeen City Council reports

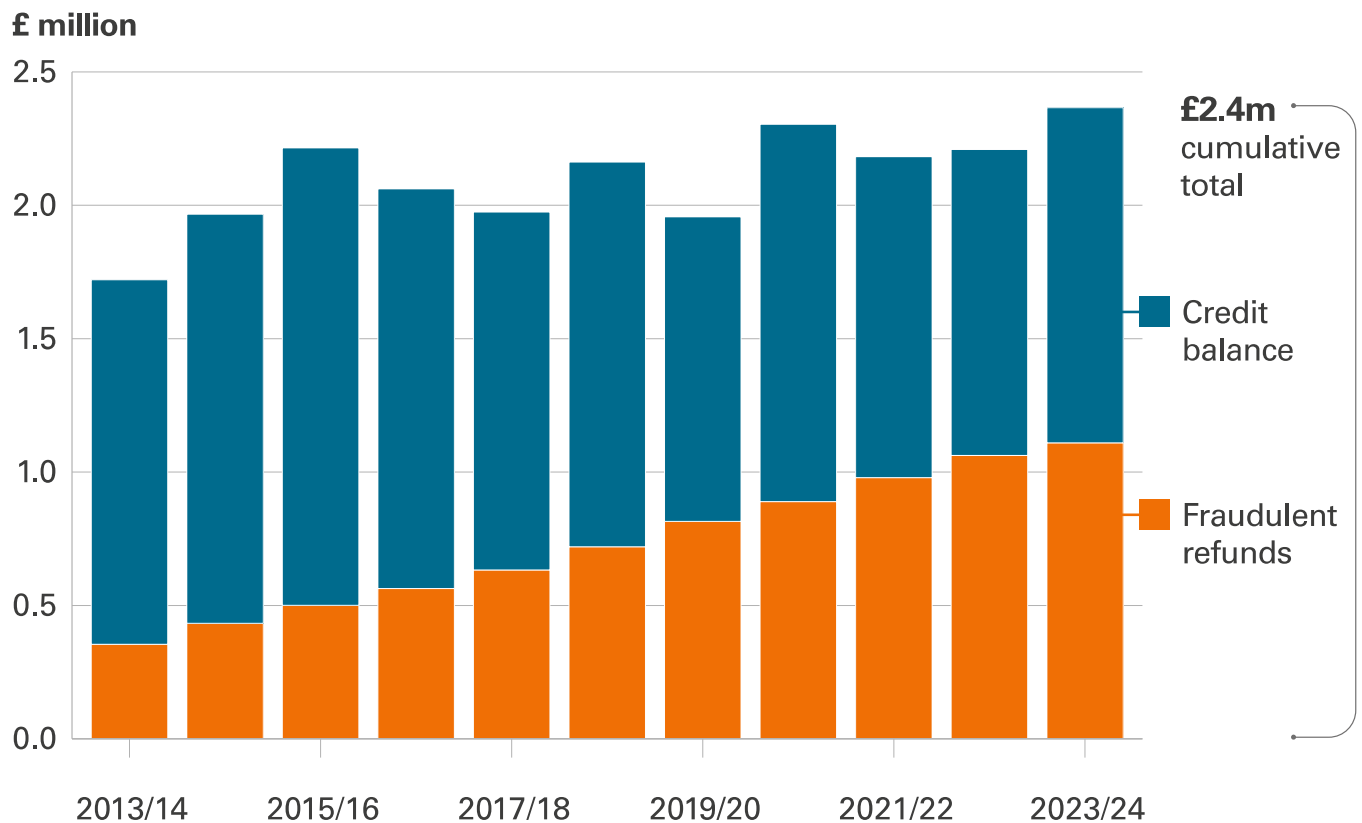
12. Where bank details are not held or an address is not known, the council sends a letter to the property address to enable a letter to be forwarded should a mail redirection be in place. There is no time limit for a taxpayer to make contact and seek a refund.

Scale of embezzlement

13. A total of 655 payments amounting to £1.109 million and involving an estimated 5,700 council tax accounts were made to the embezzler’s bank accounts over a 17-year period between November 2006 and September 2023.

14. The total value of the accounts in credit at 31 March 2024 was approximately £1.2 million. Had funds not been withdrawn inappropriately, the level of balances would be £2.4 million. [Exhibit 3](#) shows the combined total of the balances on the accounts in credit for recent years with the amounts embezzled.

Exhibit 3 Cumulative fraud and credit balances



Source: Aberdeen City Council reports

15. [Exhibit 4](#) provides details of the fraudulent refunds made including the total and average values and the number of refunds on an annual basis.

Exhibit 4

Council tax fraudulent payments – number and value by financial year

Year	Value of fraudulent refunds per year (£)	Number of refunds	Average Value (£)
2023/24	46,921	16	2,932
2022/23	82,836	29	2,856
2021/22	90,307	31	2,913
2020/21	74,368	26	2,860
2019/20	94,835	36	2,634
2018/19	87,166	33	2,641
2017/18	69,809	26	2,685
2016/17	62,331	25	2,493
2015/16	67,659	31	2,182
2014/15	78,970	38	2,078
2013/14	67,306	38	1,771
2012/13	55,114	40	1,378
2011/12	56,602	46	1,230
2010/11	46,925	57	823
2009/10	32,878	44	747
2008/09	45,499	75	607
2007/08	41,335	53	780
2006/07	8,413	11	765
Total	1,109,274	655	

Source: Aberdeen City Council reports

16. The perpetrator, as a team leader, had authority to process refunds for amounts between £500 and £3,000. Accounts in credit are mainly smaller amounts and therefore the perpetrator needed to collate a number of balances together in a single council tax account to produce a total amount in the range he could authorise which were then processed as a refund to his own bank account.

17. Identification of the embezzlement was the result of an officer routinely checking arrears recovery reports with the council tax computer system. Multiple transfers were noticed on an account in credit and not being satisfied with the explanation received from the perpetrator, as team leader, the officer referred the matter to a more senior officer. The perpetrator was promptly suspended thereafter, and investigations commenced.

Strengthening the council's internal controls

Council tax refunds

18. The perpetrator was a team leader in the council tax team which forms part of People and Citizens services within the Corporate Services Directorate. While the service and job titles have been restructured on several occasions over the years, the individual held this, or similar roles, within council tax administration since 1988. Key responsibilities included:

- supervising council tax and recovery administration
- ensuring documentation is accurate and issued on time
- contacting customers by means of writing, telephone and visits
- undertaking quality checks on council tax and recovery administration
- recording performance and producing reports.

19. As part of the team leader role, the individual could authorise refunds of between £500 and £3,000. There were controls in place ([Exhibit 5, page 15](#)) which required team leaders to involve another team leader in checking and processing refunds to ensure adequate segregation of duties. While the procedures existed, there were no checks to ensure they were adhered to. It was therefore possible for the perpetrator to process refunds without anyone else being involved. Failure to implement controls enabled an abuse of authority which when combined with a detailed knowledge of council tax administration, obtained over many years of employment, provided the opportunity to withdraw funds inappropriately.

20. Given the number of accounts affected and the number of transfers between accounts for each fraudulent payment, the perpetrator required a degree of planning and fore thought to select council tax accounts, process transfers between accounts and make payments.

Exhibit 5

Council's existing controls for processing refunds

Level	Processing
Tier 1: Refunds up to £500	<ul style="list-style-type: none"> • Council tax team members have the authority to input bank details and process refunds to customers.
Tier 2: Refunds between £500 and £3,000	<ul style="list-style-type: none"> • Council tax team leaders, to carry out their role, have the authority and system access to input bank details and process refunds to customers without any scrutiny. • Council tax team members pass the refund to a team leader for checking and processing by the team leader on Capita One Revenues & Benefits. • Refunds created by council tax team leaders must be passed directly to another team leader for checking and processing.
Tier 3: Refunds over £3,000	<ul style="list-style-type: none"> • Council Tax and Recovery Manager, to carry out their role, has the authority and system access to input bank details and process refunds to customers without any scrutiny. • Refunds created by council tax team members are passed to team leaders for checking and the refund is then passed to Council Tax and Recovery Manager for processing. • Refunds created by a council tax team leader, are passed directly to Council Tax and Recovery Manager for checking and processing by the Council Tax and Recovery Manager.

Source: Aberdeen City Council reports

21. Managing accounts in credit did not feature as a high priority within the council's internal control systems. The amounts involved were small and, initially, any refund depended on a taxpayer seeking a request. In addition, once automatic direct debit payments were available, it was expected many overpayment issues would be resolved.

22. Controls were in place in the form of authority limits. There were no exception reports for this area of work and reports of refunds paid were not routinely run or reviewed. Had this been the case, the embezzlement would have been identified much earlier. An average council tax bill is currently around £2,000 to £3,000 per annum and while an occasional refund of a whole year's council tax might arise, several refunds of this scale every month would have attracted attention.

23. At 31 March 2024, there were only 105 accounts ([Exhibit 6, page 16](#)) with credit balances over £1,000. By comparison, there were 16 fraudulent refunds in 2023/24 with an average value of £2,932 (Exhibit 4).

Exhibit 6

Council tax credit balances at 31 March 2024

Year	Number	%
£0 to £500	6,243	95
£500 to £1,000	245	4
£1,000 to £1,500	49	1
£1,500 to £2,000	27	–
£2,000 to £2,500	12	–
£2,500 plus	17	–
Total	6,593	100

Source: Aberdeen City Council reports

The internal control environment

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

25. Auditors aim to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

26. Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

27. As part of the financial statements audit, the external auditor regards council tax income as a material financial system and considers the key controls in place. This focuses on the key aspects of the income accounts including billing (including discounts and exemptions), collection and the adequacy of the provision for non-collection to ensure that council tax income is not materially misstated.

28. When planning audit assignments, internal audit consider:

- the significant risks to the activity's objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level
- the adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model.

29. Internal audit routinely undertake audits of council tax administration. The scope might focus on one aspect of administration or take a wider view across the service. The last audit which included some consideration of refunds was a review of council tax billing carried out in 2016. This included samples of reliefs, payments and refunds. In respect of refunds, the auditor reported that the sample was correctly calculated, supported by appropriate documentation, authorised and refund payments had been made to the correct bank accounts.

Improvements in the council's internal controls

30. The council was quick to respond once the suspected fraudulent activity was brought to officers' attention. Internal counter-fraud officers undertook initial enquiries before referring the matter to Police Scotland. Disciplinary proceedings were quickly enacted. This resulted in the individual pleading guilty to the embezzlement of funds and receiving a prison sentence.

31. The Chief Officer – Finance undertook a review of the systems and processes operating around accounts in credit and refunds and provided the Audit, Risk and Scrutiny Committee with an update in February 2024. Immediate action was taken in October 2023 to strengthen segregation of duties between processing and approving refunds and inputting bank details.

32. An improvement plan was prepared by the service covering council tax refunds and wider banking and supplier payment controls. Ten actions were identified for which prompt steps were taken to implement five and the remainder, with one exception due in July 2024, were prioritised for implementation by December 2024. Given the passage of time since the fraud was identified, the inclusion of interim milestones would have been helpful to maintain focus and demonstrate progress.

33. The council's officer-led risk board monitored progress with the actions between March and October 2024. This responsibility has now passed to a Task and Finish Group which has recently been convened to oversee completion of the actions and provide assurance to the corporate management team. Membership includes a range of finance, council tax and governance officers.

34. In July 2024, the Chief Officer – Finance sought assurance that key control weaknesses had been addressed and engaged internal audit to assess progress with implementation and offer further considerations to

strengthen the framework. Work has been undertaken to address the improvement actions identified by the service. In some cases, the associated controls have yet to be embedded in a way that fully addresses the issues identified. The chief internal auditor also identified a number of additional system-wide risks and made further recommendations.

35. In the chief internal auditor's view, most actions were therefore only partially complete with some expected to take longer than the target dates previously reported by the service. The Task and Finish Group have recently taken ownership of the improvement plan, including the additional recommendations, and now need to increase momentum by prioritising the additional recommendations and allocating clear responsibilities and timescales for action.

Lessons for others

36. While the fraud was complex, weaknesses in the council's internal controls facilitated the fraud and meant that it was not detected for some time. In particular, the council had controls in place but there was no scrutiny to ensure the effective operation of these controls. All councils should consider whether the following fundamental internal controls are operating effectively:

- **Segregation of duties:** ensuring access to systems are restricted to appropriate levels (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 (eg, general ledger); using third-party information (suppliers' statements) and reconciling with payment systems.
- **System documentation:** system documentation should be maintained which details key controls to be carried out by staff to prevent fraud or error.
- **Monitoring:** scrutiny monitoring should be at a level that would allow managers to identify anomalous payments at an early stage.
- **Counter-fraud arrangements:** refresh and promote the counter-fraud policy with staff.

37. The processes around the annual governance statement also provide a useful opportunity for councils to take stock of the key controls and processes in place and whether self-assessment processes are sufficient to provide elected members and officers with the required assurances.

The council's response to taxpayers

38. The council is acutely aware that accounts in credit balances belong to taxpayers and that the funds are held for safekeeping by the council. The priority for the council has therefore been to make sure that the individual council tax accounts affected were corrected and credit balances reinstated.

39. Since February 2024, there has been ongoing work to identify all accounts affected by the embezzlement. So far, around 1,400 accounts (25 per cent) have been identified from the estimated 5,700 accounts affected.

40. At this stage, no attempt has been made to contact taxpayers and no refunds have been made. There are practical challenges of providing a refund to taxpayers often years after the event, who had not already been located at the time.

41. The council intends to try to establish contact with the relevant taxpayers and where this is not possible, revised procedures for managing accounts in credit will be applied. When there is no response to follow up correspondence, a credit balance will be cleared by writing the amount back in the council tax system. Should a taxpayer ever identify themselves to the council in the future however, the money remains available for repayment.

42. Provision was made in the 2023/24 annual accounts for the loss of funds. The council expects to recover the loss through a combination of cash from the pension of the perpetrator and a claim on the council's insurance.

Conclusions

43. There were failures in controls within the council that allowed this fraud to continue over a prolonged period. In particular, a lack of segregation of duties and monitoring in relation to council tax refunds allowed the perpetrator to transfer balances between council tax accounts.

44. Controls exist to safeguard both the employees and the employer. In this case, failure to implement controls enabled an abuse of authority which, when combined with a detailed knowledge of council tax administration, provided the opportunity to withdraw funds inappropriately.

45. In totality, the scale of the fraud was significant. There was no major impact on the individual financial statements from 2006/07 to 2023/24 and the payments did not represent a material misstatement in any given year.

46. The amounts were taken from balances held by the council on behalf of taxpayers who had made overpayments on their council tax accounts. The council recognises its safeguarding role, and to date, has identified around 25 per cent of the accounts affected. No attempt has yet been made to contact taxpayers and make refunds.

47. Once an irregular transaction was identified in September 2023, the council acted quickly to deal with the individual, the situation and take corrective action. Key controls such as segregation of duties were promptly revised and an improvement plan of prioritised actions was developed. Good progress has also been made with processes to recover lost funds.

48. Work was undertaken to address the improvement actions identified by the service but some of the associated controls have yet to be embedded in a way that fully addresses the issues identified. Management requested internal audit review progress being made against the improvement plan and consider controls to further strengthen the framework around accounts in credit and refunds. A number of additional system-wide risks were duly identified and further recommendations were made.

49. In the chief internal auditor's view, most actions were therefore only partially complete with some expected to take longer than the target dates previously reported by the service. The Task and Finish Group have recently taken ownership of the improvement plan including the additional recommendations and now need to increase momentum.

50. The council generally has a sound system of internal controls in place but should take the opportunity to undertake a risk assessment of its wider internal control and counter-fraud arrangements and use the annual governance statement process to review its self-assessment arrangements across services.

The 2023/24 audit of Aberdeen City Council

Council tax refunds – a significant fraud



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ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	5 February 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Treasury Management Policy
REPORT NUMBER	CORS/25/013
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Neil Stewart
TERMS OF REFERENCE	5 and 6

1. PURPOSE OF REPORT

- 1.1 To outline the Council's Treasury Management Policy for 2025/26 to 2027/28, for approval.

2. RECOMMENDATION

That Council: -

- 2.1 Approve the Council's Treasury Management Policy, including the Treasury Management Policy Statement, Borrowing Policy, Investment Policy and Counterparty list, for 2025/26 to 2027/28 as detailed at Appendix 1.

3. CURRENT SITUATION

Introduction

- 3.1 The Council approved a Treasury Management Policy for the financial years 2024/25 to 2026/27 on 7 February 2024. Part of this policy is to report annually on a policy which covers future financial years. A final report reviewing Treasury Management activities for the year, as well as a mid-year review report, will also be presented to full Council, in due course.
- 3.2 Councils are required by the Local Government Capital Expenditure Limits (Scotland) Regulations 2004 to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Finance in Local Authorities ("the Code") when carrying out their duties under part 7 of the Local Government in Scotland Act 2003.
- 3.3 It is a requirement of this Code that Treasury Management is carried out in accordance with good professional practice. The Code requires compliance with the CIPFA "Code of Practice for Treasury Management in the Public Services", which this Council does. The CIPFA Code of Practice states that Treasury Management reports must be approved by full Council.

- 3.4 Historically, the Council's annual programme of capital investment has been funded by Treasury Management activities, such as additional long-term borrowing.

Treasury Management Policy 2025/26 to 2027/28

- 3.5 The proposed Treasury Management Policy for 2025/26 to 2027/28 is set out in detail at Appendix 1 and is subject to annual review. The policy has been slightly revised to align with the latest versions of both the CIPFA Code of Practice for Treasury Management in the Public Services, and the Prudential Code for Capital Finance in Local Authorities.

Treasury Management Policy Statement 2025/26 to 2027/28

- 3.6 The proposed Treasury Management Policy Statement for 2025/26 to 2027/28 is set out in detail in Appendix 1, Section 5.1, for approval. The Policy Statement uses a form of words as recommended by CIPFA in its Code of Practice for Treasury Management in the Public Services.

Borrowing and Investment Policies 2025/26 to 2027/28

- 3.7 There are no key changes within either the Council's Borrowing or Investment Policies for 2025/26 to 2027/28.
- 3.8 The Council's proposed Borrowing Policy for 2025/26 to 2027/28 is set out in detail at Appendix 1, Section 5.2 for approval. The Council's proposed Investment Policy for 2025/26 to 2027/28 is set out in detail at Appendix 1, Section 5.4 for approval.
- 3.9 The process of setting these policies takes account of the pre-existing structure of the Council's debt and investment portfolios. The limits on fixed rate debt and variable rate debt within this Treasury Management policy may be subject to further change, in line with market conditions. However, any such change to these limits would be reported to Council.
- 3.10 One of the key areas of the Local Government Investments (Scotland) Regulations 2010 (the "investment regulations") is permitted investments. Under the regulations and the associated Finance Circular 5/2010, local authorities are required to set out in their policy the types of investment that they will permit in the financial year. These are known as permitted investments. The Council is required to set a limit to the amounts that may be held in such investment types at any time in the year, although some types of investment may be classed as unlimited, e.g., Bank deposits (subject to individual Counterparty list limits).
- 3.11 Permitted Investment instruments identified for use in the financial years 2025/26 to 2027/28 are listed in Appendix 1, Section 5.5.

The Investment Policy is also required to identify: -

- the different types of risk that each permitted type of investment is exposed to;

- the objectives for each type of permitted investment;
- details of the maximum value and maximum period for which funds may prudently be invested; and
- procedures for reviewing the holding of longer-term investments

Counterparty List

- 3.12 The Council, as part of its Treasury Management Policy, has an approved listing of banks and other financial institutions (the Counterparty list) with which it can undertake short-term money investments.
- 3.13 The Council's Counterparty list is compiled using credit rating information supplied by the major credit rating agencies to Link Asset Services, the Council's appointed Treasury Management advisors.
- 3.14 The Counterparty list was last updated on 7 February 2024, and is attached at Appendix 1, Section 5.7, for approval.

CIPFA Code of Practice for Treasury Management in the Public Services

- 3.15 A revised version of the Treasury Management Code of Practice was issued by CIPFA in December 2021, which took effect from 1st April 2023. The latest revision includes some slight changes to practices. Most of the changes to the Code were around borrowing for purely commercial purposes, which this Council does not do.

The Prudential Code for Finance in Local Authorities

- 3.16 Similarly a revised version of the Prudential Code was issued by CIPFA in December 2021. Again, this revision features some changes to prudential indicator reporting with effect from 1st April 2023
- 3.17 The ability for the Council to set the scope and size of its capital plans remains within the powers of the Council. That said, the prudential system processes have been strengthened to set out greater consideration of prudence, with sustainability and risk reporting to be improved through governance procedures.
- 3.18 The Council is required to comply with the requirements of the CIPFA Prudential Code. Part of these requirements includes the setting of several Prudential Indicators.
- 3.19 Included within these indicators are several Treasury Management Indicators for External Debt boundaries. The Code does state "It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate".

3.20 The Council has in place an early warning system to highlight when these indicators are likely to be breached. No indicators were breached during the previous year.

3.21 The Prudential Indicators 2025/26 to 2029/30 will be considered and approved by Council at its budget meeting on 5th March 2025.

National Limit on Capital Expenditure

3.22 The Local Government in Scotland Act 2003 specifies that Scottish Ministers may by order, set the maximum amounts which local authorities may allocate to capital expenditure. They may also, by direction, set the maximum amounts which a particular local authority may allocate to capital expenditure. Different amounts may be set, in relation to different kinds of capital expenditure.

4. FINANCIAL IMPLICATIONS

4.1 Treasury Management activities influence the loans pool interest rates and aims to minimise the cost of borrowing. This directly impacts on costs chargeable to the Council's revenue budgets through the interest rates that are applied to capital financing costs. Whilst the level of borrowing a Council can undertake is now devolved from the Scottish Government to individual Councils, it will still be constrained by the requirement for capital investment to be affordable, sustainable and prudent. The main test of affordability will be whether the capital financing costs can be contained within the revenue budgets.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report, however it should be noted that the issuance of the Bonds requires the Council to comply with the UK Market Abuse Regulation, the Disclosure and Transparency Rules, the Listing Rules and ongoing obligations as set out in the London Stock Exchange Admission and Disclosure Standards.

6. ENVIRONMENTAL IMPLICATIONS

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

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) <small>*taking into account controls/control actions</small>	*Does Target Risk Level Match Appetite Set?
Strategic Risk	No significant risks identified			

Compliance	No significant risks identified			
Operational	No significant risks identified			
Financial	Loss of deposit in a failed bank or financial institution	The Council has strict lending criteria, only financial institutions with the highest credit ratings are included on the Council's Counterparty list. The list is compiled in conjunction with the Council's Treasury	L	Yes
Reputational	No significant risks identified			
Environment / Climate	No significant risks identified			

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Jonathan Belford, Chief Officer - Finance on 24 January 2025.
Data Protection Impact Assessment	Not Required

10. BACKGROUND PAPERS

10.1 CIPFA "Code of Practice for Treasury Management in the Public Services ";
 CIPFA "The Prudential Code for Capital Finance in Local Authorities";
 Link Asset Services "Treasury Management Annual Investment Strategy";
 Scottish Government "The Investment of Money by Scottish Local Authorities".

11. APPENDICES

11.1 Appendix 1 - Treasury Management Policy for 2025/26 to 2027/28

12. REPORT AUTHOR CONTACT DETAILS

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Treasury Management Policy: Borrowing and Investment

Approved by Council on XX

Document Control

Approval Date	Submitted for approval on 5 February 2025
Implementation Date	01/04/2025
Policy Number	-
Policy Author(s) and Owner	Neil Stewart, Jonathan Belford
Approval Authority	Council
Scheduled Review	Annually
Changes	No significant changes

Table of Contents

1	Purpose Statement	3
2	Application and Scope Statement	3
3	Responsibilities	3
4	Supporting Procedures & Documentation	3
5	Policy Statements	4
6	Definitions.....	15
7	Risk.....	16
8	Policy Performance	17
9	Design and Delivery	18
10	Housekeeping and Maintenance	18
11	Communication and Distribution	18
12	Information Management	18

1. Purpose Statement

- 1.1 This policy outlines the Council's approach to its Treasury Management activities, including Borrowings and Investments, for financial years 2025/26 to 2027/28. The policy is subject to an annual review.
- 1.2 The policy statement uses a form of words as recommended by CIPFA in its Code of Practice for Treasury Management in the Public Services.

2. Application and Scope Statement

- 2.1 The policy sets out the framework that which the Council's Borrowing and Investment strategies will work within.
- 2.2 Treasury Management activities influence the loans pool interest rates and aims to minimise the cost of borrowing. This directly impacts on costs chargeable to the Council's revenue budgets through the interest rates that are applied to capital financing costs.

3. Responsibilities

- 3.1 It shall be the responsibility of the Chief Officer - Finance, or designated officer, to ensure that this policy is kept up to date and is monitored for its effectiveness. The policy shall be reviewed annually to take account of changes in regulations, statute or professional guidance.
- 3.2 The Chief Officer - Finance, as the "Proper Officer", in terms of Section 95 of the Local Government (Scotland) Act 1973, shall be the adviser on financial matters to the Council and all its Committees. S/he shall be responsible for the proper administration of the Council's financial affairs.
- 3.3 The policy is implemented and applied on a day-to-day basis by the Accountant (Treasury).

4. Supporting Procedures & Documentation

- 4.1 The Council is required by the Local Government Capital Expenditure Limits (Scotland) Regulations 2004 to have regard to the Prudential Code for Capital Finance in Local Authorities ("the Code") when carrying out its duties under part 7 of the Local Government in Scotland Act 2003.
- 4.2 It is a requirement of this Code that Treasury Management is carried out in accordance with good professional practice. The Code requires compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) "Code of Practice for Treasury Management in the Public Services", which the Council does. The CIPFA Code of Practice states that Treasury Management Strategy reports must be approved by full Council.

4.3 The latest version of the Treasury Management Code of Practice was issued by CIPFA in December 2021. The Treasury Management Policy Statement, Borrowing and Investment Strategy documents contained within this report have been prepared in line with this.

4.4 CIPFA's Code of Practice recommends that Treasury Management policy should be reported to full Council at least annually. A year-end report reviewing Treasury Management activities for the year, and a mid-year review, are also presented to full Council, as per CIPFA's recommendations.

5. Policy Statement

5.1 TREASURY MANAGEMENT POLICY STATEMENT FOR 2025/26 TO 2027/28

Aberdeen City Council will adopt the CIPFA Treasury Management in the Public Services Code of Practice. The Council will also have regard to the Local Government Investments (Scotland) Regulations 2010.

The Council defines its treasury management activities as:

The management of the organisation's borrowings, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organization and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council's appointed Treasury Advisors are Link Asset Services. Their expertise will continue to be used by the Council in making Treasury decisions in areas such as debt rescheduling, interest rate forecasts, market conditions, advice on new types of financial instruments and compiling the Council's Counterparty list.

5.2 BORROWING POLICY FOR 2025/26 TO 2027/28

Under the Prudential Code previous borrowing restrictions linked to consents no longer apply. With Public Works Loans Board (PWLB) rates at historic low levels in periods from 40 to 50 years, our policy would be to borrow, if required, in these periods to take advantage of those rates. Rates are monitored on an on-going basis to determine the optimum time to undertake any necessary borrowing. When decisions on new

borrowing are being made, due consideration must also be given to the Council's Debt Maturity Profile.

Approximately 63% of the Council's long-term borrowing is long-term fixed rate PWLB loans. Whilst there is no immediate intention to reschedule these debts, if opportunities arise to do so that will result in a decrease in the Council's cost of borrowing then these will be fully examined to determine whether this represents Best Value. Due care and attention to both IFRS 9 Financial Instruments (International Financial Reporting Standard), and the Council's Debt Maturity Profile will be examined prior to entering any such commitment.

It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2025/26, 2026/27 and 2027/28 of 100% of its net outstanding principal sums.

It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2025/26, 2026/27 and 2027/28 of 30% of its net outstanding principal sums. This means that the Chief Officer - Finance will manage fixed interest rate exposures within the range 30% to 100% and variable interest rate exposures within the range 0% to 30%.

It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowing as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate:

	<u>Upper limit</u>	<u>Lower limit</u>
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	90%	25%

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

5.3 STATUTORY REPAYMENT OF LOANS FUND ADVANCES

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

For Loans Fund balances outstanding as at 1 April 2019, the policy will be to adopt a simplified prudent approach that uses an average Loans Fund repayment period of 40 years, applying an annuity method. The interest rate used for the annual repayment will

be 5%, with this being the average consolidated rate on the Councils external borrowing for the period 2003/04 to 2018/19.

The average life and average interest rate will be kept under review each year to ensure they remain prudent.

The policy is subject to the following details:

- An average Asset life for the year's total advances will normally be used. There will not be separate schedules for the components of a building (e.g. plant, roof etc).
- The Average Asset Life will be determined by the Chief Officer - Finance.
- The interest rate used in the annuity calculation will be determined by the Chief Officer - Finance.
- Loans Fund Repayments will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for assets under construction where repayments will be deferred until the year after the asset becomes operational.
- Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Chief Officer - Finance.
- If appropriate, shorter repayment periods (i.e. less than the asset life) may be used for some or all new borrowing.
- The policy will aim to support the maintenance of a balanced and sustainable Housing Revenue Account business plan.
- Where revenue contributions or specific grants are received from government or other sources that can be associated with the debt financing costs of capital investment, then the repayments will be profiled in line with the income profile (e.g. TIF, City Deal). These will be kept under review to ensure the provision for repayment remains prudent.
- The Council may make additional voluntary debt repayment provision from revenue or capital resources. In this case, the Chief Officer - Finance may make an appropriate reduction in later years' levels of Loans Fund Repayments.

The policy was previously approved by the City Growth & Resources Committee on 25 April 2019 and can be viewed via the following link:

<https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=618&MId=6191&Ver=4>

5.4 INVESTMENT POLICY FOR 2025/26 TO 2027/28

The Council's investment priorities are: -

- (a) the security of capital and
- (b) the liquidity of its investments.

The policy is designed to ensure that the Council complies with all applicable legislation and regulation relating to the management of portfolio liquidity risk and has robust controls in place to protect the financial soundness of this Council.

The policy must be read in conjunction with all applicable operational policies. The policy is aligned with the low risk appetite of this Council and fundamentally with the two key

principles of preservation of capital and guarantee of liquidity of the investments. The policy has also been designed to provide the Council with the flexibility to obtain an adequate return on its investments in line with predefined levels of security and liquidity.

The Council's approved counterparty list will be adhered to when making short-term investments and reviewed as necessary. This ensures that only those counterparties with the highest credit ratings are used within the maximum limits set. If it is considered necessary to make any changes to the list Committee approval will be sought.

Prior to the introduction of the current investment regulations, investments made by Scottish local authorities were limited to one year. This restriction was removed from 1st April 2010 and the Council accordingly has used these powers when such investing is both appropriate and attractive, while respecting the key principles of preservation of capital and guaranteeing the liquidity of the investments.

Rates offered by approved counterparties are to be monitored on an on-going basis to determine the optimum time to undertake any investments. When decisions on new investments are being made, due consideration must also be given to the Council's projected cashflow position.

The Local Authority investment market may develop new investment products, in line with current investment regulations. In order to protect against any possible loss of income, the power to add a new investment instrument to the list of Permitted Investments, should be delegated to the Chief Officer - Finance. Any such approval would be reported at the next full Council meeting.

Liquidity of its investments is a key priority of the Council. To ensure good availability of liquidity for cashflow purposes, no more than 50% of the Council's available investments should be placed in longer-term, fixed rate investments. The remainder will be kept in highly liquid investments and invested on a short-term basis, using either Bank deposits or "Aaa"/"AAA" rated Money Market Funds.

Any change in the level of liquidity held will require approval from the Chief Officer - Finance and will be reported at the next full Council meeting.

The level of liquidity required at any given time will be based on several factors, including:

- (a) the Council's cashflow requirements over the months ahead. This would include any known payments to third parties, loan repayments etc.
- (b) the level of surplus funds administered on behalf other bodies such as the Pension Fund, ALEOs and Trusts, as these funds may be called back at any time by the bodies.
- (c) any payment with regards to capital projects which may require financing at short notice.

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) CONSIDERATIONS

At this time, the Council considers the advice of its financial advisors when compiling its Counterparty list. Our financial advisors are informed by credit ratings agencies whom supply such ratings on potential counterparties. These ratings incorporate ESG risks alongside more traditional financial risk metrics, therefore ESG considerations are already incorporated in our Counterparty list to an extent.

The Council will continue to work with and follow the advice of its financial advisors when looking at ways in which to incorporate further ESG factors into their own assessment service.

5.5 LIST OF PERMITTED INVESTMENTS

This Council approves the following forms of investment instrument for use as permitted investments: -

DEPOSITS - Unlimited (subject to individual Counterparty list limits)

- Debt Management Agency Deposit Facility
- Term deposits – local authorities (as per Counterparty list)
- Call accounts – banks and building societies (as per Counterparty list)
- Term deposits – banks and building societies (as per Counterparty list)
- Fixed term deposits with variable rate/maturities (Structured deposits, as per Counterparty list)

COLLECTIVE INVESTMENT SCHEMES - £250m

- Government Liquidity Funds
- Money Market Funds (subject to individual Counterparty list limits)
- Enhanced cash funds
- Gilt Funds
- Bond Funds
- Multi-Asset Funds

GOVERNMENT SECURITIES - £100m

- Treasury Bills
- UK Government Gilts
- Bond issuance (from financial institution guaranteed by UK Government)
- Bonds issued by multi-lateral development banks

CORPORATE SECURITIES - £10m

- Certificates of deposit (as per Counterparty list)

PERMITTED INVESTMENTS - NON-TREASURY INVESTMENTS

- The Council can also invest in the following areas, which are out with the Treasury Management scope and would be subject to separate committee approval: -
 - a) All shareholding, unit holding and bond holding, including those in a local authority owned company;

- b) Investments for service purposes. This includes loans to a local authority company or other entity formed by a local authority to deliver public services, including Joint Venture entities;
- c) Loans made to third parties;
- d) Investment properties.

5.6 OBJECTIVES OF PERMITTED INVESTMENTS

DEPOSITS - The following forms of 'investments' are more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

- Debt Management Agency Deposit Facility (DMADF) – This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. As it is low risk it also earns low rates of interest. The longest period for a term deposit with the DMADF is 6 months.
- Term Deposits – This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF. In addition, longer term deposits offer an opportunity to increase investments returns by locking in high rates ahead of an expected fall in the level of interest rates.
- Call accounts – The objectives are as for Term Deposits, but with instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Use of call accounts is highly desirable to ensure that the authority has ready access to cash for liquidity purposes.
- Fixed term deposits with variable rate/maturities – This encompasses all types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluid nature of this area, this section allows flexibility to adopt new instruments as and when they are brought to the market.
- Deposits with Counterparties currently in receipt of government support/ownership – These banks offer another dimension of creditworthiness in terms of Government backing through either partial or full direct ownership. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits.

COLLECTIVE INVESTMENT SCHEMES -

- Money Market Fund (MMF) – By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or capabilities to hold directly. Money Market Funds can have either a constant net asset value (CNAV) or a low volatility net asset value (LVNAV).

Due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM)

cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60-day WAM means they have locked in investments earning higher rates of interest than are currently available in the market.

MMFs also help an authority to diversify its own portfolio and offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF.

- Government Liquidity Funds – These are the same as money market funds (see above) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.
- Enhanced cash funds – These funds are similar to MMFs, can still be AAA rated but have variable net asset values (VNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile.

These funds can have WAMs and Weighted Average Life (WALs) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

- Gilt Funds – These are funds which invest only in UK Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in DMADF, but they do have an exposure to movements in market prices of assets held.
- Bond Funds – These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.
- Multi-Asset Funds – These funds contain a combination of asset classes (such as cash, equity or bonds) and therefore increase the diversification of an investment. This reduces risk/volatility but can also impact upon potential returns. Funds can be tailored to suit an investors tolerance of risk.

GOVERNMENT SECURITIES – The following types of investments are where a local authority directly purchases a particular investment instrument - a security. It has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield - it is

normally the interest paid by the issuer divided by the price paid, unless the security is initially issued at a discount (e.g. treasury bills).

- Treasury Bills – These are short term bills (up to 12 months, although none have ever been issued for this maturity) issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.
- UK Government Gilts – These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity, if the yield curve is positive.
- Bond issuance (from financial institution guaranteed by UK Government) – This is similar to a gilt due to the Government guarantee.
- Bonds issued by multi-lateral development banks (MLDBs) – These are similar to both gilts and bond issuance but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

CORPORATE SECURITIES – The following types of investments are where a local authority directly purchases a particular investment instrument – a security. It has a market price when purchased and that value can change during the period it is held until it is sold. The annual earnings on a security is called a yield – the interest paid by the issuer divided by the price paid. These are similar to government securities although they generally have a higher risk than government debt and as such earn higher yields.

- Certificates of deposit (CDs) – These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

PERMITTED INVESTMENTS - NON-TREASURY INVESTMENTS

- The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries/ALEOs, and investment property portfolios.

5.7 COUNTERPARTY LIST

Deposits up to 12 months

All the banks listed in this category have a suggested duration of 12 months from our treasury advisors, Link Asset Services credit rating list – i.e. the highest rated

UK Banks - £30m limit

HSBC Bank plc

Handelsbanken PLC

Lloyds Banking Group (includes Bank of Scotland)

The Royal Bank of Scotland Group plc (includes National Westminster Bank plc)

Standard Chartered Bank

Other Banks - £20m limit

Countries with a minimum of AA+ Sovereign rating and Banks with a suggested duration of 12 months from LAS credit rating list – i.e. the highest rated

Australia - AAA

Australia and New Zealand Banking Group Ltd.

Commonwealth Bank of Australia

National Australia Bank Ltd.

Westpac Banking Corp.

Canada – AA+

Bank of Montreal

Bank of Nova Scotia

Canadian Imperial Bank of Commerce

Royal Bank of Canada

Toronto-Dominion Bank

Finland – AA+

Nordea Bank ABP

Germany - AAA

DZ BANK AG Deutsche Zentral-Genossenschaftsbank

Landwirtschaftliche Rentenbank

NRW.BANK

Netherlands - AAA

Nederlandse Waterschapsbank N.V.

Cooperatieve Rabobank U.A.

ING Bank N.V.

Singapore - AAA

DBS Bank Ltd.

Oversea-Chinese Banking Corp. Ltd.

United Overseas Bank Ltd

Sweden - AAA

Skandinaviska Enskilda Banken AB (SEB)

Svenska Handelsbanken AB

Swedbank AB

Switzerland - AAA

UBS AG

UK Local Authorities (including Police Authorities) – £20m limit
(per authority)

Deposits up to 6 months

Council's Bankers - £30m limit

Clydesdale Bank plc (trading as Virgin Money)

UK Banks - £20m limit

Barclays Bank PLC

Goldman Sachs International Bank

Santander UK PLC

UK Building Societies - £10m limit

Nationwide Building Society

Skipton Building Society

Yorkshire Building Society

Deposits up to 3 months

UK Building Societies - £10m limit

Coventry Building Society

Leeds Building Society

Collective Investment Schemes

Money Market Funds - £30m limit

Aberdeen Liquidity Fund – Sterling

Deutsche Managed Sterling Fund

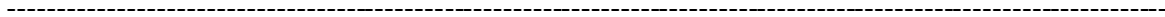
Federated Short Term Sterling Prime Fund

HSBC Sterling Liquidity Fund

Insight Liquidity Fund

Morgan Stanley Sterling Liquidity Fund

State Street Global Advisors GBP Liquidity Fund



6. Definitions

6.1 CIPFA Treasury Management in the Public Services Code of Practice

This is the CIPFA guidance document that all local authorities must follow for their treasury management activities.

6.2 Counterparty list

This is an approved listing of banks and other financial institutions with which the Council can undertake short-term money investments. The list is compiled using credit rating information supplied by the major credit rating agencies to Link Asset Services, the Council's appointed Treasury Management advisors.

6.3 Prudential Code

A CIPFA produced framework to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Code are to ensure that the capital investment plans of local authorities are affordable and proportionate, and external long-term borrowing is prudent and sustainable. Risks associated with investments for service purposes are proportionate to their financial capacity, and treasury management and investment decisions are taken in accordance with professional good practice.

6.4 Public Works Loan Board

Operated by the UK Debt Management Office (DMO) on behalf of HM Treasury, to provide loans to local authorities from the National Loans Fund to support capital projects.

6.5 Debt Maturity Profile

A list/chart of loans/debt expressed in the order of their principal repayment dates.

6.6 Loans Fund Advances

The mechanism used to distribute both principal and interest costs for external borrowing, to the appropriate internal Council departmental budgets.

6.7 Money Market Funds

These funds collective investment schemes which are AAA rated. These fund portfolios are widely diversified, using many forms of investment types in order to produce a sustainable level of return to investors.

6.8 Liquidity

The availability of liquid assets/cash on hand, in order for the Council to meet its financial obligations.

7. Risk

7.1 TREASURY RISKS AND CONTROLS

All treasury borrowing and investments are subject to the following risks: -

7.2 Credit and counterparty risk: this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.

Control: This authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes.

7.3 Liquidity risk: this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk, as credit risk can never be zero. In this document, liquidity risk has been treated as whether instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, Certificates of Deposit, corporate bonds can usually be liquidated at short notice if the need arises, there are two caveats: - a) cash may not be available until a settlement date up to three days after the sale, b) there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer.

Control: This authority has a cash flow forecasting system to enable it to determine how long investments can be made for and how much can be invested. This authority operates with a liquidity policy that at least 50% of its external investments will be liquid (i.e. accessible in 35 days or less).

7.4 Interest rate risk: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk except for instruments with a variable rate of interest.

Control: This authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which seeks to minimise borrowing costs.

7.5 Market risk: this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure

to market risk e.g. those investing in investment instruments with a view to obtaining a long-term increase in value.

Control: This authority does not purchase investment instruments which are subject to market risk in terms of fluctuation in their value.

7.6 Legal and regulatory risk: this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

Control: This authority will not undertake any form of investing until it has ensured that it has all the necessary powers and complied with all regulations.

8. Policy Performance

8.1 Loans Fund Pool Rate – The Council maintains a Consolidated Loans Fund (CLF) under the powers contained in the Local Government (Scotland) Act 1975. All loans raised by the Council are paid into the Fund and all advances to finance capital expenditure are made from the Fund, except projects financed directly from Revenue Accounts.

In essence, the Loans Fund acts as a bank to the Council's Services. The Loans Fund finances the daily cashflow of Services (and either pays or charges interest) as well as deciding the amount of borrowing to undertake to finance capital expenditure. The Treasury section pro-actively manages the Council's debt and investment portfolios with the goal of reducing the overall cost of debt servicing to the Council.

All loans and investment interest and expenses for the year, as well as interest on historic outstanding borrowing, are reflected within the Council's average Loans Pool Rate. The projected pool rate is monitored against an estimate throughout the year, and any adverse movements in this would be reported to the Chief Officer – Finance.

The Loans Pool Rate is the key financial indicator of the effectiveness of Treasury Management Policy. The final rate is reported to full Council as part of the annual Treasury Management Year-End Review report.

8.2 The Council remains required to comply with the requirements of the Prudential Code. This includes the setting of several Prudential Indicators. Included within these indicators are several Treasury Management Indicators for External Debt boundaries.

The Code does state "It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate".

The Council has in place an early warning system to highlight when these indicators are likely to be breached. No indicators were breached during the previous year.

9. Design and Delivery

9.1 This policy has taken into consideration organisational design and governance principles of Aberdeen City Council's Operating Model.

9.2 This policy has been designed to allow scope for the use of emerging products, financial instruments and/or services which would improve the effectiveness of the Council's Treasury Management function.

10. Housekeeping and Maintenance

10.1 This policy is constantly monitored throughout the year. In line with CIPFA recommendations, Treasury Management matters are reported to full Council at least 3 times annually: -

- Annual Policy and Strategy Review
- Year End Summary
- Mid-Year Review

Should an urgent matter arise outwith the timing of these reports (e.g. a new Counterparty to be added), then a separate report can be made to full Council for approval.

11. Communication and Distribution

11.1 Although this policy is not published separately, the policy would be available as part of the relevant Council report, and therefore would be accessible through the Committee Reporting section of the Council's website and the Council's Intranet. The policy will be shared with users and stakeholders, such as Internal Audit.

12. Information Management

12.1 Information generated by the application of the policy will be managed in accordance with the Council's Corporate Information Policy and supporting Procedures.

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