

Aberdeen City Council

2023/24 Annual Audit Report



 AUDIT SCOTLAND

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

June 2024

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Key messages

2023/24 annual accounts

- 1** Audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified i.e. the financial statements are free from material misstatement.
- 2** The annual governance statement and remuneration report were consistent with the financial statements and were properly prepared in accordance with the applicable guidance. A corporate approach between chief officers is required to ensure a robust overview of service performance is available for inclusion in the management commentary.
- 3** In response to our recommendations last year, we have observed improvements in the annual governance statement and the working papers provided for audit. There is scope for further improvement and discussions will continue with finance colleagues to streamline respective processes and minimise the pressure on the annual accounts period.

Financial management and sustainability

- 4** 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 £1.5 million as the outturn against budget for the year. This arose from the Housing Revenue Account.
- 5** Collection rates for local debt (ie rent arrears and council tax) are falling.
- 6** Controls within the main financial systems were operating satisfactorily while standards of conduct and arrangements for the prevention and detection of fraud were adequate. A significant fraud identified during the year was promptly dealt with by the council.
- 7** 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.
- 8** 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.

Vision, leadership, governance and use of resources

- 9** Governance arrangements are appropriate and operated effectively. There was increased transparency in the budget setting process during the year.
- 10** 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.
- 11** The council's arrangements for the publication of statutory performance indicators are sufficient to meet statutory requirements. Service performance reports to committee continue to highlight challenges in managing the homeless service, void properties and vulnerable children.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Aberdeen City Council (the council). The scope of the audit was set out in our annual audit plan presented to the Audit, Risk and Scrutiny Committee in May 2024. This Annual Audit Report comprises:

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

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

Audit appointment from 2022/23

3. The 2023/24 financial year was the second 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 remainder 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 2023/24 annual audit plan set out an audit fee of £536,810 including £10,000 in respect of the council's charities. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

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

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

1. Audit of 2023/24 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

Audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified i.e. the financial statements are free from material misstatement.

The annual governance statement and remuneration report were consistent with the financial statements and were properly prepared in accordance with the applicable guidance. A corporate approach between chief officers is required to ensure a robust overview of service performance is available for inclusion in the management commentary.

In response to our recommendations last year, we have observed improvements in the annual governance statement and the working papers provided for audit. There is scope for further improvement and discussions will continue with finance colleagues to streamline respective processes and minimise the pressure on the annual accounts period.

Our audit opinions on the annual accounts are unmodified

10. The accounts for the council and its group for the year ended 31 March 2024 were approved by the Audit, Risk and Scrutiny Committee on 27 June 2024. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the applicable guidance
- we have obtained audit assurances over the identified significant risks of material misstatement to the financial statements which were identified in our Annual Audit Plan.

Our audit opinions on Section 106 charities are unmodified

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

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

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

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

14. We received the charities accounts in line with the agreed timetable. We noted that two of the seven charities held relatively small balances and would therefore suggest that consideration be given to the appropriate disbursement of the remaining funds from the Bridges of Aberdeen Heritage Trust and the Alexander MacDonald Bequest. This would enable these smaller charities to be wound up, thereby improving the overall housekeeping around the council's charities.

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

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

Overall materiality was assessed as £22.5 million

16. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which

to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

17. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and reviewed on receipt of the unaudited annual accounts. Values for 2023/24 are summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality - This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. For the year ended 31 March 2024, we set our materiality at 2% of gross expenditure.	£22.5 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65% of planning materiality.	£14.5 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£500,000

Source: Audit Scotland, Annual Audit Plan 2023/24

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

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

Exhibit 2 2023/24 Risks of material misstatement to the financial statements

Risks of material misstatement	Assurances, results and conclusions
1. Significant Risk of material misstatement due to fraud caused by management override of controls	<p>Controls</p> <ul style="list-style-type: none"> Assessing the design and implementation of controls over journal entry processing. <p>Methodology and assumptions</p> <ul style="list-style-type: none"> Assessing any changes to the methods and underlying assumptions used by management to prepare accounting estimates compared to the prior year.

Risks of material misstatement	Assurances, results and conclusions
<p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Testing</p> <ul style="list-style-type: none"> • Making inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other adjustments and substantively testing journal entries throughout the year. • Evaluating any significant transactions outside the normal course of business. • Confirming through substantive testing that income and expenditure transactions around the year-end have been accounted for in the correct financial year. • Testing samples of accruals and prepayments. <p>Results: Subject to the satisfactory conclusion of outstanding matters, we are satisfied that there is no material misstatement due to management override of controls.</p>
<p>2. Due to the rolling programme basis of property valuation, there is a risk that the carrying value of assets not revalued in the year do not reflect their current value.</p> <p>Where the differences in value are likely to be significant, this increases the risk of material misstatement in the financial statements</p>	<p>Controls</p> <ul style="list-style-type: none"> • Evaluating the approach that the council adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. <p>Management Experts</p> <ul style="list-style-type: none"> • Evaluating the competence, capabilities and objectivity of the professional valuers. <p>Methodology and assumptions</p> <ul style="list-style-type: none"> • Assessing the methodology used by the valuers by considering whether valuations were conducted in accordance with the RICS Valuation Professional Standards 'the Red Book'. • Assessing the reasonableness of valuations conducted by the professional valuers, including the use of any assumptions. <p>Testing</p> <ul style="list-style-type: none"> • Substantively testing the reconciliation between the financial ledger and the asset register, including a sample of land and building assets revalued in the year. <p>Disclosures</p> <ul style="list-style-type: none"> • Assessing the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of land and buildings. <p>Results: Subject to the satisfactory conclusion of outstanding matters, we are satisfied the current valuation of land and buildings is not materially misstated.</p>

Risks of material misstatement	Assurances, results and conclusions
<p>3. There is a risk that the assumptions and methodologies used in determining the pension position are unreasonable and/or any small change in the estimates used could result in material changes in the valuation</p>	<p>Controls</p> <ul style="list-style-type: none"> Assessing management’s arrangements for the provision of membership data to the actuary, together with any assumptions to calculate the pension position. <p>Management Expert</p> <ul style="list-style-type: none"> Evaluating the competence, capabilities and objectivity of the actuary. <p>Benchmarking Assumptions</p> <ul style="list-style-type: none"> Through the work of an independent expert, challenging the key assumptions applied. <p>Testing</p> <ul style="list-style-type: none"> Agreeing the data provided by the council to North East Scotland Pension Fund for use within the calculation of the scheme valuation. Obtaining assurances from North East Scotland Pension Fund over the completeness and accuracy of data provided to the actuary. <p>Disclosures</p> <ul style="list-style-type: none"> Considering the adequacy of the disclosures regarding the value of the pension liabilities included in the financial statements and the sensitivity of the value to the assumptions. Assessing whether the disclosures are in accordance with the Code’s requirements. <p>Results: Subject to the satisfactory conclusion of outstanding matters, we are satisfied the approach taken to determine the pension position is reasonable.</p>

Source: Audit Scotland

Misstatements of £88.443 million were adjusted in the audited accounts

19. There were a number of adjustments made to the financial statements since they were submitted for audit in May. The main ones relate to changes in the value of non-current assets, a change in the method for estimating the pension position and the elimination of internal charges. Overall, the total adjustments had the effect of increasing the comprehensive income expenditure statement (CIES) and net assets by £88.443 million.

20. In addition, prior year figures were restated to increase pension liabilities and reduce unusable closing reserves by £28.001 million to correct the accounting treatment of unfunded liabilities which has been incorrectly netted against funded pension assets in the previous year.

- 21.** Further information on the main adjustments is set out in [Exhibit 3](#).
- 22.** Other misstatements were identified during the course of our audit and while it is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, the final decision on this lies with those charged with governance, taking into account advice from senior officers and materiality.
- 23.** Management opted not to adjust for the misstatements set out in [Appendix 1](#), as the amounts were not considered material in the context of the accounts. Had the accounts been adjusted, the net impact would have been to increase income on the Comprehensive Income and Expenditure Statement by £1.090 million with a corresponding increase in Net Assets.

Significant findings from the audit in accordance with ISA 260

- 24.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. There were no major issues identified in respect of the qualitative aspects of the annual accounts process.
- 25.** The significant findings are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 2](#) has been included.

Exhibit 3

Significant findings from the audit of the financial statements

Issue

1. Changes in the valuation of property, plant and equipment (PPE)

The Energy from Waste facility became operational in December 2023. Having been completed, it was transferred from assets under construction to PPE and therefore required to be formally valued. The facility is co-owned by Aberdeen City Council, Aberdeenshire Council and Moray Council with the project share percentages set out in an inter-authority agreement. The valuation included in the accounts incorrectly reflected the value of the entire facility when it should have been restricted to the council's share of 38.09%. This resulted in an overstatement in assets of £110.843 million.

Following the late receipt of final reports from valuers, a further net reduction in assets of £21.950 million was identified for adjustment. This reflected the impairment of the Beach Leisure Centre due to demolition and council houses affected by Reinforced Autoclaved Aerated Concrete (RAAC) Planks, a reduction in the value of council car parks due to falling income levels and some additional depreciation. Included in the adjustment, there was also an increase in the value of the 3R's secondary schools and it was noted that the Marischal Square hotel had been omitted from the valuer's initial report.

The value of council houses was overstated by £10.947 million due to the double counting of new housing completed in the year.

Issue

Overall, a reduction in PPE of £143.740 million has been identified.

Resolution

PPE has been reduced by £143.740 million and either the Revaluation Reserve or CIES reduced by the compensating entries. Additional charges in respect of downward revaluations require to be made to the CIES where there is no balance related to the relevant asset in the revaluation reserve.

2. Restricting the value of the pension asset

In 2022/23, for the first time, the actuary reported a pension asset rather than a liability. This amounted to £360 million but, in line with the pension accounting standard (IAS 19) and IFRIC 14, no asset was recognised in the council's accounts. This reflected the fact that the present value of the council's future employer contributions exceeded the present value of the future service cost.

Since last year, actuaries and auditors have had longer to consider to what extent an asset should be reflected in council balance sheets and this has led to a change in the approach this year. Previously the calculation focused on the present value of the total contribution (ie the primary rate and the secondary rate) taken in perpetuity. This year it distinguishes between the two rates and calculates them differently. The primary rate is set to cover the cost of future benefits and is calculated in perpetuity. The secondary rate however, is an adjustment to reflect any past service deficit or surplus and is therefore calculated over the period any deficit or surplus would be recovered. In this case that period is approximately eleven years.

Following the 2023 triennial valuation of North East Scotland Pension Fund, the present value of Aberdeen's primary and secondary contribution rates is £5,108 million which is more than the present value of the estimated future service costs of £4,182 million and therefore no asset is recognised in the balance sheet at 31 March 2024.

Resolution

We are satisfied that a reasonable approach has been followed and in accordance with accounting standards, it is appropriate that the pension asset has not been recognised in the Balance Sheet.

3. Elimination of internal transactions

For budget monitoring purposes, the council's management accounts include a number of internal transactions between services. These include charges between services for building maintenance, fleet hire, staff secondments, use of IT etc. While such charges are important for budget monitoring purposes, they should be excluded from income and expenditure in the annual accounts. The council's statutory accounts are required to convey its consolidated position with external parties only.

This was identified as an audit issue last year and while officers took steps during the year to identify internal transactions, this continued to be an issue in the 2023/24 accounts. The council did not eliminate all internal transactions from income and expenditure. While there is no impact on net expenditure, gross income and gross expenditure were overstated by £55.159 million.

Resolution

Issue

Gross income and gross expenditure in the Comprehensive Income and Expenditure Statement (CIES) have been reduced to reflect the elimination of internal transactions.

Appendix 2, Recommendation 1**4. Unspent grants**

A number of unspent grants have been carried forward as accruals within creditors. The audit trail provided to support a number of these accruals did not always clarify the reason for the accrual or provide sufficient information for us to verify the amount. For example, further audit work was required to clarify the position on the following unspent amounts carried forward:

- Ukrainian funding – approx. £5 million
- Interreg funding – project closed in 2021- £803,000
- AWPR related funding re footpaths and cycleway - £725,000
- Care Experienced Children funding £605,000.

Resolution

Government funding provided for Ukrainian support has been difficult to manage due to the complex conditions attached. Officers recognise that a significant amount of the unspent balance is likely to require to be returned to the Government. A reconciliation needs to be undertaken in the interim to confirm the actual figure. With regard to the other amounts listed above, the amounts are not material but there is a need to maintain better audit trails so that evidence is available to support amounts carried forward especially where the relevant funding was received several years previously.

Appendix 2, Recommendation 1**5. Intangible assets**

The council has been working in partnership with Microsoft to develop a digital platform which will provide joined up services for citizens. There is no physical asset and future operations will be Cloud based. Relevant expenditure has been included in Property, Plant and Equipment but given there will be no physical asset, these costs should be classified as intangible assets.

Resolution

The amounts involved are not material to the accounts and can therefore be accepted. Steps should however be taken to review recent years' expenditure and reclassify relevant amounts as intangible assets.

Appendix 2, Recommendation 2

Management commentary

26. The Local Authority Accounts (Scotland) Regulations 2014 require the annual accounts to include a management commentary prepared in accordance with statutory guidance. While the guidance allows flexibility in terms of the level of performance information included, there is an expectation that the commentary gives an overview of service performance in the year and the inclusion of relevant indicators should enhance the service 'story'. While an attempt has been made to include some performance indicators, these provide a limited overview of service delivery and achievement.

27. This matter was also raised in respect of the 2022/23 accounts. We understand that steps taken by the finance team to obtain better information were unsuccessful.

28. The council aims to publish its audited annual accounts in advance of the statutory deadline in order to meet its reporting requirements to the London Stock Exchange. The management commentary is a statutory requirement within a council's annual accounts and therefore its preparation merits a corporate approach. Plans should be put in place to agree a timeline for the provision of core indicators by chief officers and their respective services to ensure that robust information is available for inclusion in the 2024/25 accounts submitted for audit.

Recommendation 3

Chief officers need to work together to provide a strong narrative on service performance for inclusion in the council's annual accounts. Plans should be put in place to agree a set of core indicators, both financial and non-financial, which will provide a balanced reflection of the performance of key council services.

Annual Governance Statement

29. The Local Authority Accounts (Scotland) Regulations 2014 require the annual accounts to include an annual governance statement that is consistent with the disclosures made in the financial statements and provide assurance on the operation of the governance arrangements for the financial year.

30. A governance statement is intended to be a meaningful but brief communication regarding the review of governance that has taken place during the year including the role of the governance structures involved (such as the authority; the audit and other committees) . It should be high level, strategic and focus on the effectiveness of governance during the year.

31. In our opinion, there has been significant improvement in the preparation of this year's statement. In the previous year, we felt there was scope to streamline the statement. It now provides that higher level overview which

enables the reader to have a clearer understanding of the governance framework and the council's assessment of how effectively these arrangements have operated during the year.

Improvements in working paper package supporting the accounts

32. On conclusion of the audit of the 2022/23 accounts, we reported that a more comprehensive working paper package needed to be available when the accounts were submitted for audit.

33. We met with finance during the year to discuss the key issues and provided a working paper checklist. As a result, we can confirm that we have observed improvement in many of the highlighted areas. As stated in [Exhibit 2](#), there continue to be areas where the audit trail is difficult to confirm and we are recommending that finance give consideration to further improvement. For example:

- the identification and elimination of internal balances
- where unspent grants are carried forward, a reconciliation between the grant awarded and the amount carried forward.

34. We also continue to experience some difficulties confirming the audit trail between the financial ledger and the accounts.

Appendix 2, Recommendation 1

35. In addition, some account areas are time consuming because of the level of verification work required to support our audit opinion. With only seven weeks between the date the accounts were submitted for audit and the date the committee approved the accounts, this is substantially less than the time available to other local government auditors. We obtained some working papers from officers in advance of the accounts this year which was helpful and we will have further discussions to determine if anything else can be brought forward to minimise the pressure on the May/June period.

Financial systems of internal control operated effectively

36. As part of our audit, we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems for recording and processing transactions which provide a sound basis for the preparation of the financial statements. In 2023/24, we assessed the controls operating within the general ledger and payroll systems. With regard to other systems, we largely took assurance from the audit work we conducted in the previous year. Overall, we concluded that the controls in place were satisfactory.

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 £1.5 million as the outturn against budget for the year. This arose from the Housing Revenue Account.

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

Controls within the main financial systems were operating satisfactorily while standards of conduct and arrangements for the prevention and detection of fraud were adequate. A significant fraud identified during the year was promptly dealt with by the council.

The council operated within budget in 2023/24

37. The council approved its 2023/24 budget in March 2023. It was set at £576 million and required savings of approximately £50 million to achieve a planned balanced budget. This was to be met through a range of savings options including an increase in council tax, use of reserves and by taking advantage of fiscal flexibility to review the accounting treatment of its service concession arrangements.

38. Changes to service concession arrangements allow councils to write off the debt costs associated with these schemes over the expected lives of the respective assets rather than over the contract period of each arrangement. Aberdeen was able to release savings of £40 million to the General Fund of which £5 million has been carried forward as an earmarked balance.

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

Housing revenue account reported a small deficit

40. The council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set at a level which will at least cover the costs of its social housing provision. The HRA outturn was a £1.5 million deficit. While there continued to be an overspend on repairs and maintenance during the year due to increased expenditure on void

properties, the council has also made a provision for costs associated with decanting tenants from properties affected by RAAC.

Revenue budget monitoring processes were appropriate

41. 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.

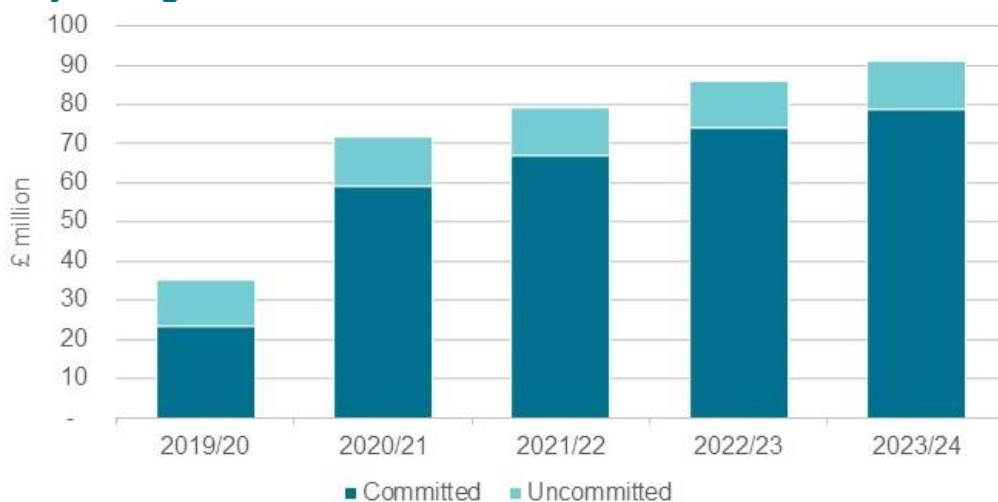
The level of General Fund reserves has slightly increased

42. 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 from £85.928 million in 2022/23 to £91.279 million in 2023/24.

43. [Exhibit 4](#) 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 year largely represents income from bus lane enforcement charges, service concession savings (as outlined in paragraph 38) and the increased investment in the joint venture with Aberdeen Sports Village.

Exhibit 4

Analysis of general fund balance



Source: Audited Accounts

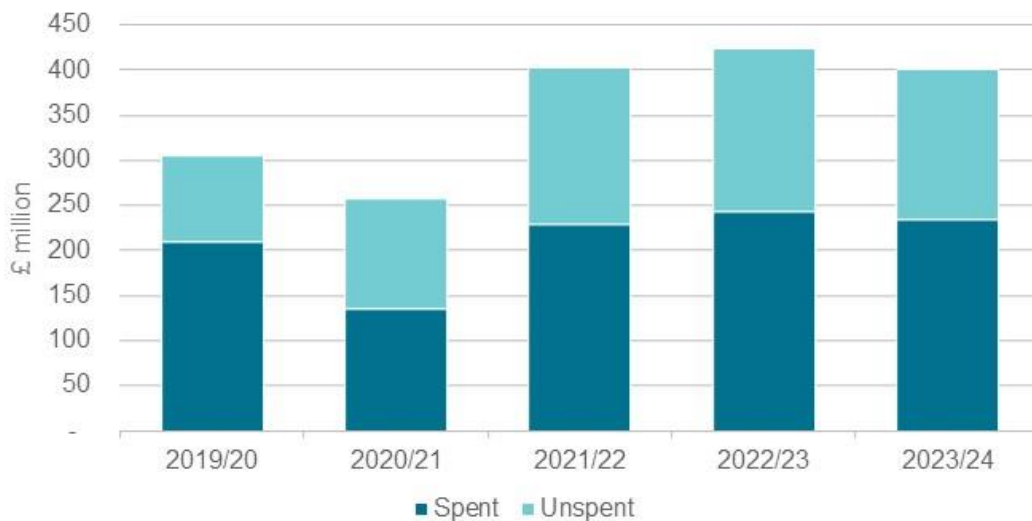
Capital expenditure reduced in 2023/24

44. The total capital budget in 2023/24 was £401 million, of which £242 million related to general services and £159 million to the housing revenue account. There was significant slippage in both programmes, with £131 million

expenditure on general services and £35 million on HRA. Combined, this represents a 41% underspend. [Exhibit 5](#) shows a similar trend in recent years.

45. 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.

Exhibit 5 Capital Budget showing unspent and spent elements



Source: Aberdeen City Council Outturn Reports

Collection rates for local debt are falling

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

47. Councils have a key role in tackling these issues and providing support. While the council is facing growing demand for services, it is also experiencing a drop in income due to rent and council tax arrears increasing.

48. Total rent arrears increased by £2.027 million (11.5%) since 31 March 2023. This is split between current tenant arrears which increased by £0.557 million (4.6%) and former tenant arrears which increased by £1.470 million (26%). [Exhibit 6](#) shows the rent arrears position.

Exhibit 6

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

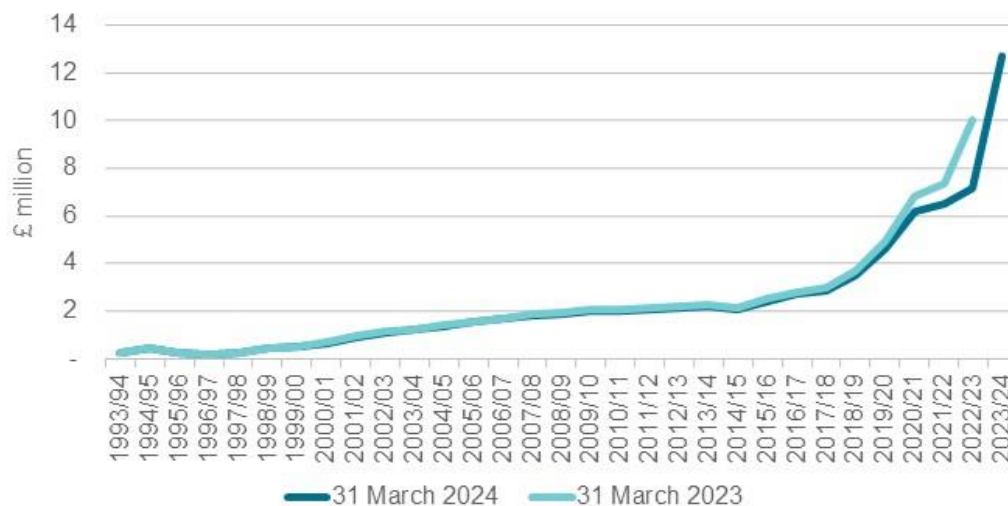


Source: Aberdeen City Council Outturn Reports

49. Council tax has also experienced a drop in collection rates from 93.31% in 2022/23 to 91.73% in 2023/24. In terms of value, council tax arrears have increased from £68.728 million at 31 March 2023 to £75.381 million, an increase of £6.653 million (9.7%). [Exhibit 7](#) shows the arrears position at 31 March 2024 analysed across all financial years with council tax debt.

Exhibit 7

Council tax arrears



Source: Aberdeen City Council – council tax system reports

Borrowing levels have increased

50. 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.

51. At 31 March 2024, long-term borrowing stood at £1.146 billion (2023 £1.064 billion), an increase of £82 million on the previous year. During the same period, short-term borrowing increased from £306 million to £410 million, an increase of £104 million, which was due to an increase in deposits made with the council.

The council has appropriate financial control arrangements in place

52. 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

53. The council's internal audit service is provided by the chief internal auditor of Aberdeenshire Council under a shared service arrangement. Internal audit reports in respect of financial year 2023/24 were reported to the Audit, Risk and Scrutiny Committee during the year. The chief internal auditor's 2023/24 annual report and opinion was considered by the committee in June 2024 when he confirmed that, in his opinion, the council has operated an adequate and effective framework for governance, risk management and control during the year.

54. During the year however, the chief internal auditor concluded three individual assignments with an overall rating of major and limited assurance obtained. This means that significant gaps, weaknesses or non-compliance were identified and improvement is required to effectively manage risks in the area audited. [Exhibit 8](#) provides a summary of the three areas of concern reported by internal audit and the subsequent action taken by the council.

Exhibit 8

2023/24 internal audits with an overall rating of major and limited assurance

Internal audit report	Internal audit findings	Update
1. Corporate asset management	The council has no clear Asset Management approach in place from which Asset management plans could be reviewed. Whilst there were components of the	Improvement plan was put in place with implementation dates in April 2024.

Internal audit report	Internal audit findings	Update
	<p>structure that would make up an Asset management framework, these were either out of date; lacked detail or were embedded as sections within various council key documents. There was no one document or series of documents that provided a clear, concise, direction for the assets, how objectives would be implemented and the plan to accomplish these. The impact of having no Asset Management framework in place carries the risk of not planning for the assets over their whole life cycle.</p> <p>With the exception of Statutory Performance Indicators, there is no core published record of asset management targets and outcomes. Data requirements have not been determined, and benchmarking varies across clusters.</p>	
<p>2. Adults with incapacity</p>	<p>The lack of control over this area means that there is substantial scope for fraud and error where funds and moveable property are being accessed and managed on others' behalf.</p> <p>Whilst there are controls over funds received into and distributed from a centralised corporate appointee account, these funds are regularly withdrawn in cash, and a number of weaknesses were identified including an absence of checks, authorisation controls, and evidenced use of funds and segregation of duties.</p> <p>Records are not always accessible, and the lack of clarity over procedure results in inconsistent filing, recording, and annotation of records. Where changes take place, records were not consistently being updated. This presents risks to service delivery, and to the need to keep accurate data in compliance with data protection legislation.</p>	<p>A short-life working group was promptly set up to address the risks identified with regular reporting back to the Audit, Risk and Scrutiny Committee. At June 2024, most actions had been implemented.</p>
<p>3. City Region Deal</p>	<p>There is limited scrutiny of financial and progress data provided from delivery partners by the councils as part of their programme management and financial</p>	<p>The internal audit report was discussed by the City Region Deal Joint Committee in May 2024 and by</p>

Internal audit report	Internal audit findings	Update
	<p>accountable body roles, and where this takes place, it is not well evidenced.</p> <p>Detailed supporting evidence is not always provided and reviewed in sufficient detail to confirm their accuracy. Data required for the measurement of benefits realised is being withheld where relevant partners' have concerns over the release of commercially and personally sensitive information.</p> <p>The delivery of benefits and conclusion of projects to date has been reported in summary or through selected highlights and case studies as part of the City Region Deal Annual Report, rather than detailed comparisons of actual outcomes and costs against plans.</p> <p>Approval of project changes is reserved to the City Region Deal Joint Committee. However, this has been delegated to an officer on its behalf by one of the partners and there is no record of other partners having agreed this. It is essential that decision making on governance and controls is planned and transparent.</p>	<p>Aberdeen City Council's Audit, Risk and Scrutiny Committee in June 2024.</p>

Source: Aberdeen City Council internal audit reports

55. While the above issues do not have a material impact on the council's annual accounts, there are important aspects of governance to be addressed. In relation to adults with capacity, the council has responsibility for the bank accounts of vulnerable service users and risks significant reputational damage if fraud or other inappropriate actions were to be assisted by the absence of robust controls around access, authorisation and evidence of use.

56. With regard to the City Region Deal, all partners need to be satisfied that appropriate controls are in place and that funds are being used in accordance with the grant offer letter. While sensitive data needs to be managed properly, the City Region Deal Board remains responsible and accountable for the expenditure incurred and therefore needs to ensure that sufficient information is provided for scrutiny.

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

57. 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.

58. 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 data matching exercise which commenced in January 2023. The council has engaged well with the process. Where appropriate, datasets were submitted on time and there has been prompt follow up of matches with over 95% now checked and closed. Overall, three minor payroll frauds totalling £15,000 were identified and relate to the non-disclosure of second jobs. Steps are being taken to include a message with payslips about the need to declare second jobs.

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

Significant fraud identified during the year

60. A former employee diverted fraudulent payments totalling £1.109 million to his own bank account over a period of 17 years.

61. This was done by the perpetrator identifying council tax accounts with historic credit balances (i.e. accounts with overpaid balances owed by the council back to the council tax payer) and because they had unsupervised authority to issue council tax refunds of up to £3,000, refunds were frequently made to themselves, often on a weekly basis. There was however, no major impact on the financial statements from 2006/07 to 2023/24 and the payments did not represent a material misstatement in any given year.

62. However, 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.

63. While there were limits up to which different grades of staff could process, a member of staff within a tier could input bank details and process a refund without any further checks. (e.g. a team leader could input bank details and process refunds for amounts between £500 and £3,000.)

Initial discovery

64. One of the fraudulent payments was picked up by an exception report and was therefore subject to additional checks by a team member. As there

was no evidence to support a transfer between accounts, the matter was escalated.

Financial loss to the council

65. The amount involved was £1.109 million but there was no direct loss to the council. The fraudulent payments were taken from council tax accounts in credit. While the council will transfer a credit balance to the taxpayer's new account, if there is one, in many cases a refund will be due to the taxpayer but this is only possible if bank account details are held. Where it has not been possible to obtain bank details and make a refund, the balance is held in credit on behalf of taxpayers until claimed. At this stage, there has been no recovery of funds but options continue to be investigated and, in the meantime, the council has set aside money to pay refunds as systems are updated and corrected.

Control improvements

66. Controls have now been revised such that segregation of duties is a requirement. In addition, a scrutiny process has been implemented which requires a weekly report of refunds to be checked by a team leader. The council is also taking a wider sweep of banking and payment controls to strengthen existing processes and /or to introduce banking app tools to strengthen security checks.

Conclusion

67. The matter was promptly dealt with, the internal fraud team undertook an investigation and thereafter the matter was referred to Police Scotland. This resulted in the individual pleading guilty to the embezzlement of funds and sentencing is awaited.

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.

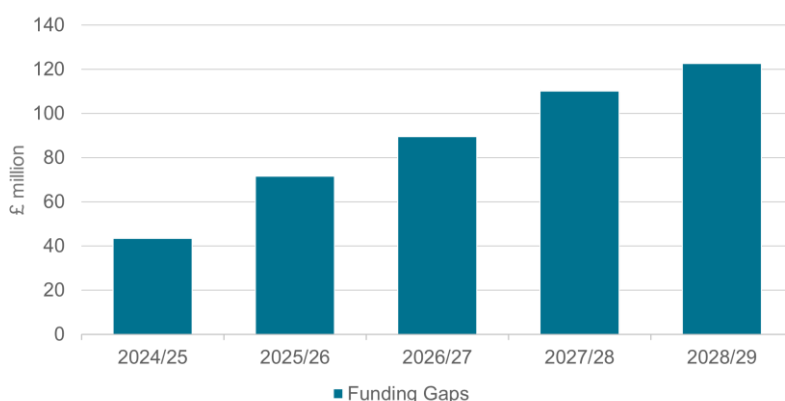
The council has implemented a second programme of challenging transformation and service redesign to address a funding shortfall in excess of £100 million over the next five years.

Medium and longer term financial plans are in place

68. The council approved its current medium term financial strategy (MTFS) in August 2023, which covers the periods 2024/25 to 2028/29. 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 9](#).

Exhibit 9

Identified cumulative funding gaps 2024/25 – 2028/29



Source: Aberdeen City Council Medium Term Financial Strategy

Transformation plans

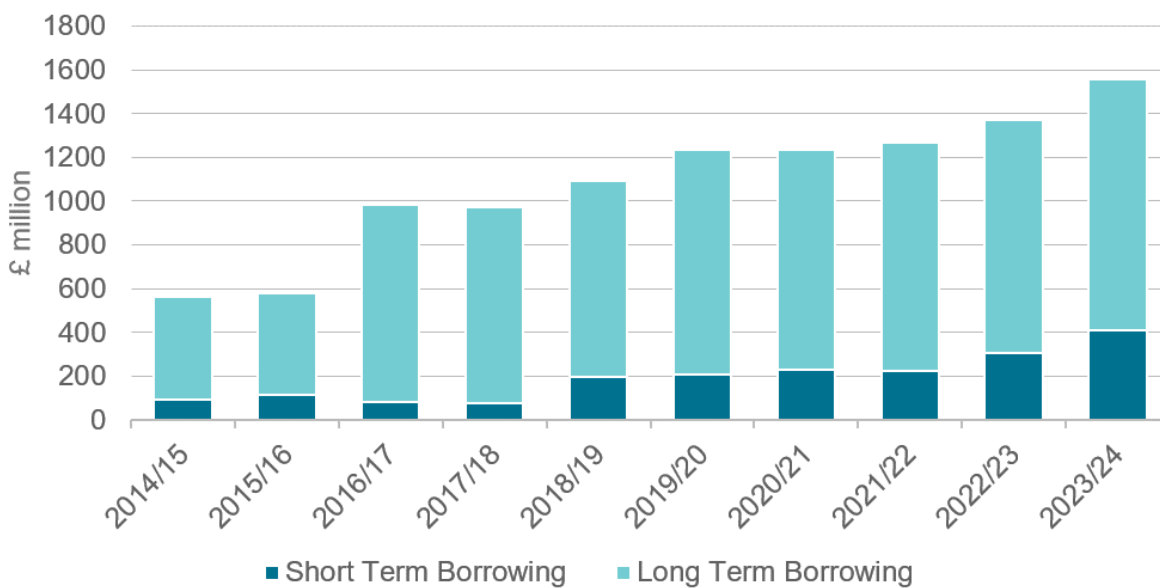
69. The council agreed a new Target Operating Model for 2022-27 to support the transformation needed to deliver savings and efficiencies in excess of £100 million as shown by [Exhibit 9](#). The objectives of the Target Operating Model are to:

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

Costs pressures

70. Council borrowing has increased by £185 million over the 12 months to 31 March 2024 as shown in [Exhibit 10](#) and represents a 13.5% increase on the previous year. 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 10 Council Borrowing



Source: Aberdeen City Council Audited Accounts

The pensions' triennial funding valuation as at 31 March 2023 has provided a potential positive impact on finances

71. The most recent triennial funding valuation took place across Local Government Pension Scheme pension funds at 31 March 2023. The main purpose of the valuation is to review the financial position of each fund and to set appropriate contribution rates for each employer for the upcoming three-year period as part of the fund's overall funding strategy.

72. The results for North East Scotland Pension Fund showed an improved funding position. For Aberdeen, the funding position increased from 104% at the 2020 valuation to 128% at the 2023 valuation. An improved funding position may allow the fund to retain a surplus, change the investment strategy, take less funding risks, or reduce employer contributions.

73. Reducing employer contributions has the potential to create a 'windfall' effect, thus potentially reducing some of the cost pressures likely to be faced in 2024/25. This allows councils some additional flexibility to manage immediate financial pressures while taking steps to enhance financial sustainability over the longer term. Aberdeen has opted to take advantage of the improved funding position by reducing its employer contributions. From April 2024, the employer rate has been reduced from 17.9% to 10.5%.

Reinforced Autoclaved Aerated Concrete (RAAC) Planks

74. 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.

75. 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 to develop plans to address the identified risks. In March 2024, the council agreed to decant council tenants from the affected properties while work continued to assess potential future options for the properties. A further decision is expected in summer 2024. The council has included a provision of approximately £2 million in the accounts to meet the costs of the decant. Based on existing knowledge, we are satisfied this is a reasonable estimate. 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 carried out audit work in response to financial sustainability risks identified in our 2023/24 Annual Audit Plan

76. [Exhibit 11](#) sets out the wider scope risks relating to financial sustainability we identified in our 2023/24 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 11

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 has been reducing its cost base in recent years. A further programme of transformation commenced in August 2022 when the council adopted a new Target Operating Model (TOM 1.2) intended to address a funding gap of £134 million over five years.</p> <p>The council's approved revenue budgeted expenditure for 2023/24 is approx. £570 million. This reflects proposed savings and efficiencies of some £50 million. Longer term, the council's funding gap shortfall, increases from £40 million in 2024/25 to £125 million in 2028/29. Delivery of planned savings and efficiencies would reduce the above shortfall to £25 million in 2024/25 and £85 million in 2028/29.</p> <p>With ring-fenced funding and significant financial challenges, there are mounting pressures on the sustainability of council services.</p>	<ul style="list-style-type: none"> • Regular budget monitoring • Quarterly management accounts • Medium term financial planning arrangements. 	<p>We reviewed the Target Operating Model and Medium Term Financial Strategy. The strategy assesses the financial position over a 5-year period and is refreshed annually as part of the council's budget setting process.</p> <p>A longer-term financial plan, developed to support the launch of the bond in 2016, is due to be updated by autumn 2024.</p> <p>We concluded that sound arrangements are in place to support the council's financial sustainability.</p>

4. Best Value

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

Best Value work in 2023/24

77. For 2023/24, the scope of Best Value work includes conclusions on:

- Best value thematic work covering Workforce Innovation
- effectiveness of council performance reporting
- progress made against previous year improvement actions.

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

Best Value thematic work

79. 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. The results for Aberdeen City Council, together with our recommendations, were reported to the Audit, Risk and Scrutiny Committee in May 2024. We will undertake follow up in respect of the identified improvement actions as part of our 2024/25 audit activity.

80. For 2023/24, auditors were asked to focus on how councils are responding to local government and workforce challenges through building capacity, increasing productivity and innovation. Our work in Aberdeen City Council on Workforce Innovation will focus on the following six key questions.

- How effectively the council's workforce plans are integrated with its strategic plans and priorities?
- How effectively digital technology has been used to support workforce productivity and improve service quality and outcomes?
- How effectively the council is using hybrid and remote working and other innovative working practices such as a four-day week to achieve service and staff benefits?
- What innovative practice the council is using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities?

- What progress the council has made with sharing roles or functions across its services and/or with other councils and partners?
- How effectively the council is measuring the impact of its workforce planning approach?

81. This work is currently in progress. Findings will be shared with officers in August and we anticipate that the report will be concluded for consideration by the Audit, Risk and Scrutiny Committee in September 2024.

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. There was increased transparency in the budget setting process during the year.

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 are sufficient to meet statutory requirements. Service performance reports to committee continue to highlight challenges in managing the homeless service, void properties and vulnerable children.

Governance arrangements are appropriate

82. 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.

83. Our Annual Audit Report in respect of the 2022/23 audit identified some areas within the council's governance arrangements where there was scope for improvement. These included using the Audit, Risk and Scrutiny Committee more effectively to scrutinise council decisions, reviewing the delegated powers bestowed on officers to confirm whether these should be allocated to the council's committees or remain delegated to officers and more effective use of cross-party working was recommended to improve elected members working relationships.

84. The related improvement plan has implementation dates of summer 2024 and therefore we intend to undertake follow up audit work as part of the 2024/25 audit.

Increased transparency in the budget setting process

85. During 2023/24, the council received several petitions for Judicial Reviews to be heard at the Court of Session. These followed the budget decision to close six libraries and Bucksburn swimming pool. The process identified some shortcomings in the integrated impact assessment (IIA) process. It was therefore paused enabling the council to consult wider with communities and undertake further work. Following a review and negotiations with the petitioners, the petitions were subsequently withdrawn. In December 2023, the council revisited its earlier decision and approved the closure of the libraries but retained the swimming pool for public use.

86. In June 2023, the council introduced a Budget Protocol to involve communities and citizens in the budget process. The new protocol committed the council to public engagement on the budget to enable a shared understanding of the choices facing the council and the impact of budget options on those with protected characteristics and those living in socio-economic disadvantage. The protocol was introduced to:

- enhance the council's compliance with the Public Sector Equality Duty by aligning IIAs to budget setting
- formalise the process by which annual budgets are prepared by elected members
- firmly embed stakeholder engagement within the preparation of budget options.

87. Alongside the budget protocol, the council set up a short-life working group to respond to the feedback from the judicial review petitions. This focused on developing and implementing more awareness across the council of its Public Sector Equality Duty including training sessions and developing an improved IIA template with supporting guidance.

88. Following the council's approval of the 2024/25 budget, a lessons learnt review was undertaken of the operation of the budget protocol. Overall, there was improved engagement with the public including more transparency around the council's challenging financial position and the need for difficult decisions. In addition, the financial position is better aligned with the council's priorities although more work is required to cross-refer budget options with service standards and commissioning intentions.

89. IIAs are now prepared earlier in the process ensuring that they are more closely aligned with officers' budget options but more work is required to ensure IIAs are in place to also cover elected member proposals.

90. Being the budget protocol's first year of use, more time needs to be built into the process to ensure that a proper analysis of feedback from public consultation can be undertaken and there is sufficient time in advance of the council's budget setting meeting to minimise the number of last minute changes to budget proposals. While there were approximately 2,700 public responses, this was lower than the council anticipated with limited engagement by young people and it was also felt partner engagement could have been stronger.

91. In April 2024, the chief internal auditor reported minor risk findings with substantial assurance following his review of the council's budget setting process. In relation to IIAs, he reported as follows:

- *For the 2024/25 budget, lessons learned from the previous process have been applied to refine the integrated impact assessment process. Their development is acknowledged as an iterative process – with updates being applied as a result of consultation, engagement, and identification of risks and mitigations. However, review of a further sample of integrated impact assessments for draft budget options in 2024/25 indicated that the extent of completion and approval of their content was not well recorded, and there was no schedule for future updates and conclusion of full assessments where required.*

92. The protocol is being revised to reflect the experiences of the last year and will be applied to the 2025/26 budget setting process. The council has reflected this ongoing work as an action in its Annual Governance Statement.

The council is open and transparent

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

94. 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.

95. 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

96. 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.

97. 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.

98. 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’.

Performance improvement remains positive and ranks above the Scottish average

99. 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.

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

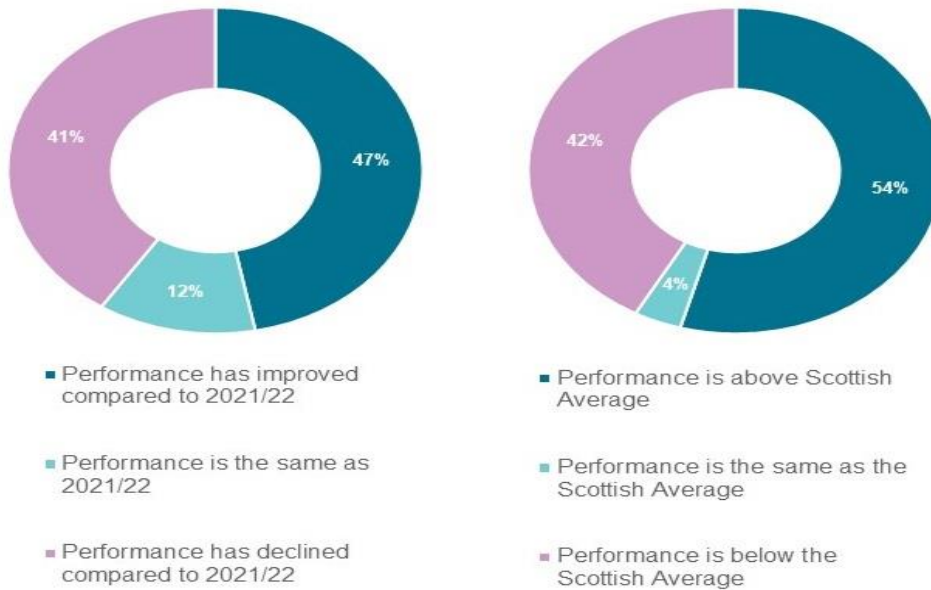
- *‘In terms of overall council service performance, the long-term picture remains positive, with 66% of performance indicators within the LGBF showing improvement since the base year. In recent years, however, year on year trends show a slowing in this improvement, and an increase in the number of performance 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’.*

101. The LGBF indicators allow comparison over time and/or with the other 31 Scottish local authorities. An analysis of the 2022/23 data in [Exhibit 12](#) 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 ([Exhibit 12](#)). For 2022/23, the council is performing in the top two quartiles for 45% of the indicators.

An effective Performance Management Framework is regularly refreshed

102. 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.

103. The council has a comprehensive Performance Management Framework which is refreshed annually and provides a golden thread from Aberdeen’s Local Outcome Improvement Plan to individuals’ performance plans via the council’s annual delivery plan and service cluster reporting to council committees.

Exhibit 12**LGBF comparisons - 2022/23 with 2021/22 and Scottish Average**

Source: Local Government Benchmarking Framework

104. 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.

105. 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. For example:

- 47 of the 56 indicators monitored by the Communities, Housing and Public Protection Committee have remained the same (84%) compared to 2022/23. Two have improved (4%) and this includes a reduction in the average time taken to process housing benefit claims from 12.06 days in March 2023 to 8.58 days in March 2024. Seven indicators have deteriorated (12%) including the following four measures which are more than 20% below target
 - percentage of unintentional homeless decisions reached within 21 days
 - average length of journey in days for applicants assessed as unintentionally homeless
 - average time taken to re-let all properties
 - rent loss due to voids.
- Performance measures reported to the Finance and Resources Committee relate to the Commissioning and Resources functions and People and Organisational Development cluster. Of these indicators, 91% are on target or within 5% of the target outcome.
- There are 25 reported indicators in respect of Children's and Families' Services of which 16 are performing well (64%) and five are more than 20% below target (20%). The lowest performing measures include the percentage of looked after children looked after in foster care where living at home is not appropriate and the percentage of initial child protection planning meetings held within 28 days.
- The number of new child protection referrals continue to be higher than in previous years. This reflects the continuing pressures being experienced by families because of the covid pandemic, cost-of-living challenges and the pressures all agencies are experiencing. There are processes in place to ensure all urgent referrals are identified and responded to in a timeous manner. Further information on child protection services is included in the Child Protection Committee Annual Report 2022/23 which was published in November 2023.
- A comparison of Aberdeen City with comparator authorities and national data for children placed in foster care showed there was a higher proportion of fostering placements used by Aberdeen City. Resetting the 'balance of care' is one of the council's longer-term aims as reflected in the refreshed Children's Services Plan 2023-26 and the Corporate Parenting Pan 2023-26. The Children's Services Strategic Plan Annual Report 2023/24 was published in February 2024 and provides an update on improvement projects.
- There was a decrease in performance with regard to pothole repairs and defects repaired within timescale. This was mainly caused by

supply and material quality issues alongside an increased level of pothole reporting. Performance is expected to recover during 2024/25 as the council is working with suppliers to ensure material stocks are available.

Arrangements for the publication of Statutory Performance Indicators meet requirements.

106. 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).

107. 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 the council's arrangements should meet the main requirements of the Direction but we will consider further once the 2023/24 data is available.

Appendix 1. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual accounts that are individually greater than our reporting threshold of £500,000.

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

Account areas	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
Late invoices not accrued	1,388			(1,388)
Scottish Government Grant received re March 2024, posted 2024/25		(1,602)	1,602	
Early years funding payments double counted in accounts payable system		(2,230)	2,230	
Capital expenditure incorrectly included in revenue		(793)	793	
Grant carried forward unlikely to be repaid		(804)	804	
Developer contribution unlikely to be received	2,951			(2,951)
Increase in value of 3Rs school following revised valuation.			750	(750)
Total	4,339	(5,429)	6,179	(5,089)
Net impact		(1,090)	1,090	

Appendix 2. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1.Working paper package</p> <p>Further improvement is required in the following areas:</p> <ul style="list-style-type: none"> • the elimination of internal transactions • evidencing reasons and amounts for unspent grants carried forward • audit trail between the financial ledger and the annual accounts • storage of title deeds • clearance of building services unbilled works. 	<p>Year end arrangements should be revised to ensure there is improvement in these areas in future years.</p>	<p>Agreed.</p> <p>Responsible Officer: Finance Operations Manager</p> <p>Completion date: 31 March 2025</p>
<p>2.Intangible assets</p> <p>The council is developing a digital platform in partnership with Microsoft which will provide joined up services for citizens. There is no physical asset and future operations will be Cloud based. Related expenditure is currently in property, plant and equipment but should be reclassified as intangible assets.</p>	<p>Steps should be taken to review recent years' expenditure and reclassify relevant amounts as intangible assets.</p>	<p>Agreed.</p> <p>Responsible Officer: Finance Operations Manager</p> <p>Completion date: 31 March 2025</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>3.Management Commentary</p> <p>The management commentary submitted for audit had limited service financial and non-financial performance information.</p>	<p>Chief officers need to work together to provide a strong narrative on service performance for inclusion in the council’s annual accounts. Plans should be put in place to agree a set of core indicators, both financial and non-financial, which will provide a balanced reflection of the performance of key council services.</p>	<p>Agreed.</p> <p>Responsible Officer: Finance Operations Manager</p> <p>Completion date: 31 March 2025</p>

Aberdeen City Council

2023/24 Annual Audit Report

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