

Aberdeen City Council

2022/23 Annual Audit Report



 AUDIT SCOTLAND

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

April 2024

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Key messages

2022/23 annual accounts

- 1 Audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council were unmodified.
- 2 Recommendations to improve the content of the management commentary and the annual governance statement prior to the preparation of the 2023/24 accounts are being actioned by officers.
- 3 There were gaps in the supporting working papers and audit trails provided for audit. Steps are being taken to address these matters.

Financial management and sustainability

- 4 The council has appropriate arrangements to secure sound financial management. Quarterly management accounts which include a balance sheet position are considered by the Finance and Resources Committee. The council reported a small deficit of £2 million as the outturn against budget for the year.
- 5 A sound approach to medium and longer-term financial planning is in place to manage ongoing financial challenges. A five-year financial plan is prepared showing the savings required each year to deliver a break-even position.
- 6 The council has implemented a second programme of challenging transformation and service redesign to address a funding shortfall in excess of £100 million over the next five years.
- 7 Controls within the main financial systems were operating satisfactorily while standards of conduct and arrangements for the prevention and detection of fraud and error were adequate.

Best Value

- 8 The council has an effective best value framework in place. Priorities are well articulated and embedded within its strategic planning framework. Positive action has been taken to encourage wider involvement in community engagement and empowerment.
- 9 There is an effective Performance Management Framework in place. Steps continue to be taken to further improve the quality of how the council reports

its performance but there is scope to focus more on targets, outcomes and impact.

- 10** Good progress had been made in addressing the recommendations made in the Best Value Assurance Report published in June 2021.

Vision, leadership, governance and use of resources

- 11** Governance arrangements are appropriate and operated effectively but scrutiny arrangements could be improved and powers delegated to officers reviewed. There is an absence of effective cross-party working and tensions exist between elected members in the council chamber.
- 12** There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity.
- 13** The council's performance in the Local Government Benchmarking Framework remains positive. It shows improvement in 47% of indicators and performs better than the Scottish average in 54% of indicators.
- 14** The council's arrangements for the publication of statutory performance indicators met statutory requirements.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Aberdeen City Council (the council). The scope of the audit was set out in an annual audit plan presented to the Audit, Risk and Scrutiny Committee in May 2023. This Annual Audit Report comprises:

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

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

Audit appointment from 2022/23

3. The 2022/23 financial year was the first of our five-year appointment. Our appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. We would like to thank councillors, senior management, and other staff, particularly the Chief Officer – Finance and his team, for their cooperation and assistance and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

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

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

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

Auditor Independence

8. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services. Our 2022/23 annual audit plan set out an audit fee of £507,010 including £10,000 in respect of the council's charities. This has been increased by £15,000 to reflect the additional work required to complete the audit. We are not aware of any relationships that could compromise our objectivity and independence.

1. Audit of 2022/23 annual accounts

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

Main judgements

Our audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified.

The management commentary, annual governance statement and remuneration report were consistent with the financial statements and properly prepared in accordance with the applicable guidance. Recommendations to improve the content of the management commentary and the annual governance statement prior to the preparation of the 2023/24 accounts are being actioned by officers.

There were gaps in the supporting working papers and audit trails provided for audit. Steps are also being taken to address these matters.

Audit opinions on the annual accounts are unmodified

9. The council approved the annual accounts for Aberdeen City Council and its group for the year ended 31 March 2023 on 15 August 2023. As reported in the independent auditor's report:

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

Significant findings and key audit matters

10. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the body's accounting practices. Our findings and recommendations were set out in a report to the Audit, Risk and Scrutiny Committee (ARSC) on 15 August 2023 and can be found here - [ARSC 15 August 2023 - External Auditor's Report](#)

11. A number of material adjustments were made to the accounts. Overall, they had the effect of reducing the comprehensive income expenditure account, net assets and reserves by £378 million. In addition, prior year figures were restated to increase income and closing reserves by £26 million. The changes largely related to technical accounting matters and included the recognition of pension assets in the accounts, the accounting treatment for unspent capital grants and the need for the council to eliminate internal transactions from its financial statements. More detail is provided in the August 2023 report: [ARSC 15 August 2023 - External Auditor's Report](#)

Our audit opinions on Section 106 charities were unmodified

12. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

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

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

14. We reported in the independent auditor's report that:

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

2. Financial management

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

Conclusion

The council has appropriate arrangements to secure sound financial management. Quarterly management accounts are provided to the Finance and Resources Committee. The council reported a small deficit of £2 million as the outturn against budget for the year.

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

The council operated within budget in 2022/23

15. The council approved its 2022/23 budget in March 2022. It was set at £533 million and required savings of £32 million to achieve a planned balanced budget. This was largely to be met through an increase in council tax, use of reserves and by taking advantage of fiscal flexibility and postponing the repayment of debt principal of £7.5 million.

16. The outturn for the year was a deficit of £2 million after use of reserves. This represents less than 0.5% of the total budget. There were a range of over and underspends across services which affected the council overall and council departments specifically.

Housing revenue account operated within budget

17. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set at a level which will at least cover the costs of its social housing provision. The HRA outturn was a £0.5 million surplus which was in line with the planned budget. There was however a significant overspend on repairs and maintenance during the year, partly as a result of rising inflation, and this meant there was a reduced revenue contribution from the HRA towards capital.

Revenue budget monitoring processes were appropriate

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

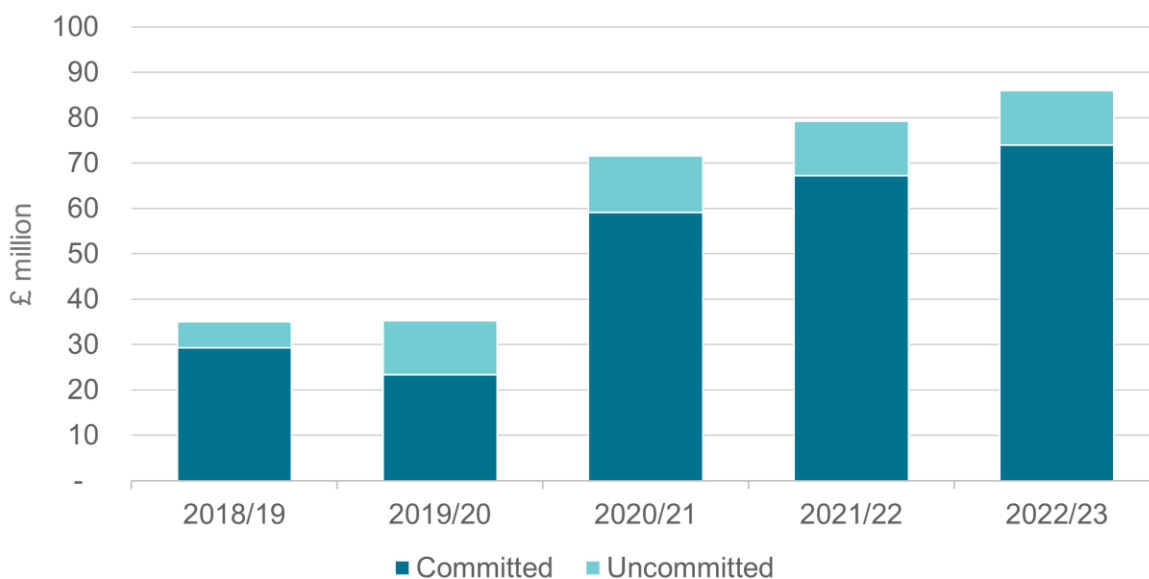
The level of General Fund reserves has slightly increased

19. One of the key measures of the financial health of a body is the level of reserves held. The council's level of usable reserves increased slightly from £71.6 million in 2020/21 to £72.2 million in 2022/23.

20. [Exhibit 1](#) provides an analysis of the general fund over the last five years split between committed and uncommitted reserves. The increase in committed funds over the last three years largely represents unspent capital grants carried forward.

Exhibit 1

Analysis of general fund balance



Source: Audited Accounts

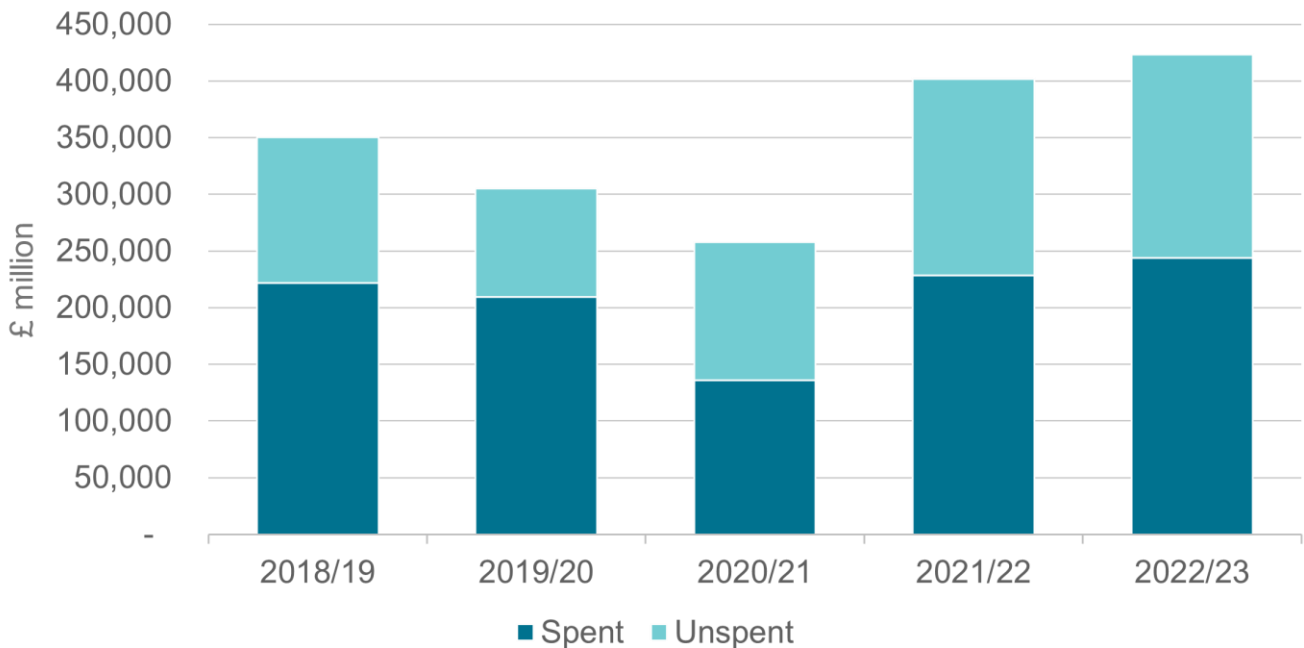
Capital expenditure reduced in 2022/23

21. The total capital budget in 2022/23 was £423 million, of which £241 million related to general services and £182 million to the housing revenue account. There has been significant slippage in both programmes, with £132 million expenditure on general services and £112 million on HRA. Combined, this represents a 42% underspend. [Exhibit 2](#) shows a similar trend in recent years.

22. In the aftermath of Covid-19, capital planning has become more difficult across the public sector due to shortages of materials and labour within the construction industry and a consequent rise in prices especially energy prices. This continues to be the case as demonstrated by the council's decision during the year, to pause construction of New Riverbank Primary School and council housing projects at Craighill and Kincorth, due to rising costs. These projects have now resumed but have been rescheduled over a longer timeframe.

Exhibit 2

Capital Budget showing unspent and spent elements



Source: Aberdeen City Council Outturn Reports

Borrowing levels have increased

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

24. At 31 March 2023, long-term borrowing stood at £1.2 billion, an increase of £23 million on the previous year. During the same period, short-term borrowing increased from £223 million to £306 million, an increase of £83 million which was due to an increase in deposits made with the council.

The council has appropriate financial control arrangements in place

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

Internal audit provided a reasonable level of assurance

26. The council's internal audit service is provided by the chief internal auditor of Aberdeenshire Council under a shared service arrangement. The internal audit in respect of financial year 2022/23 was reported to the Audit, Risk and Scrutiny Committee during the year. The chief internal auditor's 2022/23 annual report and opinion was subsequently considered by the committee in June 2023 when he confirmed that, in his opinion, the council had operated an adequate and effective framework for governance, risk management and control during the year under review.

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

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

28. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The council submitted datasets on time for the first data matching exercise in January 2023. Our 2023/24 audit work will include a review the council's investigation of high risk matches and the resulting outcomes from this work.

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

3. Financial sustainability

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

Conclusion

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

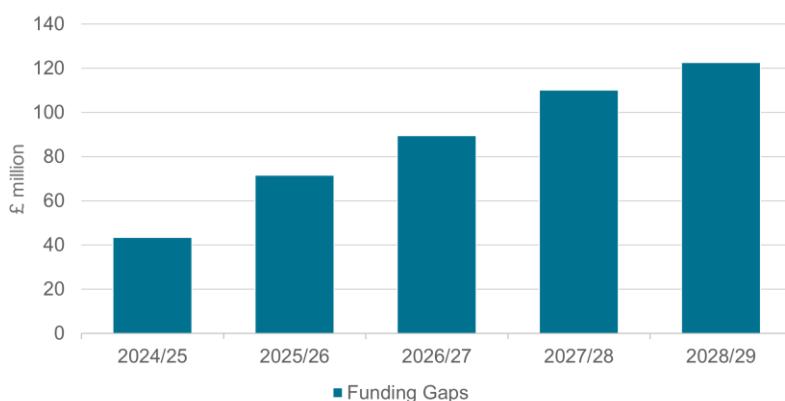
The council has implemented a second programme of challenging transformation and service redesign to address a funding shortfall in excess of £100 million over the next five years.

Medium and longer term financial plans are in place

30. The council approved its current medium term financial strategy (MTFS) in August 2023, which covers the periods 2023/24 to 2027/28. The aim of a medium term financial strategy is to pull together in one place the known factors affecting the financial position and financial sustainability of an organisation over the medium term. The budgets within the financial strategy are showing funding gaps of £43 million in 2024/25 rising to a cumulative £123 million by 2028/29 as illustrated in [Exhibit 3](#).

Exhibit 3

Identified cumulative funding gaps 2024/25 – 2028/29



Source: Aberdeen City Council Medium Term Financial Strategy

Transformation plans

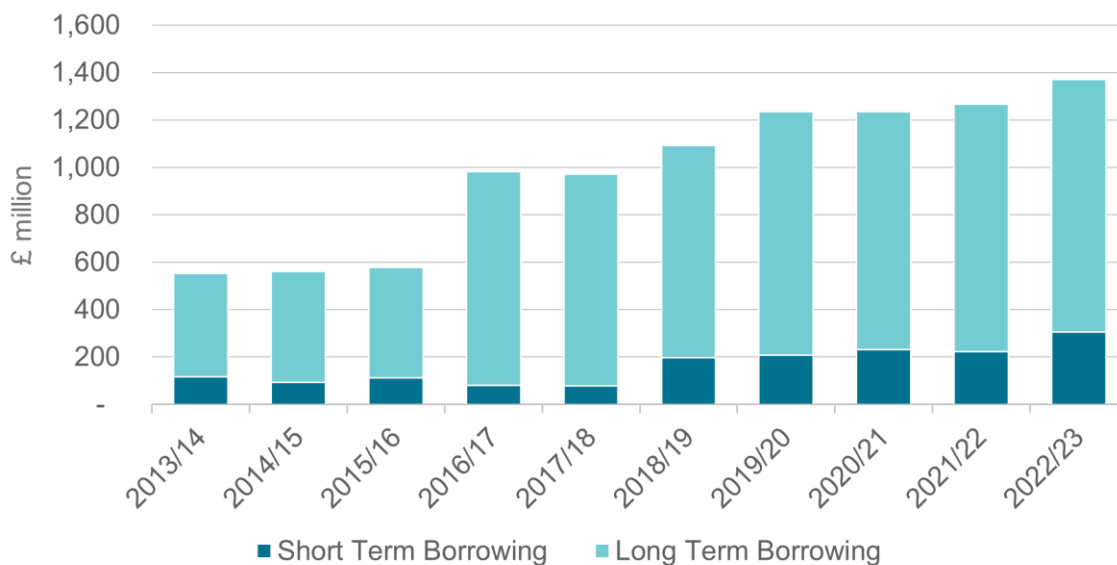
31. The council agreed a new Target Operating Model for 2022-27 to support the transformation needed to deliver savings and efficiencies in excess of £100 million as shown by [Exhibit 3](#). The objectives of the Target Operating Model are to:

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

Costs pressures

32. Council borrowing has increased significantly over the past decade from £552 million to £1.371 billion in 2022/23 as shown in [Exhibit 4](#). Although the cost of borrowing has been historically low, the council's interest costs almost doubled during this period, rising from £34 million to £60 million. With the more recent increases in interest rates, the cost of borrowing will increase. New borrowing will therefore be more expensive, increasing the financial pressures on the council. In addition, existing debt may need to be refinanced.

Exhibit 4 Council Borrowing



Source: Aberdeen City Council Audited Accounts

Reinforced Autoclaved Aerated Concrete (RAAC) Planks

33. In December 2022, the UK government issued a notice regarding Reinforced Autoclaved Aerated Concrete (RAAC) with a guide for estates managers. RAAC is a form of lightweight concrete widely used in the construction of floors and roofs of many buildings between the 1950s and 1990s. However, recent investigations have identified that roof leaks could lead to the deterioration of RAAC planks.

34. At the time of our audit of the 2022/23 accounts, Aberdeen City Council had undertaken structural surveys of its property (excluding housing stock) and while RAAC was found to be present in a small number of council buildings, surveys did not highlight the need for major works to be carried out. In response, the council has implemented roof management practices and is undertaking a programme of three yearly structural reviews and other monitoring arrangements.

35. The council has a planned repairs and maintenance programme in place with flexibility to escalate work based on the latest intelligence.

36. Later in summer 2023, the council identified that RAAC had been used in the construction of some of its council houses. Prompt action was taken to engage with the tenants and owners of the properties concerned and plans are being developed to address the identified risks and concerns. The need for a provision and/or contingent liability in the accounts will be assessed annually and will be informed by the outcome of the council's monitoring activities. We will continue to consider the financial implications for the council as part of the 2023/24 audit.

We carried out audit work in response to financial sustainability risks identified in our 2022/23 Annual Audit Plan

37. [Exhibit 5](#) sets out the wider scope risks relating financial sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 5

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

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial sustainability</p> <p>The council's revenue budgeted expenditure for 2022/23 is approx. £540 million. This reflects proposed savings and efficiencies of some £30 million. Longer term, the council's funding gap shortfall, based on a central scenario,</p>	<ul style="list-style-type: none"> Regular budget monitoring Quarterly management accounts Medium term financial planning arrangements. 	<p>We reviewed the Target Operating Model and Medium Term Financial Strategy. The strategy assesses the financial position over a 5-year period and is refreshed annually as part of the council's budget setting process. A longer-term</p>

Audit risk	Assurance procedure	Results and conclusions
<p>increases from £50 million in 2023/24 to £130 million in 2027/28.</p> <p>Financial sustainability remains a risk with ongoing financial pressures in the short to medium term. This includes inflationary pressures on contracts, the impact of agreed pay awards, supply chain volatility and energy costs.</p> <p>The council has been reducing its cost base in recent years. It needs to deliver efficiencies to balance the budget, otherwise there will be a need to draw on reserves.</p> <p>With ring-fenced funding, and larger scale structural change on the horizon through the development of the National Care Service, there are mounting pressures on the sustainability of council services.</p>		<p>financial plan, developed to support the launch of the bond in 2016, is due to be updated this year. We concluded that sound arrangements are in place.</p>

4. Best Value

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

Conclusions

The council has an effective best value framework in place. Priorities are well articulated and embedded within its strategic planning framework. Positive action has been taken to encourage wider involvement in community engagement and empowerment.

There is an effective Performance Management Framework in place. Steps continue to be taken to further improve the quality of how the council reports its performance but there is scope to focus more on targets, outcomes and impact.

Good progress had been made in addressing the recommendations made in the Best Value Assurance Report published in June 2021.

Best Value work in 2022/23

38. For 2022/23, the scope of Best Value work included conclusions on:

- leadership of the development of new local strategic priorities
- effectiveness of council performance reporting
- progress made against Best Value improvement actions made in previous years.

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

Leadership of the development of new local strategic priorities

40. Following the 2022 local election, the Scottish National Party (SNP) and the Scottish Liberal Democrats formed a majority administration with a Policy Statement 'Working in Partnership for Aberdeen'.

41. Annual thematic Best Value work is set by the Accounts Commission. For the 2022/23 financial year, auditors were asked to focus on councils' leadership of the development of new local strategic priorities. This work was largely undertaken in Autumn 2023. The results, together with our recommendations, are being reported to the Audit, Risk and Scrutiny Committee in May 2024.

42. The key messages from our Best Value work are:

- The council has ambitious plans for Aberdeen, and its vision and priorities are well articulated and embedded within its strategic planning framework. The council's annual delivery plan and budget are aligned to Community Planning Aberdeen's Local Outcome Improvement Plan.
- Positive action has been taken to encourage wider involvement in community engagement and empowerment. The community empowerment strategy has been refreshed following community engagement and the wider public have been involved in developing budget options.
- Tackling poverty and becoming net zero by 2045 have been identified as council priorities. There has been a renewed commitment to addressing poverty and inequality as evidenced through additional outcomes in the Local Outcome Improvement Plan and plans to better align services to improve children's outcomes.
- The council has been proactive in engaging with communities and young people to build more commitment to climate change. In addition, there is positive collaboration on hydrogen development and energy transition plans for the city.
- The council has a sound approach to budgeting and supports longer-term planning. Its workforce strategy sets out expectations on how staff will deliver its vision and priorities but the customer, digital and data strategy continues to be fundamental to service redesign and transformation.
- There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity to implement policy decisions.
- There is scope to develop the Audit, Risk and Scrutiny Committee's scrutiny function and review the powers delegated to officers.
- In view of the tensions between elected members observed in the council chamber, an increased risk of referrals to the Standards Commission and an absence of cross-party working, elected members need to work collaboratively for the benefit of communities.
- The council has made good progress in addressing the recommendations included in the Best Value Assurance Report. Further work is required in three of the seven recommendations.

An effective Performance Management Framework is regularly refreshed

43. The [Best Value: Revised Statutory Guidance 2020](#) sets out that councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities.

44. The council has a comprehensive Performance Management Framework which is refreshed annually and provides a golden thread from Aberdeen's LOIP

to individuals' performance plans via the council's annual delivery plan and service cluster reporting to council committees.

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

- Quarterly reporting against the council delivery plan to management and annually to council. The delivery plan annual review is a narrative report providing updates on policy statements, key achievements for the year and progress against the council's contribution to the LOIP. It is supported by a public website, [Aberdeen Outcomes Framework](#), where LOIP partners capture and publicly report a range of data on an ongoing basis.

With regard to the council, a range of delivery plan key measures, activity numbers and percentages, is collected for each of the delivery plan areas – economy, children and young people, adults and place. Current and prior period data is provided with a direction of travel indicator and colour coding representing better/similar/worse outcomes.

- Service standards are set by each service cluster with quarterly performance scorecard reporting against standards to committee (referred to as KPIs – key performance indicators)
- Annual reporting of statutory performance indicators
- Review and use of Local Government Benchmarking data.

46. The [Best Value: Revised Statutory Guidance 2020](#) also sets out that performance management arrangements should be in place to promote the effective use of the local authority's resource, which includes effective performance reporting, including Statutory Performance Indicators (SPIs). (Refer also to [paragraph 63](#))

47. Performance scorecards are reported to committee quarterly setting out performance against targets. The [Aberdeen Outcomes Framework](#) also reports a range of measures with comparisons against a prior year and a direction of travel. Annually, SPIs are published on a section of the council's website dedicated to council performance. SPIs are reported for the current year and two previous two years which provides some trend data and an explanatory narrative is set out for each.

48. The council reports a range of information in line with its Performance Management Framework and continues to develop its annual delivery plan and annual review processes. As part of this ongoing work, it should consider how best to show a trend of improvement over time in delivering the council's priorities.

Good progress made with Best Value improvement actions

49. Our Best Value thematic work in 2022/23 reported on progress against ongoing actions to address Best Value recommendations made in 2021 and a summary has been provided in [Exhibit 6](#).

Exhibit 6

Progress against Best Value improvement actions from 2021

Action	Status	Audit observation
1. Strategic direction		
To help them carry out their Best Value responsibilities, elected members should look to build upon the broad consensus relating to the council and LOIP vision and priorities to explore the potential for creating more opportunities for cross party working.	Action not progressed by elected members	The issue has been considered further as part of the Best Value thematic work and further recommendations have been made.
To help them carry out their best value responsibilities, elected members should take advantage of the learning and development opportunities provided by the council.	Complete	Elected member development arrangements have been implemented including induction, personal development plans and CPD records.
2. Performance and outcomes		
To supplement current council and CPP performance reports, and aide public understanding and scrutiny, the council should produce an annual performance report more clearly reporting the longer-term progress made in improving outcomes. This should include a high-level multi-year trend summary of performance against priority indicators and supporting narrative.	Ongoing	There is a significant level of performance information collected and reported. The action seeks a higher-level view of progress made against priorities e.g. through annual reporting of priority indicators.
3. Effective use of resources		
The council should ensure that its longer-term financial plan is regularly reviewed and that it continues to develop how it reports aspects of the complex capital programme within their accounts.	Complete	The medium-term financial plan was updated to support the 2022 Target Operating Model and plans are in place to update the longer term financial strategy.
4. Partnership working and community engagement		
To fulfil its duties under the Community Empowerment Act 2015, the council should continue to consult with communities and articulate how it intends to meet its target to allocate one per cent of revenue funding through participatory budgeting.	Ongoing	The council has improved the way it engages with communities and partners but recognises that more work is required to meet the 1% participatory budgeting target.

Action	Status	Audit observation
5. Continuous improvement		
The council should carry out post project reviews of major projects, including capital developments, to ensure lessons can be learned timeously and applied to future projects.	Complete	Reviews form a standard part of project management arrangements and are reported to the Capital Board.
The council should review the number and focus of their improvement projects to focus on improving core services areas that support the longer-term ambitions of the LOIP, reflect the views of residents and respond to short-term priority responses to Covid-19.	Complete	The initial recommendation mainly related to Education and Housing. A range of examples have been provided in respect of these services which have been considered appropriate.

5. Vision, leadership, governance and use of resources

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

Conclusion

Governance arrangements are appropriate and operated effectively but scrutiny arrangements could be improved and powers delegated to officers reviewed. There is an absence of effective cross-party working and tensions exist between elected members in the council chamber.

There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity.

The council's performance in the Local Government Benchmarking Framework remains positive. It shows improvement in 47% of indicators and performs better than the Scottish average in 54% of indicators.

The council's arrangements for the publication of statutory performance indicators met statutory requirements.

Governance arrangements are appropriate and operated effectively but scrutiny arrangements could be improved and powers delegated to officers reviewed.

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

51. As we reported in our thematic best value work, the Audit, Risk and Scrutiny Committee has not considered any reports under its scrutiny remit in the last year. There is scope to use the committee more effectively to scrutinise council decisions.

52. While elected members agree it is essential that officers have delegated powers, some members continue to have concerns that they are hearing what they regard as 'politically sensitive' decisions on social media rather than through formal council communication channels. There is scope to review the

delegated powers bestowed on officers to confirm whether these should be allocated to the council's committees or remain delegated to officers.

There has been a 40% increase in the number of council meetings which is significantly impacting on officers' capacity, there are tensions between elected members in the council chamber and an absence of effective cross-party working.

53. For a combination of reasons, there has been a 40% increase in the number of meetings required to conduct council business. There have been an additional ten meetings since May 2022 and a further five days have been required to complete adjourned council meetings. This has implications for the conduct of council business. There needs to be more recognition by elected members that persistent demands for information can be disruptive. A high volume of requests, combined with supporting additional meetings, limits the time available for implementing policy decisions and may prevent officers from undertaking their roles effectively.

54. We have observed tensions between elected members in the council chamber and in recent times, some heated exchanges have become more personal. This increases the risk of referrals to the Standards Commission while at the same time detracting from the importance of the subject debated. More effective cross-party working could resolve a number of these issues and reduce the risk of escalation.

The council is open and transparent.

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

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

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

Council priorities include net zero.

58. The Scottish Parliament has set a legally binding target of becoming net zero by 2045. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

59. The council has a target to reduce net greenhouse gas emissions by 48% by 2025, 75% by 2030 and to reach net zero by 2045. In 2020, the council approved a Net Zero Vision for the city setting out five strategic objectives to

energy transition. Since then, the council has developed strategies and plans to meet its net zero target.

60. In 2022, a dedicated committee for net zero, the environment and transport was established which has increased the level of scrutiny and interest from elected members. The council declared a climate and nature emergency and reiterated its commitment to ‘continuing proactive work with other public, private, third and community sector partners towards Aberdeen becoming a net zero city by 2037’.

61. Existing initiatives such as carbon budgeting and running a zero emissions fleet continues. The council is also in the early stages of a significant joint venture with BP to develop a hydrogen hub in the city as part of a wider energy transition programme being developed with partners for the north east.

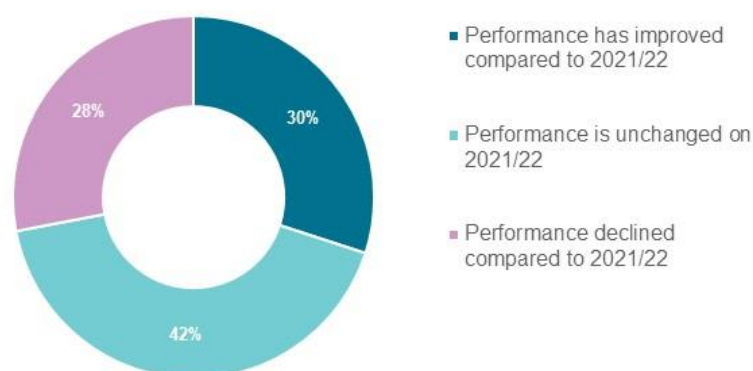
62. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

Service performance has been maintained.

63. An analysis of the performance measures for 2022/23 (available as at October 2023) were compared to the prior year. [Exhibit 7](#) includes an analysis showing how the performance compared to 2021/22. The majority of measures reported either showed that performance had been maintained or had improved.

Exhibit 7

Performance Measures Reported to Committees – 2022/23 compared to 2021/22



Source: Aberdeen City Council Performance Reports

Performance improvement remains positive and ranks above the Scottish average.

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

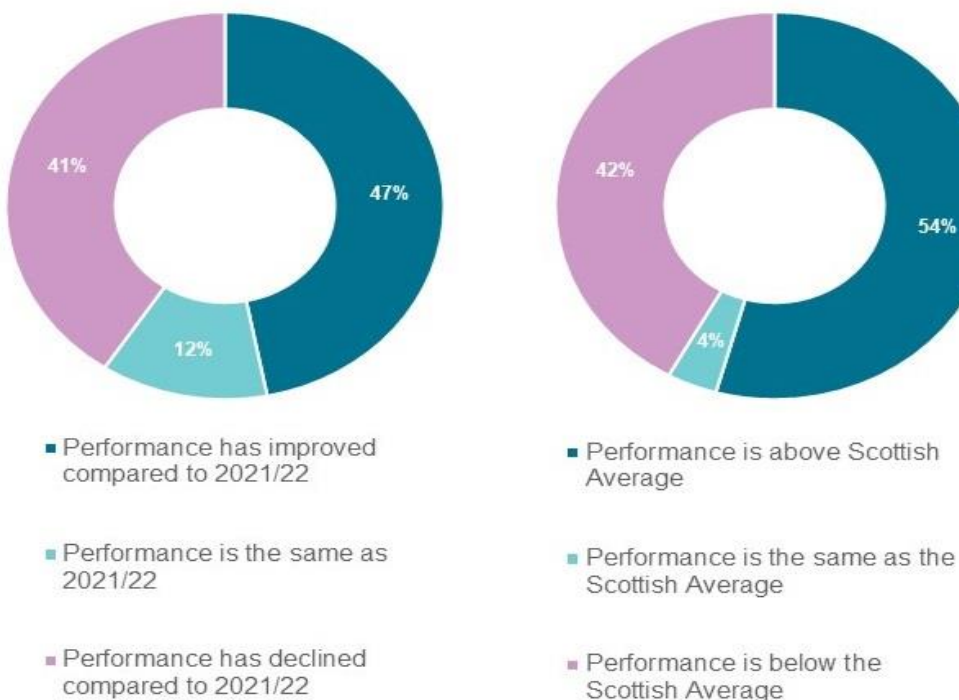
65. The most recent [National Benchmarking Overview Report 2022-23](https://improvementservice.org.uk) (improvementservice.org.uk) was published by the Improvement Service in March 2024. The report highlighted:

- *'In terms of overall council service performance, the long-term picture remains positive, with 66% of performance indicators within the LGBF showing improvement since the base year. In recent years, however, year on year trends show a slowing in this improvement, and an increase in the number of performance indicators which are now declining. In 2022/23, for the first time, the rate of decline has overtaken the rate of improvement (45% and 43% respectively). It is apparent that given the deepening fiscal, workforce and demand pressures facing the sector, councils are having to make increasingly difficult decisions about the shape and level of service delivery, and these are beginning to have a clear impact on service performance. If the current trend continues, the improvements and progress that has been achieved thus far, could potentially be lost and council service performance may start to decline over the longer-term'.*

66. The LGBF indicators allow comparison over time and/or with the other 31 Scottish local authorities. An analysis of the 2022/23 data shows that 47% of the measures have improved from 2021/22 (Scottish average 43%) and 12% have remained the same. Against the Scottish average, the council is above average for 54% of the measures and 4% have stayed the same. For 2022/23, the council is performing in the top two quartiles for 45% of the indicators.

Exhibit 8

LGBF comparisons - 2022/23 with 2021/22 and Scottish Average



Source: Local Government Benchmarking Framework

Arrangements for the publication of Statutory Performance Indicators meet requirements.

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

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

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

Aberdeen City Council

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