



# Aberdeenshire Council Annual Audit Report

Financial year ending 31 March 2025

Prepared for Those Charged with Governance and the  
Controller of Audit

23 January 2026



# Table of contents

01	Headlines	03
02	Introduction	08
03	Group audit approach	10
04	Materiality	12
05	Overview of significant and other risks identified	15
06	Key judgements and estimates	23
07	Other findings	32
08	Communication requirements and other responsibilities	40
09	Wider scope and best value	44
10	Audit adjustments	78
11	Action plan	84
12	Independence considerations	106
13	Appendices	109

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Audit Practice 2021). We do not accept any responsibility for any loss occasioned to any third part acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 01 Headlines

# Headlines (1)

This table summarises the key findings and other matters arising from the external audit of Aberdeenshire Council (“the Council”) and the preparation of the financial statements for the year ended 31 March 2025, for those charged with governance (the Audit Committee) and the Controller of Audit.

## Financial statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland’s Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council’s financial statements give a true and fair view of the state of affairs of the Council as at 31 March 2025 and of the income and expenditure of the organisation for the year then ended;
- the Council’s financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code;
- the Council’s financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).

We have concluded that the Remuneration Report has been prepared in accordance with requirements.

We have concluded the Governance Statement has been prepared in accordance with the relevant guidance.

We have concluded that the other information to be published alongside the financial statements is consistent with our knowledge of the Council.

## Draft financial statements

The draft financial statements were authorised by the Council’s Audit Committee on 29 August 2025, and presented for audit on the same day, which was after the 30 June deadline. By advanced agreement, the audit commenced on 01 September, to allow extra time for the completion of the accounts and full preparation of supporting papers.

We have been supported by the Council’s officers during the audit process with effective working relationships and commitment to the audit process. The working papers presented for audit were a good quality, and any supplementary working papers, sample requests and queries were responded to effectively.

# Headlines (2)

## Draft financial statements (*continued*)

Our audit work was completed during the period September-December 2025. We have identified one misstatement to the financial statements which has been adjusted by management. This related to a ‘discrepancy’ identified by the Council’s pensions actuary, Hymans Robertson, in the IAS 19 report that they issued to the Council earlier in the year and upon which the accounts were prepared. A revised IAS 19 report was received and an adjustment made to the accounts accordingly. More information on his issue can be found on page 20, and the adjustment can we found on page 79.

We identified 3 misstatements, which were not material, and which management chose not to adjust the accounts for. These are explained on pages 80-81.

Various disclosure misstatements were also identified, and all of these have been corrected with the exception of one where asset decommissioning costs of £6.6m were recognized on a historic cost basis. This was not adjusted due to being below materiality. These can be found on pages 82-83.

A number of control findings were also identified and have been reported on pages 35-36.

We anticipate issuing an unmodified opinion.

We would like to take this opportunity to record our appreciation for the assistance provided by the Chief Financial Officer and other staff in completing the external audit.

## Wider scope and best value arrangements

Under the Audit Scotland Code of Audit Practice (‘the Code’), the scope of public audit extends beyond the audit of the financial statements. The Code requires auditors to consider the Council’s arrangements in respect of financial management, financial sustainability, vision leadership and governance and use of resources to improve outcomes.

In our External Audit Plan for the year ended 31 March 2025, we documented our assessment of the wider scope risks and planned audit work. At the planning stage, we identified three significant risks and two risks which we felt were potentially significant depending on how the issues continued. The significant risks were in relation to the Council’s financial sustainability, reflecting the pressures placed on the Council as a result of financial challenges in the Aberdeenshire Health and Social Care Partnership, and the financial pressures faced by the Council themselves and therefore the significant savings and transformation plans required to meet their funding pressures in the short and medium term. The potential risks were in relation to financial management, and whether the Council was able to set accurate and achievable revenue and savings budgets, and whether the Council was delivering an effective use of resources in relation to the City Region Deal and the North East Scotland Investment Zone, as issues were raised by the Council’s internal audit in respect of the City Region Deal.

# Headlines (3)

## Wider scope and best value arrangements (*continued*)

We outline our work undertaken in response to the risks identified and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out.

We have concluded that there remains a significant risk in respect of the financial sustainability, and that the risk in relation to setting achievable budgets and savings plans is significant. However, we have concluded that the risk in respect of the delivery of the City Region Deal and NESIZ at this point in time is not sufficient to constitute a significant risk. Further details of the work undertaken are outlined on pages 23 to 45.

We have raised two recommendations for management as a result of our audit work on wider scope. We made six recommendations as a result of our best value thematic work on the Council's transformation, which was presented to the Council's Audit Committee on 24 September 2025.

During our 2023/24 audit, we raised 5 recommendations on the financial statements and 4 from the wider scope. We also raised 4 recommendations as a result of our 2023/24 best value thematic work on the Council's workforce planning.

These recommendations can all be found in section 11, and we have provided management's comments on the 2024/25 recommendations, and an update on progress against the 2023/24 recommendations.

Councils have a statutory duty to have arrangements to secure Best Value. The Council have arrangements in place to meet the Best Value obligations.

## Audit fees

In our Audit Plan, dated 26 March 2025, we identified several significant risks in relation to our wider scope audit work. The additional work required in addressing these risks has led to a proposed additional fee of £6,600. Further, errors identified in the Council's HB subsidy claim resulted in additional work, for which we propose a fee of £4,200. The Council implemented a new standard this year, IFRS 16 (details of which can be found on page 31). Additional work was required in assessing the implementation of this new standard. We have proposed a fee of £5,400. The Council's external advisor in regard to the PFI liability was unwilling to share their full models and calculations with us for audit. This resulted in us having to use our own PFI experts to reperform their work and recalculate the liability to obtain sufficient audit assurance. This has come at an additional cost of £3,500 to the Council. We recommend that the Council ensures that any external advisors used in the preparation of the accounts are willing to share their work with us as auditor, to avoid any future additional costs.

This takes the overall proposed fee for the year to £531,020. Details can be found on page 108.

# Headlines (4)

## Status of audit work

Our work is ongoing and as yet there are no matters of which we are currently aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following matter(s);

- Final review of outstanding audit work by engagement manager and engagement leader
- Review of final set of annual accounts
- Receipt of management's signed letter of representation

# 02 Introduction

# Introduction

## Scope of our audit work

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

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

This report is a summary of our findings from our external audit work for the financial year at the Council. The scope of our audit was set out in our External Audit Plan dated 26/03/2025.

The core elements of our audit work in 2024/25 have been:

- An audit of the Council's annual report and accounts for the financial year ended 31 March 2025 [findings reported within this report];
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2021 ('the Code') [within this report];
- Any other work requested by Audit Scotland.

## Responsibilities

The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The Council is also responsible for

compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

## Adding value through our audit work

We aim to add value to the Council throughout our audit work. We do this through using our wider public sector knowledge and we invited Council officers to our annual local government accounting workshop.

Through our expertise, we provide constructive, forward-looking recommendations where we identify areas for improvement and encourage good practice around financial management and financial sustainability, risk management and performance monitoring. In so doing, we aim to help the Council promote improved standards of governance, better management and decision making, and more effective use of resources.

# 03 Group audit approach

# Group audit approach

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Significant	Scope – planning	Scope – final	Auditor	Status	Comments
Aberdeenshire Council	Yes			Grant Thornton UK	● Amber	The status of our audit of the Council is set out on page 7 of this report.
Aberdeenshire Integration Joint Board	No			Grant Thornton UK	● Green	The audit team performed analytical procedures.
Create Homes Aberdeenshire LLP	No			Hall Morrice LLP	● Green	The audit team performed analytical procedures.
Trusts and Endowments	No			Grant Thornton UK	● Green	The audit team performed analytical procedures.
Common Good Funds	No			Grant Thornton UK	● Green	The audit team performed analytical procedures.

	Full scope audit procedures will be performed to component materiality, either by the group audit team or by component auditors.
	Audit of specified financial statement line items to component materiality, either by the group audit team or by component auditors.
	Audit of specified financial statement line items will be performed by the Group audit team to group materiality.
	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

- **Green** Planned procedures are substantially complete with no significant issues outstanding.
- **Amber** Planned procedures are ongoing/subject to review with no known significant issues.
- **Red** Planned procedures are incomplete and/or significant issues have been identified that require resolution.

# 04 Materiality

# Our approach to materiality (1)

As communicated in our Audit Plan dated 26 March 2025, we determined materiality at the planning stage as £20.000 million based on 1.81% of the prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements, and have updated materiality in line with the draft 2024/25 gross expenditure. A recap of our approach to determining materiality is set out below.

## Basis for our determination of materiality

We have determined materiality at £23,350,000 for the group, and £21,200,000 for the council - based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as prior year misstatements, the complexity of transactions and the stability of operating activities.

We have used 2% of gross expenditure as the basis for determining materiality for the group, and 1.81% to calculate the council materiality.

## Performance materiality

We have determined performance materiality at £16,345,000 for the group, this is based on 70% of headline materiality. We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure. The Council performance materiality was calculated as £14,770,000, based on 70% of council materiality.

## Specific materiality

We have determined a lower materiality of £85,750 for the auditable disclosures within the Remuneration Report, on the basis that this is often an area of focus for the readers of the accounts and are lower value.

## Reporting threshold

We will report to you all misstatements identified in excess of £1,055,000 in addition to any matters considered to be qualitatively material.

# Our approach to materiality (2)

A summary of our approach to determining materiality is set out below.

	2024/25	2023/24	Summary
Materiality for the financial statements	£21,200,000 (Group £23,250,000)	£18,000,000 (Group £18,150,000)	Materiality has been set at 2.0% of gross expenditure, as per the draft financial statements. In setting this threshold we have considered: <ul style="list-style-type: none"> <li>• That there were no significant adjustments to the financial statements in 2024/25.</li> <li>• There were no significant deficiencies have been identified with the Council's control environment.</li> <li>• The level of public interest in the Council for Scotland by the public and the Scottish Government.</li> </ul>
Performance materiality	£14,770,000 (Group £16,345,000)	£11,700,000 (Group £11,800,000)	Performance materiality has been set at 70% of headline materiality
Specific materiality for the auditable elements of the Remuneration Report	£85,750	£25,000	We will apply a lower materiality threshold of £85,750 on review of the Remuneration and Staff report disclosures to ensure that our audit strategy contemplates the public interest vested in the sensitive and influential information stated as part of this report. It is therefore appropriate for this lower level to be applied to ensure greater precision in this area of the accounts.
Reporting threshold	£1,055,000	£900,000	We will report to you all misstatements identified above the reporting threshold. This has been set at 5% of headline materiality.

# 05 Overview of significant and other risks identified

# Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	High	●
Valuation of Other land and Buildings	Significant	↔	✓	High	●
Valuation of Council Dwellings	Significant	↔	✓	High	●
Valuation of Pension Asset/Liability	Significant	↔	✓	High	●

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

# Significant risks (1)

## Risk identified

### 1. Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

We have identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.

## Audit procedures performed

We have:

- Documented our understanding of and evaluated the design effectiveness of management's key controls over the preparation of the financial statements and journals,
- Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness,
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions,
- Analysed your full journal listing for the year and used this to determine our criteria for selecting high risk journals,
- Tested the high-risk journals we have identified.

## Key observations

We identified a control deficiency in the journal approval & segregation of duties process, where the system does not enforce segregation and approvals are managed manually via email. This reliance on manual controls increases the risk of circumvention and unauthorized activity.

Despite the identified issue, our audit work has not identified any instances of management override of controls, and for all journals tested alternative authorisation could be evidenced.

We have noted no material adjustments or findings in relation to override of controls.

We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

# Significant risks (2)

## Risk identified

### 2. Valuation of Other Land and Buildings

Aberdeenshire Council measures property, plant and equipment (PPE) in line with the CIPFA/LASAAC Code, using depreciated replacement cost for specialised assets and fair value for non-specialised land and buildings. Valuations follow a rolling programme with desktop reviews in intervening years. Given the high value and complexity of certain assets, there is an inherent risk of material misstatement in year-end valuations. We focused on assets with significant or unusual valuation movements or approaches, as these represent a significant audit risk.

## Audit procedures performed

We have:

- Evaluated management's processes and controls for the calculation of the valuation estimates, the instructions issued to their management experts and the scope of their work;
- Evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable
- Challenged the key data and assumptions used by management's experts in the valuation process for these assets
- Tested a selection of other asset revaluations made during the year to ensure they have been input accurately into the entity's asset register, and the revaluations have been correctly reflected in the financial statements
- Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

## Key observations

Our audit work has not identified any significant issues in respect of valuation of OLB.

We have noted no material adjustments or findings in relation to override of controls. One immaterial unadjusted misstatement was identified, due to one incorrect GIA being used on an asset value calculation. This was an isolated event and has been recorded as a misstatement on page 81.

We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

# Significant risks (3)

## Risk identified

### 3. Valuation of Council Dwellings

Aberdeenshire Council measures property, plant and equipment (PPE) in line with the CIPFA/LASAAC Code, using depreciated replacement cost for specialised assets and fair value for non-specialised land and buildings. Valuations follow a rolling programme with desktop reviews in intervening years. Given the high value and complexity of certain assets, there is an inherent risk of material misstatement in year-end valuations. We focused on assets with significant or unusual valuation movements or approaches, as these represent a significant audit risk.

## Audit procedures performed

We have:

- Per our audit plan we had planned significant specific procedures over this. Upon receipt of year end accounts, it was established that no revaluation had taken place.
- As part of our procedures, we gained assurance that the brought forward balance was not misstated, including agreeing to external correspondence from the Valuation Office Agency (VOA) to confirm that no material movement had taken place

## Key observations

No issues were noted – the audit team were satisfied that the closing balance of Council dwellings was not materially misstated at the year end.

# Significant risks (4)

## Risk identified

### 4. Valuation of Pension Asset/Liability

Aberdeenshire Council participates in the North East Scotland Pension Fund (NESPF), a defined benefit scheme. In line with IAS 19 and IFRIC 14, the Council recognises its share of scheme assets and liabilities, subject to an asset ceiling. At 31 March 2025, the Council reported pension liabilities of £1,330 million and assets of £2,023 million. After application of the asset ceiling, the net pension liability was £15,451k. The valuation involves significant assumptions such as discount rates, asset returns, mortality, and salary projections. Given the material values and estimation uncertainty, we identified the pension liability valuation as a significant risk of material misstatement, focusing on the appropriateness of actuarial assumptions

## Audit procedures performed

Under the Audit Scotland Pension protocol, we will be provided with assurance by the Pension Fund auditor regarding assessing the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements to the disclosures in the Council's financial statements. We use PWC as an Auditor Expert to support our work on pensions. We have:

- Evaluated management's processes and controls for the calculation of the gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work.
- Evaluated the assumptions made by actuary in the calculation of the estimate, using work performed by an auditor's expert commissioned on behalf of Audit Scotland.
- Evaluated the data used by management's experts in the calculation of the estimates.
- Performed substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations.
- Assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements.

## Key observations

In early December, we were notified that the Council's actuary, Hymans Robertson, had identified a discrepancy with the benefits paid figures used within the 31 March 2025 IAS 19 schedules. As a result, a new IAS 19 letter was issued which resulted in an adjustment to the financial statements.

The closing fair value of scheme assets decreased by £16.523 million and the closing present value of funded obligations decreased by £14.036 million. Because the reported pension assets exceed the pension liabilities, necessitating the application of an asset ceiling under IFRIC 14, the difference of £2.487 million is reflected in a decrease in the asset ceiling such that there is no net impact on the balance sheet.

Immaterial changes have been made to the CIES, which are reported on page 79.

# Significant risks (5)

## Risk identified

### 5. Risk of Fraud in Expenditure

As set out in practice note 10 (Revised 2022) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.

The Council's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and we are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area. We therefore focus our risk on the other, non-payroll, service expenditure. Our testing included a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll/non-finance expenditure.

## Audit procedures performed

In response to the risk highlighted in the audit plan we carried out the following work:

- Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the CIPFA/LASAAC Code of Practice 2024/25;
- Performed detailed testing of expenditure transactions at and around year end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period;
- Reviewed the judgements and estimates made by management when recognising accruals at year end within the financial statements, and where appropriate challenge management accordingly.

## Key observations

Our work has not identified any material issues to raise in relation to expenditure recognition.

# Significant risks (6)

## Risk identified

### 6. Risk of Fraud in Revenue

As set out in ISA (UK) 240 (Revised May 2021) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

*(rebutted)*

## Audit procedures performed

Auditing standards require us to consider the risk of fraud in Revenue. This is considered a presumed risk in all entities.

Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at Aberdeenshire Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted as there is deemed to be little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are deemed to be limited.

## Key observations

Our work has not identified any material issues to raise in relation to revenue recognition.

# 06 Key judgements and estimates

# Key Judgements and estimates (1)

As required in the Council's Accounting Policies note, officers outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

The estimate for PPE valuation including council dwellings has already been reported on pages 18 – 19 and the estimate for the pension asset on page 20.

This section covers other material estimates within the financial statements.

- Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious.
- Yellow We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious.
- Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic.
- Red We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated.

# Key Judgements and estimates (2)

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
<p>1. Depreciation of property plant and equipment, including assessment of useful economic lives (UELs).</p> <p>£96.187 million</p>	<p>Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).</p> <p>Depreciation is calculated using the straight-line method. Depreciation is not calculated in the year an asset is acquired but is calculated in the year of disposal. Where a material item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.</p> <p><i>(Continued overleaf)</i></p>	<p>We examined the estimate, considering the:</p> <p>ISA (UK) 540 requirements; and</p> <p>appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</p> <p><b>Conclusion</b></p> <p>The Council holds assets with a total gross cost of £136.816 million which have been fully depreciated at 31 March 2025. The majority of these assets are infrastructure (£70.646 million, 2023/24: £61.053 million) or vehicles, plant, furniture &amp; equipment (VPE) (£63.487 million, 2023/24: £52.960 million).</p> <p>Infrastructure assets - there are national issues with the recognition of infrastructure assets due to practical difficulties in applying component accounting for the recognition and derecognition of replaced components, in large part due to historic information limitations, which have meant most local authorities have been unable to comply with the requirement to assess the net book value of a replaced component of an infrastructure asset and have taken a network approach to the measurement of such assets, treating the amount of the replaced</p> <p><i>(Continued overleaf)</i></p>	<p>Amber</p>

# Key Judgements and estimates (3)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>1. Depreciation of property plant and equipment, including assessment of useful economic lives (UELs).</p> <p>£96.187 million</p>	<p>(Continued...)</p> <p>The UELs of council dwellings and other buildings are estimated by the Council's valuers. All other UELs are determined by a 'suitably qualified officer'.</p>	<p>(Continued...)</p> <p>component as having no value. This explains the large number of fully depreciated infrastructure assets.</p> <p>A temporary statutory override was introduced in August 2022, applying to the 2022/23, 2023/24 and 2024/25 financial years, in order to allow time for the CIPFA LASAAC Local Authority Accounting Code Board to conclude the development of a permanent solution. However, a permanent solution has not yet been agreed, and the statutory guidance will therefore be extended till 2025/26.</p> <p><i>Vehicle, Plant and Equipment assets</i> - the large number of fully depreciated VPE assets present two main risks:</p> <ol style="list-style-type: none"> <li>1. if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated; and</li> <li>2. if these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its assets.</li> </ol> <p>This issue was reported in our annual audit report for the 2023/24 financial statements, and we made a recommendation in relation to it, however, we note that since then the gross cost value of fully depreciated assets have increased.</p>	Amber

# Key Judgements and estimates (4)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
2. Council dwelling adjustment factor	<p>The valuer applies an 'adjustment factor' to the capitalised housing additions during the current year to determine the impaired value when such housing stock is put to use. The 'adjustment factor' is a measure of the difference between private market rent and socially rented property within the Aberdeenshire Council area and is therefore the relationship between the capitalised net rent (investment value) of private dwellings and the equivalent public sector investment.</p>	<p>We examined the estimate in 2023/24, considering the:</p> <ul style="list-style-type: none"> <li>• ISA (UK) 540 requirements; and</li> <li>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p>There has been no change to the adjustment factor in 2024/25.</p> <p><b>Conclusion</b></p> <p>We are satisfied with the methodology for the calculation of the adjustment factor.</p>	Green

# Key Judgements and estimates (5)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>3. Fair value of assets and liabilities (financial instruments)</p> <p>Financial assets: £58.026 million</p> <p>Financial liabilities: £1,288.653 million</p>	<p>Financial liabilities and financial assets represented by current and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.</p>	<p>We examined the estimate, considering the:</p> <ul style="list-style-type: none"> <li>• ISA (UK) 540 requirements; and</li> <li>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p><b>Conclusion</b></p> <p>We are satisfied with the methodology for the calculation of the financial assets and liabilities.</p>	Green

# Key Judgements and estimates (6)

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
<p>4. Provisions for debt impairment</p> <p>General Debtors provision: £3.029 million</p>	<p>The Council makes a general debtors’ provision based on a risk-based approach being applied depending on the age of debt.</p> <p>The provision has been calculated based on a percentage being applied depending on the age of debt. The required provision is then phased to subsequent years 2 and 3 thus applying a higher risk approach in the current year.</p>	<p>We examined the estimate, considering the:</p> <ul style="list-style-type: none"> <li>• ISA (UK) 540 requirements; and</li> <li>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p><b>Conclusion</b></p> <p>We have reviewed the Council’s calculation of its general debtors’ provision, and it is our view that the provision contains assumptions which appear to be optimistic, such that we believe it is understated by around £3 million.</p> <p>In summary, we believe that the Council’s higher risk approach to the provisions could be generating a total £3 million understatement of provisions. This has been recorded as an unadjusted misstatement in Section 10 and a recommendation has been made in respect of this in Section 11.</p> <p>We note that management are actively reviewing the provision and have plans in place to increase it in 2026.</p>	<p>Amber</p>

# Key Judgements and estimates (7)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>5. Private Finance Initiative (PFI) liabilities</p> <p>£86.176 million</p>	<p>The Council is committed to four PFI and similar contracts, in respect of Education &amp; Leisure facilities.</p> <p>These are accounted for under IFRIC 12, Service Concession Arrangements. The Council considers themselves to be in control of the services provided under the agreement for the provision of educational establishments, and that the assets will transfer to Council ownership at the end of the lease period. As such, the PFI assets have been accounted for as “on-balance sheet” assets.</p> <p>The accounting models are updated annually to reflect actual charges and RPI. Future years' service costs are estimated based on the latest actual charges and current RPI rates. Interest and finance lease liability charges are unaffected by changes in RPI.</p>	<p>We examined the estimate, considering the:</p> <ul style="list-style-type: none"> <li>• ISA (UK) 540 requirements; and</li> <li>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p>Additionally, we have:</p> <ul style="list-style-type: none"> <li>• performed a review of key assumptions input into the accounting models;</li> <li>• used specialist software to gain assurance that the PFI model has been appropriately updated for the period ended 31 March 2025;</li> <li>• agreed that accounting entries from the accounting model have been accurately recorded in the Council's accounts.</li> </ul> <p><b>Conclusion</b></p> <p>No material issues have been identified with the calculation of the PFI liability.</p>	Green

# Key Judgements and estimates (8)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>6. Holiday pay accrual</p> <p>£13.694 million</p>	<p>The Council accrues for annual leave balances which have been earned by staff, but not yet taken by 31 March 2025.</p> <p>The Council base the estimate upon a sampled approach of outstanding leave and extrapolate the findings across the whole population.</p>	<p>We examined the estimate, considering the:</p> <ul style="list-style-type: none"> <li>• ISA (UK) 540 requirements; and</li> <li>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p><b>Conclusion</b></p> <p>We are satisfied with the methodology for the calculation of the holiday pay accrual.</p>	Green
<p>7. IFRS 16 Lease Liability</p> <p>£8.295 million</p>	<p>The council calculates the lease liability as the NPV of the lease payments using the appropriate discount rate.</p> <p>Unless the interest rate is specifically identified in the lease contracts, the council chooses to use the PWLB interest rates as the incremental borrowing rate when discounting future lease payments.</p>	<p>We examined the estimate, considering the:</p> <ul style="list-style-type: none"> <li>• ISA (UK) 540 requirements; and</li> <li>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p><b>Conclusion</b></p> <p>We are satisfied with the methodology for the calculation of the IFRS 16 Lease Liability.</p>	Green

# 07 Other findings

# Other findings - audit of the charitable trusts

Issue	Commentary
Section 106 Charities	<p>Our audit appointment as the Council’s auditor includes the audit of any trust funds falling within Section 106 of the Local Government (Scotland) Act 1973 that are registered charities. For Aberdeenshire Council we have therefore been appointed as auditors the Aberdeenshire Council Charitable Trusts.</p> <p>The Aberdeenshire Council Charitable Trusts are made up of the following four charities:</p> <ul style="list-style-type: none"> <li>• SC045539 - Aberdeenshire Charities Trust (ACT2)</li> <li>• SC028382 - Aberdeenshire Educational Trust</li> <li>• SC000850 - Anderson and Woodman Library Trust</li> <li>• SC019093 - McDonald Public Park Endowment</li> </ul> <p>Previously, four separate sets of annual accounts have been prepared for each individual charity. However, in 2024/25 the results of the four charities have been presented in one set annual accounts which have been subject to audit.</p> <p>The work for 2024/25 was undertaken and concluded during October to November, and the Trust Funds were presented to the Audit Committee on 11 December 2025 for approval.</p> <p>There were no significant matters to bring to your attention, and no audit adjustments were identified that impacted the primary statements in any of the four charitable trust’s financial statements.</p> <p>The audit fee for the Trust Funds is agreed separately, and the audit has been delivered at the rate agreed at our audit planning stage of £12,960.</p> <p>An unmodified opinion was issued for the Aberdeenshire Council Charitable Trusts on 11 December 2025.</p> <p>Thank you to the officers involved in the audit of the four charitable trusts.</p>

# Other findings – Implementation of IFRS 16

Issue	Commentary
First year implementation of IFRS 16 Leases.	<p>Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.</p> <p>Local government accounts webinars were provided for our local government audit entities, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local Council practitioners to support the implementation on IFRS 16.</p> <p>In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.</p> <p>IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:</p> <ul style="list-style-type: none"> <li>• leases of low value assets</li> <li>• short-term leases (less than 12 months).</li> </ul> <p>This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure. The principles of IFRS 16 also apply to the accounting for PFI liabilities. The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when a Council is an intermediate lessor, or where assets are leased out for little or no consideration.</p> <p>The Council has made all the necessary changes to the accounting policies relating to borrowing rates, reconciliations, and applied exemptions and have complied with all the disclosure requirements of IFRS 16 and the CIPFA Code.</p> <p>Professional judgments have been applied by the Council relating to lease term assumptions, embedded lease identification, and valuation of peppercorn leases, which have been disclosed in the accounts.</p> <p>We have not identified any matters to report in this regard.</p>

# Other findings – control findings

## Issue

### 1. Bank reconciliations

We identified several errors within the Council's bank reconciliations. All of the issues identified were trivial in value and did not impact on the overall financial statement balance and therefore have not been reported in detail in the misstatements' section. Some reconciling items at year-end were found to be internal accounting errors that should have been corrected earlier as part of the cash ledger accounting process for 2024/25. Furthermore, we found that for one bank account, the council does not maintain formal bank reconciliations and instead these are maintained through regular monitoring of transactions via monitoring sheets.

### Conclusion

Accurate record keeping with regards to the Council's cash is key to proper management of the Council's resources.

Similar issues were identified during our 2023/24 audit, and a recommendation was made in that year. Please refer to page 104 for an update from management.

### 2. Nil NBV assets and Useful Life Review

During our testing on the depreciation, we identified that assets for gross carrying cost of £136.8 million (split across all PPE categories) were reported at nil net book value as at 31st March 2025. This indicates a potential risk of error that the depreciation policy being applied by the council is incorrect resulting a higher depreciation charge than expected.

### Conclusion

A recommendation was made in respect of this issue during our 2023/24 audit. A follow up from management, on this recommendation can be found on page 104.

# Other findings – control findings

## Issue

### 3. Aged debtor balances

There are £32.052m of debits and £32.602m of credits included in the short-term other debtors balance which date from 2019/20 or older. The net balance of £550K is made up of 35,226 individual transactions, with some dating back as far as 2012/2013.

We have not been able to test these older balances due to their age and therefore we have assumed that the historical matching of contra entries has been accurate and that the net balance is correct.

The Council have been making progress to write off these older balances and ‘cleanse’ the debtor listings of high volumes of contra entries. Officers are limited due to the accounting system not allowing for the tracing and matching of partial payments of debts.

### Conclusion

The Council should continue to reduce this balance, either by identifying and collecting the debtors, or writing them off.

### 4. Internal recharges

The Council’s ledger included over £100 million of internal recharges which were stripped out before preparing the financial statements.

The Council has made significant progress in recent years at being able to identify individual internal recharge transactions, and the vast majority are now identifiable.

However, the volume of internal recharges remains high and more progress needs to be made to ensure that all transactions are identifiable.

### Conclusion

Similar issues were identified during our 2023/24 audit, and a recommendation was made in that year. Please refer to page 105 for an update from management.

# Other findings – information technology

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle	ITGC assessment (design and implementation effectiveness only)	Green	Green	Green	Green	Management override of controls
Northgate	ITGC assessment (design and implementation effectiveness only)	Green	Green	Green	Green	Management override of controls
CIPFA Asset Management	ITGC assessment (design and implementation effectiveness only)	Green	Amber	Green	Green	Management override of controls, Valuation of PPE
Civica Digital 360	ITGC assessment (design and implementation effectiveness only)	Green	Green	Green	Green	Management override of controls
iTrent	ITGC assessment (design and implementation effectiveness only)	Green	Amber	Green	Green	Management override of controls

**Assessment:**

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

# Other findings – IT control findings (1)

## Issue

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### 1. CIPFA IT system deficiencies:

We noted the following issues with the CIPFA IT system:

1. Members of the finance team are granted system administrative privileges. However, the number of individuals with access is small, with only 4 users, including 2 with admin access, therefore we recognize that enforcing segregation of duties is going to be difficult.
  2. There is no proactive monitoring of activity logs and, monitoring and review occurs only reactively as required.
  3. A documented procedure is not in place for reviewing access within the system, there are no periodic reviews of user access occurs to validate appropriateness / requirement.
- 

### Auditor view:

These deficiencies are not considered to be significant. However, good practice would be for the Council to restrict or monitor access/activity on a more periodic basis rather than on need basis and that a documented procedure be put in place for reviewing these control aspects.

### Management view:

The small number of users that have access to this system are contained within the Capital team and their duties require flexibility of access to cover workloads/functions across the team. If any changes are made to the Capital team, then system access is updated accordingly.

# Other findings – IT control findings (2)

## Issue

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### 2. iTrent system records:

No records are retained of batch scheduling changes made or the process/steps followed.

### Auditor view:

These deficiencies are not considered to be significant. However, for good practice, the Council should maintain a log of batch changes in order to ensure appropriate tracking of changes made and avoid the risk of inappropriate/unauthorized changes to happen.

### Management view:

There are currently only 10 Batch jobs in use and these are standardised within scheduling that does not change. Therefore, there are no records of any such alterations to be retained.

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# 08 **Communication requirements and other responsibilities**

# Other communication requirements (1)

Issue	Commentary
Matters in relation to fraud and irregularity	It is the Council's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding the Council's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquiries of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures that are outside of the usual expected investigations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed on pages 82-83.
Matters in relation to related parties	We are not aware of any other related parties or related party transactions which have not been disclosed. The principal related parties are Scottish Government, Grampian Valuation Joint Board, NESTRANS, Aberdeenshire Integration Joint Board, the Council's Trusts and the Common Good Fund.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at the Council.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Minor amendments have been made to the Annual Report and we are satisfied that there are no material inconsistencies to report. As these are minor, they do not warrant separate reporting.

# Other communication requirements (2)

Issue	Commentary
Governance statement	<p>We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).</p> <p>No inconsistencies have been identified; we plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required by the Accounts Commission to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective.</p> <p>We have nothing to report in respect of these matters.</p>
Written representations	<p>A letter of representation has been requested from the Council as required by auditing standards. We have requested specific representations in respect of the prior period adjustment, in this letter.</p>
WGA return	<p>For local government audits, we are required to complete Whole of Government Accounts (WGA) work and provide an assurance statement on the WGA return as mandated by National Audit Office. the Council will fall under its parents return (Aberdeenshire Council).We will complete the relevant specified procedures and prepare and submit a partial assurance statement once we have completed all our work on Aberdeenshire Council’s financial statements, and when the final guidance is received.</p>
Other returns to Audit Scotland	<p>In accordance with the Audit Scotland Planning Guidance, as appointed auditors we have prepared and submitted Fraud Returns and Current Issues Returns to Audit Scotland, sector annual reports, shared intelligence on health and social care, sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.</p>

# Other communication requirements (3)

Issue	Commentary
Grants	<p>In accordance with Audit Scotland planning guidance, as appointed auditors, we undertake grant certification work on behalf of the Council. For 2024/25 we are required to provide the following certifications:</p> <ul style="list-style-type: none"> <li>- National non-domestic rates income return (NDR) and</li> <li>- Housing benefit certification</li> <li>- The certification of the NDR return is complete, however work for the housing benefit return is ongoing.</li> </ul>
Going Concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management’s (senior officer’s) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

# 09 Wider scope and best value

# Executive summary and conclusions (1)

This section of our report documents our conclusions from audit work on the wider scope areas set out in the Code. We take a risk-based audit approach to wider scope work.

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
Financial management	One <i>potential</i> significant risk was identified in relation to the accuracy of the Council’s budgets and savings plans.	We have considered whether the body has effective arrangements to secure sound financial management.	Yes, there is a significant risk that the Council’s budgets and savings plans are not developed accurately to be achievable.	<p>The Council set a £776.326 million revenue budget for 2024/25, against which it overspent by £4.074 million. This was largely due to a £9.050 million non-delivery of planned savings, £6.200 million of which was planned transformation savings, none of which were delivered. This was partially offset by £2.225 million of unexpected income drawn down from the Council’s Resettlement Reserve following a cost review, and £1.175 million underbudget on capital financing costs with the charge shifted to the HRA.</p> <p>The £4.074 million overspend has been funded from usable reserves.</p> <p>In addition, overspends in the Aberdeenshire Health and Social Care Partnership meant the Council made an additional contribution of £10.645 million to the IJB at the end of 2024/25. This has been funded through a withdrawal from the Council’s <i>(continued overleaf...)</i></p>

- No risks identified
- Other risks identified.
- Significant risk identified.

# Executive summary and conclusions (1)

This section of our report documents our conclusions from audit work on the wider scope areas set out in the Code. We take a risk-based audit approach to wider scope work.

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
Financial management	One <i>potential</i> significant risk was identified in relation to the accuracy of the Council’s budgets and savings plans.	We have considered whether the body has effective arrangements to secure sound financial management.	Yes, there is a significant risk that the Council’s budgets and savings plans are not developed accurately to be achievable.	<p>transformation reserve. Use of this reserve has been paused, with transformation projects being funded through other means in the meantime.</p> <p>The Council overspent against its budget HRA revenue expenditure by £9.447 million. This was offset by £1.638 million of additional income from interest receivable and a £8.261 million reduced contribution to Capital Funded from Current Revenue (CFCR). This resulted in a net underspend of £0.500 million against the £71.882 million overall HRA revenue budget, which has been transferred to a new reserve.</p> <p>The Council underspent against its £50.312 million HRA capital budget by £8.827 million (18%) and also underspent against its £98.804 million general fund capital budget by £38.201 million (39%), following several project delays and increase housing maintenance costs.</p>

- No risks identified
- Other risks identified.
- Significant risk identified.

# Executive summary and conclusions (2)

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
Financial sustainability	<p>Three significant risks were identified in relation to the Health and Social Care Partnership (H&amp;SCP), the Council’s savings and transformation plans, and the medium term financial strategy and reserves.</p>	<p>We have considered whether the body is planning effectively to continue to deliver services. In addressing the significant risk identified, we have:</p> <p><i>Health and Social Care Partnership</i></p> <ul style="list-style-type: none"> <li>Reviewed the Health and Social Care Partnership (HSCP)'s progress against its savings plan and 2025/26 budget,</li> <li>Reviewed plans for defining and delivering the efficiency savings in the H&amp;SCP,</li> <li>Reviewed the process for communicating H&amp;SCP progress to the Council,</li> <li>Reviewed the H&amp;SCP's financial forecasting and reporting arrangements for timeliness and accuracy.</li> </ul> <p><i>(continued overleaf)</i></p>	<p>Yes – the HSCP presents a significant risk to the Council’s short and medium term financial sustainability. The Council’s saving plans are ambitious, and savings have failed to be fully delivered for the second year. The MTFS shows significant challenges which are not being fully addressed</p>	<p>The Aberdeenshire HSCP identified a £17.155 million funding gap as part of its 2025/26 budget setting process. Aberdeenshire Council have agreed to underwrite £7.337 million of the funding gap.</p> <p>At 08 October, the IJB was predicting a year end overspend of £0.932 million, which is a significant improvement on prior year performances, however means that it is likely the Council will need to provide the full £7.337 million.</p> <p>The Council planned to fund the £7.337 million, along with its own funding gap of £28.960 million, through an ambitious savings plan and council tax increases.</p> <p>At the end of September the Council was forecasting a net year end overspend position of £3.314 million, and expect to deliver £21.682 million of its planned £26.819 million savings. The savings considered at <i>(continued overleaf)</i></p>

# Executive summary and conclusions (3)

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
Financial sustainability		<p><i>Savings and Transformation</i></p> <ul style="list-style-type: none"> <li>Reviewed how the Council plans to bridge its funding gaps and identify achievable savings and future transformation, </li></ul> <p><i>MTFS and reserves</i></p> <ul style="list-style-type: none"> <li>Reviewed how the Council identifies significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans,</li> <li>Reviewed how the Council plans its finances to support the sustainable delivery of services,</li> <li>Reviewed how the Council maintains appropriate reserves.</li> </ul>		<p>risk of not being delivered related largely to transformation and efficiency savings. This is now the second year that these savings have failed to be fully achieved. We <b>recommend</b> that the Council does not include ‘general’ savings in future budgets, and that all savings should be fully identified and tracked.</p> <p>The Council’s medium term financial strategy identifies an £81.403 million funding gap over the period to 2029/30. There are no long-term savings plans included in the MTFS to address the gap, with plans made annually as part of the budget setting process. We <b>recommend</b> that the Council seek to embed long term savings plan into the MTFS, especially where long term transformation projects are expected to drive savings.</p> <p>Please refer to section 11 for full details of recommendations made.</p>

# Executive summary and conclusions (4)

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
<p>Vision, leadership and governance</p>	<p>One <i>potential</i> significant risk was identified in relation to the Council’s management arrangements for meeting its responsibilities as accountable body for the City Region Deal and for the North East Scotland Investment Zone (NESIZ)</p>	<p>We have considered the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body, and consider the effectiveness of governance arrangements for delivery, which includes openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.</p> <p>In addressing the potential risk identified, we have:</p> <ul style="list-style-type: none"> <li>• Reviewed the management arrangements for the NESIZ</li> <li>• Monitored the outcomes of City Region Deal with respect to any clawback for Scottish Government.</li> </ul>	<p>No significant risks identified at year end.</p>	<p>The Council have appropriate governance arrangements in place which enables effective and transparent decision making.</p> <p>The Council approved the new Corporate Plan 2024-2029 in June 2024, and the achievement of priorities is monitored via the refreshed Performance Management Framework.</p> <p>The Scottish and UK Governments have formally approved the NESIZ project which is expected to commence in March 2026. An Action Plan is in place which identifies the key tasks and milestones to be achieved in the development of the NESIZ.</p> <p>The results of internal audit reviews undertaken during the year have confirmed that CRD funding has been provided in line with grant conditions. Whilst improvement recommendations have been made, in relation to the control arrangements for the CRD, we have assessed that there is no longer a significant risk in relation to clawback of funding.</p>

# Executive summary and conclusions (5)

Wider scope area	Significant risk identified at planning	Risk-based procedures performed	Significant risk identified at year end stage	Conclusion
Use of resources to improve outcomes	No significant risks were identified during planning.	We have considered the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.	No significant risks identified at year end.	<p>The Council has appropriate arrangements to report outcomes against Council priorities, with Directorates reporting performance in a timely manner. There is evidence that the Council are performing above target against several local indicators.</p> <p>In relation to LGBF indicators, the Council's progress in improving indicators slowed compared to the base year.</p> <p>The Council produce an Annual Performance Report which lacks tables and graphics, making it difficult to visualise the Council's performance in comparison to other councils or family groups and to see trends over time. A recommendation was raised in 2023/24 in relation to this issue. An update on that recommendation is provided on page 97.</p>

# Financial management (1)

## 2024/25 revenue budget outturn position

On 22 February 2024, Aberdeenshire Council approved a revenue budget of £753.266 million for the 2024/25 financial year. The allocation for service delivery increased during the year to £776.326 million mainly due to the final confirmation of the Revenue Support Grant funding which increased by £20 million, from £452 million at the time of the budget.

The 2024/25 outturn position was an overspend of £4.074 million.

To achieve a balanced budget, the Council set out savings proposals worth £23.555 million, including £6.200 million expected from the Council's transformation strategy.

However, the Council delivered only £14.505 million (62%) of the planned £23.555 million savings. None of the £6.200 million 'transformation' savings were delivered. In addition, £0.965 million of expected savings from the management of vacant posts was only partially delivered, along with £0.477 million which had been expected from letting out space in Woodhill House to other public sector partners.

The non-delivery of these savings is the major reason for the overall overspend.

£'m	Planned savings	Savings delivered
Transformation savings	6.200	-
Active management of vacant posts	0.965	-
Partial letting of Woodhill House	0.477	-
Other savings	15.913	14.505
<b>Total</b>	<b>23.555</b>	<b>14.505</b>

The £9.050 million of undelivered savings, were partially offset by £2.225 million of unexpected income which was drawn down from the Council's Resettlement Reserve following a review of costs which were eligible to be covered from this reserve, and £1.175 million underbudget outturn on capital financing costs which is largely due to the proportion of interest charges varying between the General Fund and the HRA, resulting in a lower charge to the General Fund, and higher charge to the HRA. Interest costs are allocated based on the level of loans fund advances outstanding for both General Fund and HRA.

## Conclusions

The Council has not delivered on its planned transformation savings which has resulted in a £4.074 million net overspend position for 2024/25, which has been funded by a drawdown from usable reserves. A **recommendation** has been made in respect of this, please refer to section 11 for details.

The Council's general fund reserve balances has fallen by £18.404 million (23%) in the year to March 2025.

# Financial management (2)

## 2024/25 revenue budget outturn position (continued)

The overspend has been funded primarily from the following usable reserves:

- Risk and Inflation Reserve: £1.684 million
- Place Strategy Reserve: £1.400 million
- Tackling Poverty and Inequalities Reserve: £0.617 million

The Council has ended the year with a total usable reserve balance of £78.677 million (2023/24: £97.599 million), of which £62.214 million (2023/24: £80.618 million), relates to general fund balances.

## Health and Social Care Partnership

The Aberdeenshire Health and Social Care Partnership (AHSCP) reported an over budget position of £24.388 million for the year ended 31 March 2025. The Council agreed to fund their share of the overspend, in line with the partnership agreement, amounting to £10.645 million.

The Council have funded the additional contribution to the

Integration Joint Board (IJB) from a withdrawal from the Transformation Reserve. Consequently, on 27 February 2025, the Council agreed to temporarily suspend any further requests to withdraw funds from the Transformation Reserve.

The Transformation Reserve was first established in 2022/23 to fund transformation projects that enhance efficiency, modernise services and deliver sustainable cost reductions with the aim of ensuring the Council could effectively bridge future budget gaps. At conception, the fund held £37.499 million, and at 31 March 2025 this reserve held £21.343 million.

## Housing

The Council owns or leases over 13,000 housing properties. On 22 February 2024 the Council set a housing revenue account (HRA) revenue budget of £71.882 million. This budget would be funded primarily from rental income of £65.194 million which saw a 5% increase in 2024/25, with a proposed further 5% increase in 2025/26 and 2026/27.

The Council also approved a capital budget of £50.312 million, which would be spent £25.486 million on the

## Conclusions

Unexpected overspends in the Aberdeenshire Health and Social Care Partnership has resulted in the Council providing an additional £10.645 million contribution, which has been funded from the Council's Transformation Reserve, potentially impacting on the Council's own programme of transformation.

# Financial management (3)

## Housing (*continued*)

Council's new build programme, and £24.383 million on improvements to the housing stock.

The Council ended the 2024/25 year with a £0.500 million underspend against its HRA revenue budget, which has been transferred to a newly created HRA Insurance Fund.

This net underspend was despite a £9.447 million overspend on expenditure, primarily due to a £3.985 million overspend on property repairs, maintenance and void repairs; and a £6.106 million overspend on financing costs, due in part to a shorter repayment period than assumed when the loans fund advances were budget and a variation in the proportion of interest charges between the General Fund and HRA, resulting in higher charges to the HRA. Interest costs are allocated based on the level of loans fund advances outstanding for both General Fund and HRA.

These overspends were partially offset by £1.638 million of addition income from interest receivable, and a £8.261 million lower contribution to Capital Funded from Current Revenue (CFCR).

The spent £41.485 million against its £50.312 million HRA capital budget; an underspend of £8.827 million.

The underspend was driven by delays mainly by delays in the New Build Programme and the Housing Improvement Programme (HIP). The New Build Programme was temporarily paused to determine capacity across workstreams within the HRA Business Plan and contractor availability, together with extended lead times on materials, led to delays in the delivery of these programmes.

Due to the overspend seen in the HRA revenue expenditure budget, a £2.656 million increase in prudential borrowing was required to fund the capital expenditure, as the contribution to Capital Funded from Current Revenue (CFCR) was lower than expected.

## Conclusions

The Council overspent against its HRA revenue budget and compensated for this with a reduction of contributions to Capital Funded from Current Revenue (CFCR).

The Council underspent against its HRA capital budget, due to delays in the delivery of the New Build Programme and the Housing Improvement Programme (HIP).

The reduction in the CFCR resulted in an additional £2.656 million of prudential borrowing to fund the capital spend.

# Financial management (4)

## National comparison

The Accounts Commission's [Local government budgets 2024/25 briefing](#) showed that in 2024/25, of the 32 councils across Scotland, Aberdeenshire Council had the ninth largest budget gap as a percentage of its revenue budget at 4.5%; the highest was Highland Council at 8.5% and the lowest was Glasgow City at 0.2%. Aberdeenshire Council also had the fifth largest cumulative budget gap over the two-year period to 2026/27 at 8%; the highest was Shetland Islands at 22% and the lowest was Scottish Borders at 2%; the average was 5%. A comparison with other Councils can be seen in the Accounts Commission's [Local government budgets 2024/25 briefing](#).

These reports serve to underline that, whilst Councils across the country are all facing significant financial challenges, Aberdeenshire is facing some of the most difficult challenges and will therefore need to develop the most ambitious transformation and savings plans, underpinned by robust and reliable financial information.

## Capital plan 2024/25

On 22 February 2024, the Council approved capital expenditure of £95.613 million in 2024/25. The expenditure would be primarily funded through Scottish Government grants (26%) and cash and borrowings (59%).

Capital funding source	£'m
Scottish Government	25.096
Levelling up funding (UKG)	7.053
NESTRANS	2.528
Other contributions	1.141
Capital receipts	1.750
PFI/PP Funded	2.081
Cash and borrowing	55.964
<b>Total</b>	<b>95.613</b>

The capital plan was revised throughout the year, to £98.804 million, following agreement of several funding streams.

## Conclusions

Local authorities across Scotland are facing significant challenges in setting balanced budgets, and Aberdeenshire Council is facing some of the most difficult challenges.

# Financial management (5)

## Capital plan 2024/25 (continued)

The actual expenditure incurred on the capital plan for 2024/25 was £60.603 million, which was £38.201 million lower than planned.

The lower than anticipated spend reflects a number of significant projects which faced delays during 2024/25, with scope and design changes; contractors withdrawing and price increases all contributing to revised works programmes being required.

The main drivers of the underspend have resulted from:

- The refurbishment of Woodhill house was delayed following the withdrawal of NHS Grampian from plans to lease part of the space;
- Challenges have been faced with the Levelling Up Macduff Aquarium project and the rephasing of the Live Life Aberdeenshire Pitch & Outdoor works to align with contractor availability; and
- Progress has been delayed on the Peterhead Community Campus following the withdrawal of the contractor from the project.

## Conclusions

The Council underspent against its 2024/25 capital plan by £38.201 million (39%), following a number of projects facing delays and complications.

The accuracy of capital planning is imperative to ensure that the Council can deliver on its planned projects, but also so that it can make appropriate financial plans to fund its capital ambitions.

# Financial sustainability (1)

## 2025/26 budget and savings plans

The Council approved a revenue budget of £821.596 million on 27 February 2025, for the financial year ending 31 March 2026.

The budget identified a funding gap of £28.960 million. In addition, the HSCP's 2025/26 budget also identified a £17.155 million funding gap, of which Aberdeenshire Council has agreed to underwrite £7.377 million, further adding to the financial pressure.

The Council intended to generate savings and additional income of £38.460 million, through specific service savings, voluntary redundancies, a council tax rise of 10% and general efficiency/transformation savings target applied to all Directorates.

The 2025/26 budget also assumes a further £6.200 million of annual recurring transformation savings across the Council. This was introduced in the 2024/25 budget and is now a 'baked in' assumption that the recurring saving will have occurred. However, as explained on page 51, none of these savings were delivered in 2024/25.

These plans are expected to generate a budget surplus of £9.500 million, which will be used to create a £7.377 million reserve to fund the underwriting of the IJB funding gap, and to replenish the Risk and Inflation Reserve which was used to fund the Council's 2024/25 overspend.

	£'m
Budget shortfall	<b>28.960</b>
Savings	13.796
Voluntary severance	2.011
Transformation/service efficiencies	5.731
Council tax increases	16.922
	<b>38.460</b>
<b>Budget surplus after savings and additional income</b>	<b>9.500</b>
Underwrite IJB shortfall	7.377
Replenish risk and inflation reserve	2.123

## Conclusions

The 2025/26 budget includes a significant level of savings to meet its funding gap, as well as to provide the additional funding needed to underwrite the Council's share of the IJB's funding gap.

# Financial sustainability (2)

## Progress against 2025/26 budget and savings plans

At the end of quarter 2, the Council is forecasting a net over budget position of £3.418 million. As part of the 2025/26 MTFS and budget setting, the Council agreed total savings of £26.819m comprising of service specific savings of £12.919m and £13.899m from transformation and efficiencies. At the end of quarter 2, the Council had achieved, or was on track to achieve, £21.682 million (81%). However, £4.608 million was identified as being “at risk of not being achieved”, and £0.529 million was not expected to be achieved.

The savings considered at risk of not being achieved, relate largely to the general transformation and efficiency savings.

## Medium term financial strategy

The Council faces significant demographic challenges, with the region’s pensionable age population expected to increase by 28% by 2030, a higher rate of increase than the rest of Scotland, which is expected to be 24%. This change will undoubtedly increase the demand for social care and housing services, which will have a consequential impact on the cost of delivering social care, housing and benefits, amongst others. The savings required to ensure financial sustainability of the Council are likely to need to increase in light of this.

On 27 February 2025, the Council approved a medium-term financial strategy (MTFS) for the 5-year period from 2025/26 – 2029/30. The MTFS identified a cumulative funding gap of £79.503 million.

## Conclusions

The Council is forecasting a 2025/26 over budget outturn of £3.314 million. This overspend predictions factors in £4.608 million of planned savings which are considered at risk of non-delivery and £0.529 million of savings which are known will not be delivered.

The Council is predicting a cumulative funding gap of £81.403 million by 2029/30. There are no long-term savings plans built into the MTFS to address this funding gap, with plans only made annually as part of the budget setting process. A **recommendation** has been made in respect of this, please refer to section 11 for details.

### Medium term financial strategy (£'m)

	2025/26	2026/27	2027/28	2028/29	2029/30
Estimated base budget	802	844	875	902	931
Estimated funding	(822)	(837)	(854)	(855)	(856)
Transfer to/(from) reserves	20	4	4	4	4
Cumulative funding gap	-	11	26	51	80

# Financial sustainability (3)

## Medium term financial strategy (continued)

By the end of quarter 2 of 2025, the Council have reflected on the pressures identified and the one-off nature of some savings proposed for 2025/26, and the position is now forecast at £81.403million by 2029/30, an increase of £1.900 million. The MTFS does not include long-term savings plans to address the funding gap, with plans made only as part of the annual budget setting process.

## MTFS and the Health and Social Care Partnership

In 2025/26, the Council have agreed to underwrite £7.377 million of the IJB's funding gap. This is to be funded from a reserve which is being created from savings generated in-year.

At 08 October, the IJB was predicting a year end overspend of £0.932. Whilst this is a generally positive result and reflects significant progress, it does mean that the IJB will in all likelihood use the full value of the £7.377 million that has been underwritten by the Council.

The IJB's previous MTFS showed a cumulative funding gap of £56.981 million over the period 2023/24 – 2028/29. The MTFS presented in December 2025 shows an increased funding gap to 2029/30 of £98.242m.

In order to relieve the Council of the need to continue providing additional funding, the IJB will need to not only have the savings achieved in 2025/26 be recurring, they will also need to find further savings to meet the funding gap identified by the MTFS, and then further find more savings to meet the gap currently being met by the Council and NHS Grampian, which would be an unprecedented level of savings.

Our understanding is that, for the current time, the Council has been asked to continue funding the AHSCP funding gap, meaning that the burden of finding additional savings will likely fall to the Council.

## Housing Revenue Account (HRA)

On 27 February 2025, the Council approved a 2025/26 HRA revenue budget of £76.160 million. This would be funded primarily through rental income of £74.234 million which included a planned 5% increase in rents, and a further 3% inflationary increase to all other charges. The Council also approved a HRA capital budget of £31.413 million, which would be funded from £18.236 million (58%) of prudential borrowing.

## Conclusions

The Aberdeenshire Health and Social Care Partnership is facing significant financial challenges of its own, and whilst the IJB is reporting an improving position, it is likely that additional support will continue to be required from the Council and NHS Grampian over the next few years at least, placing additional pressure on the Council's medium term funding gap.

# Financial sustainability (4)

## Housing Revenue Account (HRA) (continued)

At the end of quarter 2 of 2025, the HRA is forecasting to be within budget, with an anticipated £2.503 million surplus which will be offset by and increase to the Capital from Current Revenue (CFCR).

The Council anticipates a £3.741 million underspend against the HRA capital budget for 2025/26, due mainly to further delays with the new build programme and a reduced forecast for open market purchases. This continues a pattern of underspends on capital seen in previous years.

## MTFS and Energy from Waste

The Ness EfW facility is a joint project between Aberdeenshire, Aberdeen City and Moray Councils. The facility was designed to process 150,000 tonnes of waste per year, supply heat to the Torry Heat Network, and comply with SEPA regulations.

The facility temporarily ceased accepting waste on 27 June 2025. Following this the contract between the main supplier and sub-contractor were terminated and operations resumed. However, the three authorities

considered this to be a material breach of the contract and issued a termination notice.

The financial risks are significant and include:

- Non recovery of costs from the disruption in June 2025
- Renegotiation of the contract may lead to increased costs to the Council
- There will be additional costs for alternative waste disposal if the facility becomes unavailable
- There is a risk of litigation and settlement costs.

The Council are aware of these matters, is working with its partners, and is seeking appropriate advice. We note that the outcome of any future agreement on the EfW facility may increase the medium term financial pressures on the Council.

## Conclusions

The Council approved a HRA revenue budget of £76.160 million and a capital budget of £31.413 million. The revenue budget is expected to underspend by £2.503 million, which will be offset by an increase to the CFCR. The capital budget is also expected to underspend, by £3.741 million. This is due to continued delays to the new build programme and a reduction in anticipated open market purchases.

The Council will need to ensure an appropriate agreement is reached in the EfW facility if it is to avoid a negative impact on its MTFS.

# Financial sustainability (5)

## Progress against capital plan

On 27 February 2025, the Council approved the 2025/26 capital expenditure of £86.160 million. The expenditure will be primarily funded through Scottish Government grants (44%) and cash and borrowings (33%).

Capital funding source	£'m
Scottish Government	37.650
Levelling up funding (UKG)	15.021
NESTRANS	0.400
Other contributions	1.430
Capital receipts	1.750
PFI/PP Funded	1.780
Cash and borrowing	28.129
<b>Total</b>	<b>86.160</b>

By the end of September 2025, the budget had been extended to £90.718 million. However, the Council had spent only £12.480 million of the approved capital budget.

The Council is forecasting that it will spend £77.678 million, an under-budget position for the year of £13.040 million (14%).

Of the £13.040 million predicted underspend on the capital budget for 2025/26, £9.732 million (75%) relates to the Peterhead Cultural Quarter levelling up project.

The Peterhead (levelling up) project will see the relocation of the library, the development of a new café and restaurant, and the creation of a purpose-built new museum with the ability to showcase significant touring exhibitions. The project will introduce new public greenspace in the town centre, and re-establish the Arbuthnot House walled garden. There will be spaces to hire for functions and events, and the new building will make the most of views across Peterhead and its harbours. The existing museum and library building will be refurbished for a new cultural use.

However, the project has been delayed due to the need to re-tender for a new contractor and the subsequent governance process.

The Council aims to deliver 100% of planned projects each year, but historically the actual rate can be closer to 75%.

## Conclusions

The Council are predicting a £13.040 million (14%) underspend on their capital budget in 2025/26, which continues a pattern of underspending in recent years.

# Financial sustainability (6)

## Medium-long term capital plan

On 27 February 2025, the Council approved a medium-long term capital plan, outlining the anticipated spend over the 5 years from 2025/26 – 2029/30, and the long term to 2039/40. The plan shows anticipated capital spend of £698.518 million over the next 15 years to 2039/40.

Capital funding (£'000)	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31-2024/25	2035/36-2039/40	Total 15 year plan
Scottish Government	37,650	15,449	21,252	21,252	21,252	106,250	106,160	329,265
Levelling up funding	15,021	2,432	-	-	-	-	-	17,453
Other grants	1,830	699	699	714	714	-	-	4,656
PFI lifecycle	1,780	874	990	1,287	1,694	-	-	6,625
Sales	1,750	1,750	1,750	1,750	1,750	8,750	8,70	26,250
Cash and borrowing	28,129	76,622	56,988	22,986	26,054	57,490	50,000	314,269
<b>Total</b>	<b>86,160</b>	<b>93,826</b>	<b>81,679</b>	<b>47,989</b>	<b>51,464</b>	<b>173,490</b>	<b>164,910</b>	<b>698,518</b>

## Conclusions

The Council have developed a medium to long term capital plan which predicts £698.518 million of spend over the next 15 years, which is to be funded primarily from Scottish Government funding (47%) and cash and borrowings (45%).

# Financial sustainability (7)

## Medium-long term capital plan (continued)

In setting the Capital Plan, the Council must adhere to CIPFA's (Chartered Institute of Public Finance and Accountancy) Prudential Code for Capital Finance in Local Authorities, which requires the Council to set an Annual Treasury Management Strategy demonstrating the affordability and sustainability of the financing of the Capital Plan.

The Council intends to fund their capital programme with £314.269 million of cash and borrowings. To ensure the continued affordability of borrowing, the Council has implemented a borrowing cap at 8.5% on the maximum borrowing costs (excluding PFI/PPP/finance lease payments), as a percentage of net revenue streams to 2039/40.

The estimated borrowing costs for the next five years have been calculated and estimated as a % of expected revenue streams. The ratio is increasing over the period, but remains comfortably below the imposed cap.

	Capital financing charges (£'m)	Capital financing as a % of revenue streams
2025/26	46.338	5.8%
2026/27	49.683	6.1%
2027/28	54.652	6.5%
2028/29	59.331	6.9%
2029/30	62.161	7.2%

Officers are in the process of developing a new capital strategy to address current challenges, with the new Peterhead Community Campus being a major focus of the Capital Plan. The strategy aims to make the best use of assets while aligning with Council goals, being cost-effective, and promoting sustainability.

It is anticipated that the current approach to the development of the Capital Plan will need to remain in place through the 2025/26 financial year, with the introduction of a revised capital strategy planned for 2026/27.

## Conclusions

The Council have implemented a borrowing cap at 8.5% on the maximum borrowing costs (excluding PFI/PPP/finance lease payments), as a percentage of net revenue streams to 2039/40, to ensure controlled future spending on capital projects.

# Vision, leadership and governance (1)

## Leadership and committee effectiveness

The political administration of the Council remains as a coalition between Scottish Conservatives, Scottish Liberal Democrats and Independents. Aberdeenshire Council has 70 Councillors representing 19 Wards. As no majority party is in place, it is important that the Council and leadership put aside political differences to ensure key decisions and Council priorities are progressed.

All Members sit on Full Council which works to set the Council's budgets, council tax, housing rents and approves strategic plans and other reserved matters. The Provost is the civic leader and chairs Council meetings. The Co-Leaders of the Council oversee the Council's priorities, working with its partners and Councillors. The role of Councillors is important as they are required to monitor spend in order to provide assurance that the budget remains on track and aligned with financial objectives.

The Council has four policy committees where directorates report to on a regular basis, in order to make and approve key decisions. These are Business Services, Infrastructure Services Committee, Education and Children's Services and Communities.

Any changes to future service delivery, performance reports, policy or work programmes are reported through policy committees and Full Council. The Council has six area committees which determine matters directly affecting their areas. Recommendations are then made to policy committees on strategic matters and Council Policy. There are also a number of other committees in place which hold specific duties such as the Aberdeen City Region Deal (Joint Committee) and Sustainability Committee.

The Audit Committee is responsible for internal and external audit matters, financial and risk management, and scrutiny of the Integrated Joint Board for Health and Social Care (specifically council delivery under direction issued by the Integrated Joint Board). Committee meeting agendas include updates on internal audit reports and key policies in place, updates to the corporate improvement plan and committee reviews.

The Council undertakes an annual self-evaluation in line with the Public Service Improvement Framework (PSIF) and to demonstrate compliance against the seven CIPFA Code of Principles for Delivering Good Governance.

## Conclusions

The Council have appropriate governance arrangements in place which enables effective and transparent decision making.

# Vision, leadership and governance (2)

## Policies, procedures and controls

The Council have a wide range of policies and procedures designed to ensure compliance with laws and regulations, including a Code of Conduct for members and staff, as well as HR and whistleblowing procedures. These policies are easily accessible to staff via the Council's intranet.

The Council has a Counter Fraud strategy, led by the Head of Finance and approved by the Business Services Committee. The strategy sets out the process for assessing and prioritising fraud referrals and the administration of any subsequent investigation. The Strategy is in the process of being reviewed by the Council.

Part of the strategy is the Council's continued participation in the National Fraud Initiative, a nationwide data matching process undertaken every two years.

## Aberdeenshire Council Plan 2024-2029

The Aberdeenshire Council Plan covers the period 2024-2029 and was approved by the Council in June 2024. The Plan confirms the strategic priorities of the Council:

- A sustainable economy
- Connected communities
- Living well locally

The Council Plan is concise and clearly identifies outcomes and performance indicators which will assist the Council in achieving the strategic priorities.

In order to deliver its priorities, the Council have a Performance Management Framework which aims to support a culture of continuous improvement and to provide the best outcomes for communities. The Performance Management Framework was updated in March 2025 to reflect the new Strategic Performance Information Direction (2024), published by the Accounts Commission in January 2025. Details on performance monitoring arrangements can be found at page 70.

## Conclusions

The Council has a wide range of policies and procedures which enable appropriate management of its business and processes are in place to ensure policies are kept up to date.

The Council have an approved Corporate Plan, and the achievement of priorities is monitored via the Performance Management Framework.

# Vision, leadership and governance (3)

## Risk Management

The Council's Senior Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The Chief Internal Auditor has the responsibility to review these independently, and reports to the Audit Committee on the adequacy and effectiveness of the Council's framework of Governance, Risk Management and Control. For 2024/25, the Chief Internal Auditor reported that the Council had an adequate framework in place and that there had been no limitation to the scope of Internal Audit's work during 2024/25.

The Council have a Risk Management Policy which was approved by the Business Services Committee in January 2022. The Policy sets out the Council's approach to risk management and is designed to support the identification, evaluation and mitigation of risks.

The Council maintain a Corporate Risk Register, and individual four separate Directorate Risk Register for each service area. All risk registers were subject to review by members during 2024/25 to ensure that the arrangements in place were adequate.

## Internal Audit

The internal audit service, in any organisation, is an important element of internal control. It provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

The Council has its own internal audit function which is led by the Chief Internal Auditor. Internal audit activity is reviewed and monitored by the Audit Committee, with the assistance of the Director of Business Services. The roles and responsibilities of Internal Audit are defined in an internal audit charter.

The year-end internal audit opinion was presented to the Audit Committee on 03 July 2025. The Internal Audit opinion for 2024/25 was "the Council had an adequate and effective framework for Governance, Risk Management and Control, covering the period 1 April 2024 to 31 March 2025." This statement was included in the 2024/25 Annual Governance Statement alongside the results of Internal Audit work undertaken during the year.

## Conclusions

The Council have risk adequate risk management arrangements in place and must continue to take appropriate action to mitigate the high risks in the risk registers.

Internal Audit provided a reasonable assurance opinion over the adequacy and effectiveness of the internal control system for the year ended 31 March 2025.

# Vision, leadership and governance (4)

## Internal Audit (continued)

In 2024/25, Internal Audit identified major risks across eleven reviews, compared to nine in the prior year. The key risks stemmed from seven areas:

- Children with Disabilities
- Self-Directed Support (SDS),
- Procurement Compliance
- Aberdeenshire Responders Care at Home (ARCH).
- Agency Worker Appointments
- Care Management System
- E&CS Following the Public Pound

A major risk rating results in a limited assurance opinion and for each of these seven areas, the reporting confirmed that only Limited Assurance could be taken. The Annual Governance Statement includes commentary on the major risks identified during 2024/25.

Internal audit provide update reports to each Audit Committee meeting. This includes reporting on any inspections completed in the previous quarter and updates on the progress of the Internal Audit Plan for that financial

year.

As part of the regular reporting to the Audit Committee, Internal Audit also provide an update on follow-up reviews to evidence the implementation of recommendations. The most recent update report was presented to the Audit Committee on 03 December 2025, and confirmed that there are currently 23 outstanding audit recommendations rated as follows:

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

For the 23 outstanding recommendations, updates on progress have been provided by management for all recommendations, with the exception being the recommendations related to review performed over Landscape Services.

From our review of internal audit reports and audit committee reports, we have not identified any evidence of significant gaps in the assurance obtained by the audit committee in relation to the work programme undertaken by Internal Audit.

## Conclusions

Internal Audit delivered the majority of planned activity during 2024/25, and there were no significant alterations to planned activity.

The Council have made good progress in addressing outstanding Internal Audit recommendations.

# Vision, leadership and governance (5)

## City Region Deal

The Council participates in the Aberdeen City Region Deal (ACRD), an agreement between the UK Government and the Scottish Government with Aberdeen City Council, Aberdeenshire Council and Opportunity North East. The ACRD focuses on supporting the evolution of the region's key sectors, sustainable business growth and creating green jobs for the future. The terms of the deal commit both the UK Government and Scottish Government to jointly investing up to £250 million whilst Aberdeen City Council, Aberdeenshire Council and local partners are committed to investing up to £44 million over the next decade.

During audit planning, we identified a potential significant risk relating to the Council's management arrangements for meeting its responsibilities as the accountable body for the City Region Deal. This was identified due to our work in the previous year, where we reported the findings from an Internal Audit assurance review of ACRD which provided an overall net risk rating of 'Major' with limited assurance gained over the governance, financial spend and the planned spend of public funds. As a result, we recommended that the Council should seek to strengthen

governance arrangements, including financial monitoring, for their partnership working, including the ACRD.

Internal Audit carried out a review of the City Region Deal arrangements including following up their previous findings. The objective of the audit was to provide assurance over the governance and financial spend of the City Region Deal.

Internal Audit identified an overall net risk rating of moderate, with reasonable assurance obtained over the governance and financial spend of the City Region Deal. The report confirmed that substantial improvements have been made since the area was last audited in 2023/24.

The review identified findings relating to the impending closure of the Deal funding period in March 2027. Two findings were considered major risks as follows:

- Benefits Realisation, Recording and Reporting
- Sustainability and Succession Planning.

## Conclusions

Internal audit noted that improvements have been made in relation to the governance and finance arrangements for the City Region Deal, however improvement action have been raised by internal audit to improve the controls in place.

# Vision, leadership and governance (6)

## City Region Deal (continued)

These have been graded at the major level due to a lack of assurance over how projects will be managed to maximise utilisation of available funding within the remaining time. Also, internal audit highlight a lack of formal review or assurance over sustainability and continuity of the various projects. Management responded to Internal Audit by confirming they were awaiting closure guidance being issued by Scottish Government. This guidance has now been received. The agreed mitigating actions have a deadline of April 2026 and will be followed up by Internal Audit as part of the tracking of audit recommendations reported to the Audit Committee.

As part of their review, internal audit considered the arrangements for grants previously paid to external organisations, confirming that there was a more in-depth review taking place than in prior years. We note that internal audit did raise the lack of retention of supporting evidence.

We have not raised any further recommendations as these are adequately covered by the work of Internal Audit. Subject to the Council implementing the agreed recommendations we are satisfied that the risk are adequately mitigated.

## North East Scotland Investment Zone

The Council are a key partner in the North East Scotland Investment Zone (NESIZ), a £160 million project to boost productivity, accelerate business growth and provide more high-priority jobs in the region. The proposed Investment Zone interventions represent a spending package for North East Scotland of £112 million across 16 interventions.

The process for developing Investment Zones in Scotland comprises of five stages (known as gateways). The Scottish Government and UK Government have approved gateways one, two and three. This included approving the formal the governance structure and assurance processes for the design, approval, and delivery of the Investment Zone.

Gateway four and gateway five have been submitted to the Scottish and UK Governments for formal evaluation and are expected to be approved in early 2026. Once all stages of the Gateway are approved, the NESIZ can commence operations.

NESIZ will be operated by a joint committee between Aberdeenshire Council and Aberdeen City Council, with Aberdeenshire Council taking the role of the 'Accountable Body'.

## Conclusions

Subject to the Council implementing the agreed internal audit recommendations we are satisfied appropriate arrangements are in place to manage the risks re the City Regional.

The Scottish and UK Governments have formally approved the NESIZ project which is expected to commence in March 2026.

# Vision, leadership and governance (7)

## North East Scotland Investment Zone (continued)

The Council have developed a Working Group that meets weekly to review the progress on NESIZ, and involves staff across the finance, legal and economic development teams. A Project Plan has been approved for all activities which need to be formalised and delivered before NESIZ can commence.

The Plan for the delivery of NESIZ includes the development of a Programme Management Office (PMO) and Executive Team. It is the Council's responsibility to establish these as the Accountable Body, and recruitment is ongoing. The Council will need to ensure appointments are made promptly, as delivery of the NESIZ projects could be delayed if staff are not in place to oversee its operation.

The first meeting of the NESIZ Joint Committee is expected to take place in March 2026. In advance of this meeting, business cases are being developed for potential projects, which will be submitted to the Working Group for review by the end of January. Following this review, these business cases will be taken to the March Committee for formal approval.

NESIZ intend to implement an assurance framework and risk management process that evaluates the risks that could impact the performance of NESIZ and the delivery of interventions. Each project intervention will develop its own risk register as part of the business case process, which will be managed by project owners.

As part of the Gateway 5 submission, the Council prepared a Risk Register for NESIZ, assessing the likelihood and impact of each risk on a scale of low, medium or high. Two risks were assessed as being high risks:

- Conflict of Interest risks - Risks associated with NESIZ Development Partners being some of the landowners in the tax and NDRR sites.
- Conflict of Interest Risks - NESIZ Development partners are involved or leading some of the interventions and also will sit on Programme Board and/or Joint Committee.

Mitigating actions have been developed for each identified a risk and a risk owner assigned to take forward each action.

Other elements of the risk management framework remain in development.

## Conclusions

The Council are actively recruiting a PMO to monitor the delivery of the NESIZ project.

An Action Plan is in place which identifies the key tasks and milestones to be achieved in the development of the NESIZ.

The governance arrangements for NESIZ are emergent and will need to be finalised quickly to ensure effective oversight of the various projects.

# Use of resources to improve outcomes (1)

## Performance Reporting

The Council Plan has three strategic priorities:

- A sustainable economy
- Connected communities
- Living well locally

In order to deliver its priorities, the Council have a Performance Management Framework which aims to support a culture of continuous improvement and to provide the best outcomes for communities. The Performance Management Framework was updated in March 2025 to reflect the new Strategic Performance Information Direction (2024), published by the Accounts Commission in January 2025.

To support the delivery of the new Council Plan, each Directorate has developed Strategic Directorate Plans which translate the high-level strategic priorities that each Directorate must meet to deliver the Council Plan. Key Council Plan indicators are reported within the new Directorate Strategic Plans and aim to demonstrate how the Council are delivering the Strategic Priorities and the

Statutory Performance Indicators (SPI's). These key indicators are made up of a mix of both local and LGBF indicators and are reported to relevant Policy Committees on a six-monthly basis.

Heads of Service within each Directorate have also developed Business Plans from financial year 2024/25. These plans incorporate performance measures that illustrate how each Directorate is contributing to the Council's priorities. For the duration of the Council Plan 2024-29, Directorates will report on a curated set of 25-30 indicators from the Business Plans within their remit.

The Strategic Leadership Team (SLT) has strategic responsibility for performance in relation to the Council priorities and embedding the Performance Management Framework across the Council. The SLT consider quarterly review of Council and Directorate performance reports and agreeing corrective action where service performance needs to improve.

Members receive update reports on progress through the annual performance report which is presented at full council each September. In addition, the updates on Business Plans are reported to policy committees every six

## Conclusions

The Council have appropriate arrangements in place for publishing performance information.

# Use of resources to improve outcomes (2)

## Performance Reporting (continued)

months, providing further opportunity for scrutiny on progress towards delivering the council's strategic priorities.

## Directorate Reporting

### Education and children's services

The year-end performance monitoring report for Education and Children's Services has a positive trajectory for performance measures:

- 22 indicators are assessed as on target or exceeding targets
- 4 indicators are assessed as just off target
- 3 indicators are assessed as off target

Key notes of success included the number of young adults participating in education, training or employment; the percentage of placements meeting the looked after child's needs and uptake of Free School Meals in primary and secondary schools.

Items just off track relate to school inspections where six

Aberdeenshire schools did not exceed the Scottish Government definition for a positive inspection (good or better) using the 'full' inspection model.

### Business Services

The Business services year end performance update includes progress against 23 performance measures which are made in line with the Council's strategic priorities:

- 14 indicators are assessed as on target or exceeding targets
- 5 indicators are assessed as off target
- 4 are reported as data only

Notable successes include high rates of commercial and industrial property occupation, average call waiting times for Customer Services and the percentage of contracts that include carbon reduction measures has exceeded council targets.

Areas assessed as off target include the percentage of contracts including clauses which relate to community benefits, the average number of days for new council tax reductions and the percentage of procurement spend spent

## Conclusions

Directorates are reporting performance in a timely manner and there is evidence that the Council are performing above target in several indicators.

For areas not at target, the Council have identified improvement actions to improve overall performance.

# Use of resources to improve outcomes (3)

## Directorate Reporting (*continued*)

### Business Services (*continued*)

on local enterprises.

### Infrastructure

The year-end performance monitoring report for Infrastructure Services has a positive trajectory for performance measures:

- 7 indicators are assessed as on target or exceeding targets
- 1 indicator is assessed as just off target
- 3 indicators are assessed as off target

Key notes of success include the average weeks taken to determine non-householder (local) developments is ahead of target.

The Item just off track relates to the percentage of bridges without weight or width restrictions which is sitting at 98.48%, which is an Amber on the RAG status.

Items off target included the percentage of Household

waste collected by the authority during the year that was recycled and composted.

### Health and Social Care Partnership (HSCP)

The Aberdeenshire Council Integration Joint Board prepare an Annual Performance Report, which was presented to full Council on 25 September 2025. This report provides a detailed overview of key challenges, achievements and performance over the year.

The HSCP's performance is monitored against the 23 national core suite of integration indicators which provides the framework for all HSCPs in Scotland to benchmark their performance and progress towards delivery of the 9 National Health and Wellbeing Outcomes.

The report showed that of the 23 indicators 16 were green (70%), indicating that the "current position is the same or better than Scotland". One indicator was rated 'Red' which was for the 'percentage of people with a positive experience of the care provided by their GP practice', meaning that the "current position is worse than Scotland by more than 5%". Whilst this is a negative result, the picture does appear to be improving when compared with previous years.

## Conclusions

Directorates are reporting performance in a timely manner and there is evidence that the Council are performing above target in several indicators.

For areas not at target, the Council have identified improvement actions to improve overall performance.

# Use of resources to improve outcomes (4)

## Annual Performance Report

The Council presented its Annual Performance Report to members at the 25 September 2025 Full Council meeting. This was the first report aligned the Council Plan 2024-2029 and provides an assessment of progress in delivering the Council's priorities.

In the prior year, we reported that the formal reporting in the Annual Performance Report lacked tables or graphs to present the information in a clear manner, making it difficult to visualise the Council's performance in comparison to other councils or family groups and to see trends over time.

Whilst the format of the 2024/25 performance report has changed, the type of reporting is consistent with the previous version. There continues to be a lack of tables and graphs which would present data in a structured manner. For each directorate, the Council could present each key indicator in a table and indicate the target performance level and final performance for the year (and other benchmarking data if available.)

The prior year recommendation remains valid, and we

recommend that visual aids are included in the report for improved clarity and insight.

## National Benchmarking Data

The Council participates in the Local Government Benchmarking Framework (LGBF). The outputs include information about how all of Scotland's councils perform and includes a range of indicators. The most recent national benchmarking overview report 2023/24, was published in March 2025.

The Council presented the 2023/24 LGBF results to the Audit Committee in July 2025. The LGBF datasets are first scrutinised by directorate management teams, who agree improvement actions for indicators performing in the bottom two quartiles. These actions are then consolidated into an overall improvement plan which is included as an appendix within the LGBF report. The LGBF report presented to the Audit Committee includes key national messages on overall issues affecting Scottish Councils. It also shows the LGBF in a local context, outlining areas where the Council is performing well and the areas for improvement.

## Conclusions

The Annual Performance Report should be updated to present performance data for key performance indicators in a tabular format which will enable easier comparison between actual performance and targets.

# Use of resources to improve outcomes (5)

## National Benchmarking Data (continued)

The data for LGBF is live and is available for any member of the public to review for their council area. A review of the Council's LGBF indicator performance was undertaken in December 2025. The table below provides detail on the Council's performance against the Scotland average for some of the published indicators:

Indicator	Scotland	Aberdeenshire
Cost per primary school pupil	£7,615	£7,132
Cost per secondary school pupil	£9,345	£9,479
% of pupils from 20% most deprived areas gaining 5+ awards at Level 5	30%	50%
School attendance rates per 100 pupils	91.5%	91%
Home care costs per hour (65+)	£28.15	£32.54
% of 65+ with long term care needs receiving personal care at home	57%	62%

Indicator	Scotland	Aberdeenshire
% of carers who feel supported to continue in caring role	29.7%	31.2%
Rate of readmission to hospital within 28days per 1,000	93.6	102.8
Gander Pay Gap %	1.5%	-1.1%
Sickness absence days per teacher	7.8	7.3
Cost per attendance at sports facilities	£3.77	£3.78
Average time per business and planning application (weeks)	14.3	8.7
Proportion of procurement spent on local enterprises	30.8%	27.8%

## Conclusions

The LGBF data shows that the Council has areas of over performance and under performance when compared to the Scotland average.

The Council's overall performance has remained broadly static in 2025, however progress in improving indicators has slowed slightly in the previous twelve months.

# Use of resources to improve outcomes (6)

## Accounts Commission - Local government budgets 2025/26

The Accounts Commission published the Local governments budgets 2025/26 report in May 2025. The report identifies a number of key findings including:

- Scottish Government funding to local government in 2025/26 is increasing by six per cent in real terms, to £15.2 billion. Local government continues to face recurring pressures in excess of funding uplifts, such as inflation, annual pay deals and growing demand for services, and most of the increase will be used to deliver previously agreed national commitments
- At the time of setting their budgets, councils identified a difference of £647 million between anticipated expenditure and the funding and income they receive (the 'budget gap').
- Councils continue to make savings across a broad range of services to address financial challenges and have been successful in identifying recurring measures that will help to address underlying pressures. Despite this, councils are still forecasting that more will need to be done in

future years to achieve financial sustainability given their projected increases in both costs and level of service demand.

Many of the findings from the Accounts Commission report are in line with the challenges currently being faced by Aberdeenshire Council.

## Conclusions

The Council is facing the same type of financial challenge as seen across the local government sector in Scotland.

# Best value conclusions

Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit work performed by appointed auditors and their teams. Auditors are required to evaluate and report on the performance of councils in meeting their Best Value and community planning duties. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations. The Accounts Commission's approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports. Our work on the Best Value thematic is set out below.

## Best Value Thematic – Transformation

In 2024/25, the Accounts Commission has directed auditors to report on how councils are redesigning services to maintain outcomes and deliver services more efficiently. Our report, setting out our findings and improvement recommendations was presented to Members in July 2025. Our conclusions, based on a series of questions posed by the Accounts Commission are set out below.

### To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability?

The Council has a Transformation Strategy which links to its priorities, set out in the Corporate Plan. A balanced budget has been set for 2025/26 with some recurring and non-recurring savings still to be identified. The Medium-Term Financial Strategy identifies a funding gap of £79.5m over the next four years. While the Council can evidence that transformation projects are in train and developing, it is not clear how they are monitoring the cost incurred and savings obtained from these projects. We note that transformation is only part of the solution to providing the long-term financial sustainability of the Council and the council continues to work on other savings and departmental change alongside transformation.

### To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans?

Reporting on progress of transformation projects needs to be improved and standardised to allow for comparison of projects across the Council and to enable Members to see clearly where progress is being made and where risks might be arising. Clear financial and non-financial targets for each project require to be set, monitored and reported on regularly.

# Best value conclusions

## To what extent are communities and partners involved in the development and delivery of the council's plans for transformation?

The Council engages well with its local communities and uses community engagement as a mechanism to shape and transform service delivery. Community engagement is used to good effect in the Council's service delivery decisions. The Council has some formal partnerships which are working well and providing benefits.

## To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?

The Transformation Strategy theme projects which are underway do not have success measures defined at the point of inception. It is therefore difficult to quantify the impact – financial and non-financial – these projects are having at the Council. The Council should introduce comparable success measures for each project.

We raised a number of recommendations as a result of this work. These are included in the Action Plan to this report, and we have followed up on progress since our findings and improvement recommendations was presented to Members in July 2025.

## Conclusions

Councils have a statutory duty to have arrangements to secure Best Value. To achieve this, Council should have effective processes for scrutinising performance, monitoring progress towards the strategic objectives and holding partners to account. We confirm that there are arrangements in place to secure Best Value.

# 10 Audit adjustments

# Audit adjustments (1)

We are required to report all non-trivial misstatements to those charged with governance, whether the accounts have been adjusted by management. Trivial has been set at £1,055,000.

## Impact of adjusted misstatements

All adjusted misstatements made during the course of the audit are set out in the table below, together with their impact on the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet for the year ending 31 March 2025.

Detail	CIES £'m	Balance Sheet £'m
<b>1. IAS 19 Pensions Disclosures</b>		
After the issue of draft accounts, it was later mentioned by the actuary, Hyman Robertson that some issues have been identified with their IAS 19 reports for 24/25 audits and therefore updated IAS 19 reports were received. While there have not been any change underlying assumptions the pensions disclosures were revised in the light of revised reports. Refer section for misstatements and disclosures changes for further details.		
Dr Cost of services (CIES)	0.134	
Dr Financing and Investment Income and Expenditure (CIES)	0.016	
Cr Actuarial (gains)/losses on pension assets/liabilities (CIES – OCI)	(0.020)	
Cr Unusable Reserves - Pension Reserve (Balance sheet)		(0.130)

# Audit adjustments (2)

## Impact of unadjusted misstatements

The table below provides details of all non-trivial errors which we identified during the course of our 2024/25 audit which management decided not to amend within the final set of financial statements.

Detail	CIES £'m	Balance Sheet £'m
<b>1. Trusts &amp; Endowments</b>		
<p>The Council administers a number of Trusts and Endowments and discloses a summary of their balances along with its own accounts. Included in the assets of the Trusts' is £2.661 million which has been invested by the Council in its Loan Fund and is shown in the Council's accounts as a borrowing. The Council is unable to provide direct evidence to support the value of the Loan Fund investment which belongs to the Trusts, and we have had to place reliance on the reconciliation of the total cash balance held by the Council (including the amount borrowed from the Trusts) to external confirmations. There is therefore a doubt over whether the amount disclosed in the accounts of the Trusts and Endowments is accurate, although we note there is consistency between the Trust and the Councils accounts.</p>		
<b>2. Provisions</b>		
<p>We have reviewed the Council's provision for general debtors and consider this to be over-optimistic such that there is potentially an overall under-provision of around £3 million.</p>		
CR Balance sheet – Short term debtors		(3.000)
DR Balance sheet – Usable reserves – general fund		3.000

# Audit adjustments (3)

## Impact of unadjusted misstatements

The table below provides details of all non-trivial errors which we identified during the course of our 2024/25 audit which management decided not to amend within the final set of financial statements.

Detail	CIES £'m	Balance Sheet £'m
<b>3. Property, Plant and Equipment</b>		
Upon inspection of Banchory Sports Village, it was found that the incorrect GIA had been used. We have quantified this error, and it has resulted in an understatement of OLB balance as at 31 March 2025		
CR CIES (OCI) - Surplus on revaluation of non-current assets / Balance sheet – Unusable reserves – Revaluation reserve		(1.138)
DR Balance sheet – Property, Plant and Equipment		1.138

# Audit adjustments (4)

## Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This is not a complete list, as this does not include minor changes requested by the audit team, including typos and formatting requests, but includes all those which warrant your attention.

This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on the Council's reported financial position.

Disclosure	Issue	Adjusted?
Note 3 – Critical Judgements in Applying Accounting Policies	The disclosure regarding provisions and contingent liabilities in Note 3 does not provide sufficient clarity on the judgements applied, focusing instead on reiterating the policy. The authority clarified that while the provision may not be material, they opted to retain the policy as council members consider the detailed information on larger provisions valuable. The disclosure will be revised to more accurately reflect the council's judgements in relation to these provisions.	Yes
Lease Creditors under IFRS 16	The balance sheet originally referred to 'finance lease creditors' instead of 'lease creditors' as required under IFRS 16. This disclosure was accordingly corrected in the final version of financial statements.	Yes
Note 1 – Significant Accounting Policies - Financial Instruments:	Note 1 – Significant Accounting Policies used old pre IFRS 9 terminology for financial assets and therefore needed amendment. This disclosure was accordingly corrected in the final version of financial statements.	Yes
Group Financial Statements	The first draft of group cashflow did not show Group's share of Integration Joint Board Deficit / (Surplus) as a non-cash item. This was subsequently revised by management in the revised version of group accounts.	Yes
Group Financial Statements	The council did not comply with CIPFA requirements by incorrectly including the surplus/deficit from Joint Ventures within the Financing and Investment Income and Expenditure line instead of including it as a standalone the in the group Comprehensive Income and Expenditure Statement (CIES). The group accounts were amended to correct this.	Yes

# Audit adjustments (5)

## Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This is not a complete list, as this does not include minor changes requested by the audit team, including typos and formatting requests, but includes all those which warrant your attention.

This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on the Council's reported financial position.

Disclosure	Issue	Adjusted?
Asset Decommissioning Costs	The council has incorrectly recognized asset decommissioning costs for £6.6 million on historic cost basis. However, per CIPFA requirements, these must be recognised on current value basis in line with requirements of IFRIC 1. The council have therefore agreed that this is a misstatement in the accounts, and these costs must be carried at current value in line with IFRIC 1.	Yes
IAS 19: Pensions Disclosures	<p>After the issue of draft accounts, it was later mentioned by the actuary, Hyman Robertson that some issues have been identified with their IAS 19 reports for 24/25 audits and therefore updated IAS 19 reports were received. While there have not been any change underlying assumptions the pensions disclosures were revised in the light of revised reports. This has resulted in the following amendments in accounts in comparison to first draft of accounts:</p> <ul style="list-style-type: none"> <li>• Current Service costs were decreased by £134,000</li> <li>• Pensions Interest Cost &amp; Income were decreased by £394,000</li> <li>• Contributions from employer &amp; employees were decreased by £183,000</li> <li>• Actuarial gains and losses arising on changes in assumptions were decreased by £2,491,000</li> <li>• Adjustment for IFRIC14 Net asset reduction was decreased by £2,471,000</li> <li>• Benefits Paid were increased by £16,084,000</li> </ul>	Yes

# 11 Action plan

# Action plan (1)

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit for the 2024/25 period. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with those standards.

We have not raised any new recommendations as part of our financial statement audit in 2024/25. We have raised 2 recommendations as a result of our wider scope work.

## Wider scope recommendations:

### Recommendation

#### 1. General efficiency savings

As part of the annual budget for the past two years, the Council has included a general efficiency/transformation saving (2024/25: £6.2 million, 2025/26: £13.9 million). Management do not have any process in place for identifying and tracking the delivery of these savings, beyond the eventual over or under spend against the budget for the year. In 2024/25 none of these savings were achieved. For 2025/26, the Council has over £5.1 million of savings at risk of not being delivered by the end of the year, and these largely relate to transformation savings.

#### Recommendation:

We recommend that, the Council should not continue to apply ‘general efficiency’ savings and should identify all savings, including how these are expected to be achieved. The savings should then be tracked and performance against the budget should be clearly reported.

### Relates to

Financial management /financial sustainability

Management response:

Agreed. The 2026/27 budget process and all savings put forward and agreed as part of that process will be specific to allow tracking of performance.

Responsible officer: Head of Finance

Due date: 28 February 2026

# Action plan (2)

## Wider scope recommendations:

### Recommendation

#### 2. Medium term savings

The Council's Medium Term Financial Strategy is predicting a cumulative funding gap of £81.403 million by 2029/30. However, the plan does not include a strategy to address the gap, or any medium-term savings plans. This is despite the Council perusing several transformation projects which are expected to deliver savings over this period.

#### Recommendation:

We recommend that, the Council should seek to identify the medium term savings anticipated from its transformation and other projects, and update the MTFS to include plans to address the identified funding gap.

### Relates to

Financial  
sustainability

Management response:

Agreed. As part of the ongoing 2026/27 budget process and update to the MTFS, work is ongoing to identify anticipated savings from transformation and other projects, as far as possible, to build into the medium term plan.

Responsible officer: Head of Finance

Due date: 28 February 2026

# Action plan (3)

We have raised 6 recommendations in 2024/25, as a result of our best value thematic work. Here we have provided a follow up on the progress of these recommendations.

## Best value thematic recommendations:

Status	Recommendation	
Ongoing	<p><b>1. Transformation Strategy impact on Medium-Term Financial Strategy</b></p> <p>The Medium-Term Financial Strategy (MTFS) 2024-2029, approved in February 2024, identifies a £79.5m savings gap over the period of the strategy. The 2025/26 budget was balanced by including a savings target of £5.7m across council services. The 2025/26 budget also includes ‘baked in’ recurring savings of £6.2m, which were not fully identified in 2024/25. The Council has to make significant savings in the coming years. The Transformation Strategy is predicated on making efficiency savings across the Council. However, the savings envisaged by the Transformation Strategy are not clearly set out for each theme or project, nor the timeline for achieving them. Without this level of detail, it is not clear if the transformation strategy is far reaching enough to meet the funding gap predicted by the MTFS. However, the projects which are currently underway do not appear to be generating the level of savings which would be required.</p> <p><b>Recommendation:</b></p> <p>The Council should develop a transformation programme that aligns with the Council Plan and its Medium-Term Financial Strategy. It should ensure that the transformation strategy is sufficient, when combined with other savings, to deliver the Medium-Term Financial Strategy.</p>	<p>Management response:</p> <p>The transformation strategy is one strand of the Medium Term Financial Strategy (MTFS) and is part of a number of fiscal measures the council is taking. We recognise the importance of aligning our transformation programme with both the Council Plan and MTFS to ensure strategic coherence and financial sustainability. Work is already underway to strengthen our transformation programme, ensuring that it is clearly defined, appropriately resourced and outcome focused. We have reviewed and refined the current transformation strategy to ensure it supports the priorities outlined in the Council Plan. This was considered and discussed by SLT and the Strategic Change Board in October with some changes made, and presented to the Collaboration Board. The Transformation Strategy was presented and agreed on 15 January 2026, which informs the subsequent delivery plan.</p> <p>Responsible officer: Transformation Programme Manager</p> <p>Due date: 30 June 2026</p>

# Action plan (4)

## Best value thematic recommendations:

Status	Recommendation
Ongoing	<p data-bbox="359 494 1166 529"><b>2. Reporting outcomes of the Transformation Strategy</b></p> <p data-bbox="359 548 1803 925">The Transformation Strategy includes high-level information about the types of projects that might occur in each of the themes but does not identify projects. The Council has no central list of all the transformation projects being undertaken and while this may exist in services, there is no overarching view. This makes reporting difficult as while there is reporting to Service Committees, the Strategic Change Board and Council, there is no standardised reporting. In addition to not having a centralised list, we found that it was difficult to identify from the objectives of the projects reviewed, what they would cost, what they would save, whether there was a non-financial impact that should be measured. Without setting out these measures at the inception of a project, it is impossible to report progress and success. There is a risk that transformation projects are ongoing that are not creating savings, and conversely, transformation projects that are creating savings but are not being recorded.</p> <p data-bbox="359 943 626 979"><b>Recommendation:</b></p> <p data-bbox="359 998 1778 1072">The Council should set out clearly the expected costs, savings and outcomes of projects arising from the Transformation Strategy. For each project, the following should be considered and documented:</p> <ul data-bbox="359 1090 1702 1165" style="list-style-type: none"> <li>• What are the Council’s primary objectives for transformation? Objectives should be specific, measurable, achievable, relevant and time-bound.</li> </ul> <p data-bbox="359 1183 647 1219"><i>(continued overleaf)</i></p>

### Management response:

The updated Business Case template will ensure that expected benefits and outcomes are more clearly laid-out. Clarity re ongoing roles and responsibilities will ensure that information will be reported at a Directorate and Council-wide level throughout the lifecycle of the project, and into Business as Usual through monitor and control via Directorate Boards and the PMO.

Responsible officer: Transformation Programme Manager

Due date: 30 June 2026

# Action plan (5)

## Best value thematic recommendations:

Status	Recommendation
	<p data-bbox="359 492 1337 528"><b>2. Reporting outcomes of the Transformation Strategy (continued)</b></p> <p data-bbox="359 549 624 578"><b>Recommendation:</b></p> <ul data-bbox="359 599 1796 963" style="list-style-type: none"> <li data-bbox="359 599 1694 671">• What are the expected costs of delivering the programme and when are they expected to be incurred?</li> <li data-bbox="359 692 1439 721">• How will costs be funded? Will reserves be used and if so, how and when?</li> <li data-bbox="359 742 1745 813">• How much does the Council expect the programme to generate in savings, and when are those savings expected to be realised?</li> <li data-bbox="359 835 1796 906">• If savings are not directly realisable (for example, in the case of FTE reduction), how will savings be realised?</li> <li data-bbox="359 928 1516 963">• How will progress against the primary objectives be measured and monitored?</li> </ul>

# Action plan (6)

## Best value thematic recommendations:

Status	Recommendation
Ongoing	<p data-bbox="359 494 937 529"><b>3. Approval of transformation projects</b></p> <p data-bbox="359 548 1803 811">A clear governance process is in place for the approval of projects arising from the Transformation Strategy, including an Integrated Impact Assessment (IIA) and full business case. However, where projects do not require funding from the Transformation Reserve, a business case and IIA does not require to be completed. The risk arising is two-fold – firstly, transformation savings may be taking place across the Council but are not being monitored and reported as such as they are not deemed to be transformation. Secondly, not completing IIAs for new projects may mean that unintended consequences of change arise that then cost the Council money and reduce the savings projected.</p> <p data-bbox="359 829 626 865"><b>Recommendation:</b></p> <p data-bbox="359 883 1773 955">The Council should seek to apply a standard governance process for all transformation and savings projects to ensure that proper scrutiny and assessment is applied in all cases.</p> <p data-bbox="1854 494 2193 529">Management response:</p> <p data-bbox="1854 548 2415 1112">New guidance is in development to provide clear guidance for Transformation, Improvement and Change activity approval. Initial approval will begin in Directorates and follow through steps that are deemed necessary (based on proportionality). The various approval stages will be recorded in detail at a Directorate level with summary reporting via the PMO to SLT and Councillors. New process guidance is available on SharePoint to all staff, with links to existing information and support for specific elements.</p> <p data-bbox="1854 1130 2359 1202">Responsible officer: Transformation Programme Manager</p> <p data-bbox="1854 1220 2198 1256">Due date: 30 June 2026</p>

# Action plan (7)

## Best value thematic recommendations:

Status	Recommendation	
Ongoing	<p data-bbox="359 486 1019 529"><b>4. Project costing and savings identification</b></p> <p data-bbox="359 544 1821 958">Where costs of projects have been recorded and reported, we have noted inconsistencies in the way that costs and benefits from projects are being quantified, making comparison difficult. Many of the transformation projects, particularly in the ‘Big data, digital and technology’ workstream, aim to generate savings primarily by creating efficiencies, saving staff time and therefore reducing overall FTE. In order for a reduction in FTE to generate real cashable savings, the Council needs to either reduce its payroll or employ the saved time on further cost saving or income generating activities. Project information reviewed is not clear how the Council intends to convert these efficiencies into real cash savings or income, the value of the savings and the timeline for their achievement. Without accurate and standardised information on cost and projected savings for projects, comparison of projects is difficult. Furthermore, without this information, there is a risk that the savings plan identified to mitigate the funding gap identified in the MTFs is inaccurate in terms of value and timing of savings.</p> <p data-bbox="359 972 631 1015"><b>Recommendation:</b></p> <p data-bbox="359 1029 1821 1258">The Council should seek to standardise how costs and benefits are quantified for business cases, so that these can be appropriately compared and the value and timing of future savings can be accurately estimated and monitored. The Council should ensure that there is a mechanism for tracking how much of the time saved from efficiencies created by transformation projects is being realised as a reduction in overall FTE numbers or being used to generate other savings or income, so that progress and success can be measured.</p>	<p data-bbox="1847 486 2191 529">Management response:</p> <p data-bbox="1847 544 2453 1143">The new Business Case template and linked Financial Assessment document includes clear requests for this information that is then reviewed by subject matter experts as part of the governance route. SharePoint pages have been developed with guidance in relation to producing data, and support with identification and management of benefits is highlighted in order to support services with providing the required detail. A training course has been developed to assist services with benefits, this is about to go live and will be available to all staff via the ALDO site.</p> <p data-bbox="1847 1158 2453 1243">Responsible officer: Transformation Programme Manager</p> <p data-bbox="1847 1258 2453 1302">Due date: 30 June 2026</p>

# Action plan (8)

## Best value thematic recommendations:

Status	Recommendation
Ongoing	<p data-bbox="359 494 1187 529"><b>5. Reporting progress from the Transformation Strategy</b></p> <p data-bbox="359 548 1811 922">Members must be given relevant and comparable information to allow for effective decision making. Progress reporting from transformation projects could stand to be improved and standardised to allow for meaningful comparison. We did not observe any key performance indicator data being presented in support of financial and non-financial targets. Projects should have measures of performance and financial savings identified at inception to enable easier reporting on progress and achievement. Linking to recommendation 2, if there is no clear data on what the projected cost and/or savings are, how can progress be tracked and monitored. Reporting did include Red, Amber, Green status tracking of projects, but the definition of these statuses is not clear. Without this information there is a risk that projects that are over budget / under saving / behind timescale are not appropriately identified and mitigating actions enacted.</p> <p data-bbox="359 943 626 975"><b>Recommendation:</b></p> <p data-bbox="359 996 1803 1258">The Council must seek to update their financial and non-financial performance reporting on transformation projects in order that oversight can be properly applied from the use of consistent performance information that is defined at project inception. This applies to reporting to SCB, Council and Service Committees. A dashboard of project reporting should be developed identifying costs projected, costs incurred, savings projected, savings achieved, timescale for achievement and key performance indicators. Where RAG status tracking is used, it should be clearly defined and where required, mitigating actions identified and reported on.</p> <p data-bbox="1849 494 2188 529">Management response:</p> <p data-bbox="1849 548 2410 1150">A power BI dashboard has been developed to display the required information for project (and sub-projects) in the Transformation programme. Detailed monthly reports are now produced by all themes, providing improved detail including RAG, timelines and savings. Summary reports are also provided on a fortnightly basis. An updated Business Case template has been developed, with a linked Financial Assessment document that prompts all projects for an appropriate level of detail regarding financial and non-financial performance from the outset.</p> <p data-bbox="1849 1172 2354 1243">Responsible officer: Transformation Programme Manager</p> <p data-bbox="1849 1265 2193 1293">Due date: 30 June 2026</p>

# Action plan (9)

## Best value thematic recommendations:

Status	Recommendation	
Ongoing	<p><b>6. Development of partnership working</b></p> <p>At present the Council appears to be engaged in limited partnership working with other Councils, with the only notable project being a shared services function with two other Councils which is still in the very early stages of investigation. There is an opportunity for Aberdeenshire Council to explore this as it develops its transformation strategy.</p> <p><b>Recommendation:</b></p> <p>The Council should expand their investigation of how partnership working with other Councils could provide opportunities for future transformation.</p>	<p>Management response:</p> <p>There are a number of services who work collaboratively on an inter-authority and regional/national basis which inform various service transformation, change and improvement activity across the council. The refreshed Transformation Strategy is going to Full Council on January 15th 2026. This will inform the forward focus and strategic direction of council-wide transformation activity, including exploring opportunities for further collaboration. There are also opportunities to engage further with Improvement Service Scotland.</p> <p>Responsible officer: Transformation Programme Manager</p> <p>Due date: 30 June 2026</p>

# Follow up of prior year recommendations – Wider Scope (1)

In 2023/24 we identified the 4 recommendations as a result of our wider scope work, 4 recommendations as a result of our best value thematic work, and 5 recommendations from our financial statements audit work. We have provided an update on these recommendations below. All recommendations from earlier audits were either closed or superseded by recommendations in 2023/24 or 2024/25.

## 2023/24 wider scope recommendations:

Assessment	Recommendation	Update
Superseded	<p><b>1. Financial Sustainability – transformation savings</b></p> <p>A transformation programme is in place, but this is comparatively new and untested. So far, it has not generated options at sufficient pace or value to deliver the level of savings that will be required to close the significant gap identified in the MTFS. There is a risk that where sufficient savings and transformation plans are not identified sufficiently early in the process, or are not robustly planned and monitored, they may not be delivered in the required timeframe to the required value. This could lead to the rapid depletion of reserves and cause significant financial sustainability challenges for the Council within the next 1-2 years.</p> <p><b>Recommendation:</b></p> <p>The Council should perform a detailed review of the savings set out in the MTFS and realistically assign timeframes to their achievement to ensure that sufficient savings are made in each year of the MTFS to enable a balanced budget to be set.</p> <p>A detailed transformation plan should be developed and appropriate project management and governance arrangements put in place to ensure it is delivered.</p>	<p>This recommendation has been superseded by similar recommendations made in 2024/25, and this continues to be an ongoing issue.</p>

# Follow up of prior year recommendations – Wider Scope (2)

## 2023/24 wider scope recommendations:

Assessment	Recommendation	Update
Superseded by wider scope recommendations made in the Aberdeenshire IJB's Annual Auditor's Report and recommendations made for the Council in this report.	<p><b>2. Financial Sustainability – HSCP</b></p> <p>The HSCP are experiencing overspends against budgets year-on-year without sufficient measures in place to manage budgets, performance and the associated financial risks.</p> <p>The key risk lies in earmarked reserves allocated to balancing the HSCP budget depleting at an unsustainable level beyond the medium term, and whether the Council have sufficient governance and risk management in place to deal with this.</p> <p><b>Recommendation:</b></p> <p>The Council should carry out an in-depth review of budget and performance management of the partnership, including an analysis of the adequacy of governance and risk management processes in place, particularly around Adult Social Care, to ensure that the Council can meet its demand.</p>	<p>Management response:</p> <p>Significant progress has been made and further improvement work is underway to ensure the HSCP has sustainable budgets, well embedded governance processes, and clear, proactive management of financial and operational risks. These actions will enable the Council and the IJB to meet current and future demand within a robust and transparent financial framework.</p>

# Follow up of prior year recommendations – Wider Scope (3)

## 2023/24 wider scope recommendations:

Assessment	Recommendation	Update
Ongoing	<p><b>3. Effective use of resources – partnership working governance arrangements</b></p> <p>An Internal Audit review of the Aberdeen City Region Deal during 2023/24 highlighted a number areas of improvement required to the governance and monitoring in place for the Deal. An action plan was developed and is being implemented. There is a risk that further overspends may occur if the governance and monitoring for the deal does not improve as planned.</p> <p>The Peterhead Community Campus was scoped inaccurately meaning that budgets are insufficient and delays are now being incurred as the scope and design of the project is amended to reflect the budget. Without strong performance monitoring and robust governance arrangements, there is a risk that the project will continue to overspend and not deliver on time.</p> <p><b>Recommendation:</b></p> <p>The Council should seek to strengthen governance arrangements, including financial monitoring, for their partnership working, namely the Aberdeen City Region Deal and the Peterhead Community Campus.</p>	<p>Management response:</p> <p>ACRD – as noted earlier in the report, Internal Audit carried out a piece of “assurance work” and has undertaken a recent internal audit review of the ACRD which concluded that reasonable assurance was obtained over the governance and financial spend of the City Region Deal. The report confirmed that substantial improvements have been made since the area was last audited in 2023/24.</p> <p>PCC – as reported in 2023/24, changes had already been implemented in the monitoring and governance arrangements. These will continue to be reviewed and enhanced to ensure robust oversight and effective management. Our ongoing commitment to strengthen these processes will help us maintain high standards of accountability and transparency.</p>

# Follow up of prior year recommendations – Wider Scope (4)

## 2023/24 wider scope recommendations:

Assessment	Recommendation	Update
Ongoing	<p><b>4. Best Value – performance reporting</b></p> <p>The Council’s performance reporting in its annual performance report is overly summarised. Details of key performance indicators or trend data is not included.</p> <p>There is a risk that by not including detailed performance data that true performance is not properly understood.</p> <p><b>Recommendation:</b></p> <p>The Council should seek to revisit and refresh their annual performance reporting to include key performance indicators and trend data.</p>	<p>We have concluded that this recommendation continues to be relevant. Please refer to page 73 of our wider scope work.</p> <p>Management response:</p> <p>The Council notes the recommendation and continues to work with performance leads in services on visibility of performance information. Key performance indicators and trend data are already included within the Annual Performance Report, under each priority summary in the 'key reports' section. While this information is not presented upfront in order to avoid overwhelming users, the option to explore the data in more depth is available. The same information is also published on our performance webpage. We recognise the importance of improving accessibility and are working on the use of PowerBi to help illustrate performance for the 2026 performance reporting at Full Council. In the interim, we will consider how can draw clearer attention to the existing links to ensure users can more easily navigate to the detailed data. As well as responding annually within our Performance Report, each Directorate reports the relevant KPIs for their service that relate to the Council Plan to the relevant Policy Committee on a 6 monthly basis (June &amp; November). These are reported through their Directorate Plans and should demonstrate their performance against the KPIs including trend data. Overall, our reporting aligns to the current Performance Management Framework and the SPI Direction. These biannual reports are summarised in the annual performance report. Currently we are developing a Council-wide Performance Dashboard that will be able to publish on our website and will hold information relating to the KPIs for the Council Plan, including narrative and trend analysis. Target Date – September 2026</p>

# Follow up of prior year recommendations – Best value thematic (1)

## 2023/24 best value thematic recommendations:

Assessment	Recommendation	Update
Closed	<p><b>1. Council-wide workforce data analysis</b></p> <p>Workforce data analysis is primarily held within individual services, with no over-arching analysis of where skills gaps and capacity may lie. There is a risk that without this, the council does not effectively monitor the workforce and thus not enable the full value of savings or staff benefits.</p> <p><b>Recommendation:</b></p> <p>The council should develop council-wide workforce data analysis to ensure the maximum benefit is achieved from the Springboard programme and there is clarity where technology support is required for digital innovation to be achieved</p>	<p>Management response:</p> <p>Over the past six months, the quality and depth of workforce data—both at the whole-organisation and service levels—have significantly improved. These enhancements have enabled more robust analysis and informed decision-making by the Senior Leadership Team (SLT), Directors, Services, the Business Services Committee, the Corporate Vacancy Board, and the Employers’ Joint Consultative Committee on a regular basis.</p> <p>We now have better access to corporate and service-level, self-service, real-time data through Power BI dashboards. However, we acknowledge that there is still room for improvement. The provision of high-quality, drillable, real-time, usable, and accessible workforce data remains under-resourced.</p> <p>To address this, HR, Finance, and the Data Hub are collaborating to recruit a dedicated Data Analyst focused on workforce data. This role will strengthen our data capabilities and support the development of a self-service platform that enables both corporate and service-led workforce priorities to be driven by robust analysis.</p> <p>Funding for the post has been secured, and the recruitment process is underway. We anticipate the new Data Analyst will join the Data Hub team within the next 6–8 weeks, after which the platform build will commence. Timescale February 2026 - February 2027.</p>

# Follow up of prior year recommendations – Best value thematic (2)

## 2023/24 best value thematic recommendations:

Assessment	Recommendation	Update
Closed	<p><b>2. Transformation Strategy linkage</b></p> <p>The Transformation Strategy, along with the Workforce Strategy and the Council Plan are key documents that will support Aberdeenshire Council’s journey to efficiency, effectiveness and closing the savings gap identified in the MTFs. To do this, these documents should be formally linked and recognised as being interdependent. Failure to do this could lead to gaps arising in the forward planning of service delivery.</p> <p><b>Recommendation:</b></p> <p>The council should formally link the expected outcomes of the three key policies that will influence workforce planning and innovation going forward.</p>	<p>This issue was reviewed as part of our 2024/25 best value thematic work on the Council’s transformation. The Council was found to have adequate linkages between the key documents noted.</p>

# Follow up of prior year recommendations – Best value thematic (3)

## 2023/24 best value thematic recommendations:

Assessment	Recommendation	Update
<p>Closed</p> <p>Also please note that the Council's estates strategy will be reviewed as part of our 2025/26 best value thematic report.</p>	<p><b>3. Estates strategy</b></p> <p>Hybrid and remote working is now fully embedded at the council. As a result, there is a decrease in the level of office space required which could be put to other uses that would increase savings and/or generate additional revenue or capital income for the council. Progress in this area has been slow, with limited savings and benefits being recognised to date.</p> <p><b>Recommendation:</b></p> <p>The council should formally link the expected outcomes of the three key policies that will influence workforce planning and innovation going forward.</p>	<p>Management response:</p> <p>The People Strategy, which serves as Aberdeenshire Council's corporate Workforce Plan, is closely aligned with the Medium-Term Financial Strategy (MTFS) and Transformation Programme. Approved by the Business Services Committee in November 2024, progress on its actions is reported every six months.</p> <p>Heads of Service Operational Plans and Directorate Plans incorporate elements of workforce planning, MTFS, and transformation initiatives. The interconnectivity of these plans is regularly reviewed by the Strategic Change Collaboration Board and the Corporate Vacancy Board to ensure alignment and coherence. It is recognised that there is room for improvement and actions will be considered in the following areas over the next 12 months.</p> <ol style="list-style-type: none"> <li>1. Enhance Visibility and Communication Develop a consolidated dashboard (e.g., via Power BI) to track progress on People Strategy actions alongside MTFS and transformation milestones. To be incorporated into the datahub work referenced above. Share regular updates with SLT and service leads to reinforce accountability.</li> <li>2. Improve Alignment Across Plans Conduct mid year reviews to ensure workforce planning elements in Operational and Directorate Plans remain aligned with corporate priorities.</li> <li>3. Strengthen Governance and Oversight Expand reporting to include qualitative insights on workforce challenges and opportunities, not just quantitative metrics. This is done in part but could be improved.</li> <li>4. Embed Workforce Planning in Transformation Work is underway to link the FAST transformation programme to short, medium and long term workforce planning. This work will be undertaken over the calendar year 2026.</li> </ol>

# Follow up of prior year recommendations – Best value thematic (4)

## 2023/24 best value thematic recommendations:

Assessment	Recommendation	Update
Closed	<p><b>4. Council-wide reporting framework</b></p> <p>As the council embarks on their transformation programme, to transform the way the council works and achieve a significant savings gap, it is imperative that progress is monitored regularly and rigorously at all levels to ensure objectives are met. Without regular and rigorous review of performance measures, the council runs the risk that the desired objectives are not achieved. This should also include, when agreed, the expected savings to be obtained from workforce changes and office space reductions.</p> <p><b>Recommendation:</b></p> <p>The council should develop a suite of performance measures, council-wide and service specific, that should be reported on regularly with rigorous follow up where objectives are not met.</p>	<p>Management response:</p> <p>The four pillars of the People Strategy—Skills, Fairness, Right People in the Right Place, and Wellbeing—continue to be monitored and reported regularly through the Senior Leadership Team (SLT) and the Business Services Committee. This process is now embedded as standard practice.</p> <p>In addition, work is underway within the Data Hub to deliver higher-quality, drillable workforce data. This enhanced data capability will form part of a broader transformation KPI suite, enabling the measurement of outcomes and informing future strategic direction.</p>

# Follow up of prior year recommendations – Financial statements audit (1)

## 2023/24 financial statement audit recommendations:

Assessment	Recommendation	Update
Closed	<p><b>1. Valuation of property, plant and equipment</b></p> <p>The valuation of the Council’s housing stock was received late, which caused significant delays to the completion of the audit, although we note that we did not identify any issues with the valuation itself once it was received.</p> <p>In contrast, the valuation of the Council’s land and buildings was received on time, but extensive issues were identified with the floor and land areas used in the valuations leading to material adjustments to the accounts and significant additional audit time.</p> <p><b>Recommendation:</b></p> <p>We recommend that the Council reviews it’s controls and processes for reviewing the work of its valuer to ensure that the data and assumptions being used are both accurate and appropriate.</p> <p>Further, the Council should consider its timeline for 2025 to ensure that valuations can be performed in time for incorporation into the draft financial statements and so that evidence can be provided in time for audit.</p>	<p>In 2024/25 the Council’s accounts were received late for audit in September, to allow additional time to process the PPE valuations and the impact of IFRS 16.</p> <p>Upon commencement of our audit, we did not encounter the same issues with the valuations that have been noted in previous years, and only one immaterial issue was found.</p> <p>Arrangements for the 2026 valuations are already being considered.</p>

# Follow up of prior year recommendations – Financial statements audit (2)

## 2023/24 financial statement audit recommendations:

Assessment	Recommendation	Update
Ongoing	<p><b>2. Recognition of investment properties</b></p> <p>The Council was in the process of letting out parts of its office building with a view to generating rental income. At 31 March 2024, we have estimated the value of those assets currently being let, to be around £1.400 million. As this is immaterial, these assets are still being presented as property, plant and equipment instead of investment properties.</p> <p><b>Recommendation:</b></p> <p>We recommend that the Council continues to monitor its investment properties to ensure that a material error does not arise.</p>	<p>Management response:</p> <p>The amount of office space leased to external parties remains largely the same as previous year. The proposed lease of part of Woodhill House to NHSG did not complete and this space remains vacant. Efforts to lease remaining vacant office space are ongoing, including a lease to Police Scotland for part of Woodhill House with lease start estimated Q3 2026. There is no justification for changing the basis of valuation until more space is leased.</p> <p>Target Date for review – September 2026</p>

# Follow up of prior year recommendations – Financial statements audit (3)

## 2023/24 financial statement audit recommendations:

Assessment	Recommendation	Update
Ongoing	<p><b>3. £nil net book value assets</b></p> <p>The Council holds vehicles, plant, furniture &amp; equipment assets with a total gross cost of £52.960 million which have been fully depreciated at 31 March 2024.</p> <p><b>Recommendation:</b></p> <p>The Council should perform a review of assets with £nil net book value to ensure that they remain in use and, if they do, the Council should assess the appropriateness of the UELs applied.</p> <p>The Council should embed a formal process for reviewing assets which have outlived their useful economic lives on an annual basis, to ensure the assets are still in existence.</p>	<p>Management response:</p> <p>Work is ongoing to review assets with a £nil net book value through engagement with Services. Once concluded, any adjustments will be made to the 2025/26 Annual Accounts.</p>
Ongoing	<p><b>4. Cash reconciliations</b></p> <p>Although all were trivial in value, we identified a number of errors in the Council’s bank reconciliations.</p> <p><b>Recommendation:</b></p> <p>Bank reconciliations should be simplified and reviewed in detail for any errors.</p>	<p>Management response:</p> <p>Agreed. Procedures are regularly reviewed and will be reviewed again to identify where the process can be simplified.</p>

# Follow up of prior year recommendations – Financial statements audit (4)

## 2023/24 financial statement audit recommendations:

Assessment	Recommendation	Management update
Ongoing	<p><b>5. Internal Recharges</b></p> <p>A total of £103 million of internal recharges have been removed from the income and expenditure of the accounts. Of these, only around £70 million of the expenditure transactions were identifiable as internal recharges. Therefore, we have been unable to test the remaining £33 million of expenditure.</p> <p>The untested expenditure recharges are substantial in value, and we have had to place reliance on our testing of the income leg of the internal recharges to gain sufficient assurance over them.</p> <p>Additionally, we have had to perform additional testing over the 'other expenditure' due to not being able to remove the recharges from our testing population, which has taken additional time.</p> <p><b>Recommendation:</b></p> <p>We recognise that there has been significant improvement in this area from last year. However, we would recommend that the Council should continue to work towards all recharges being identifiable and should work to reduce the quantity of internal recharges.</p>	<p>Management response:</p> <p>Work is ongoing in this area. Finance are reviewing all internal recharges processed and looking to ensure all transactions are identifiable.</p> <p>As noted, significant improvements have been made to date, however more work is required around transactions that are generated from feeder systems.</p> <p>The process for identifying recharges will be reviewed prior to the audit for 2025/26.</p>

# 12 Independence considerations

# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers). In this context, there are no independence matters that we would like to report to you.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Board's Ethical Standard.

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationship with Grant Thornton	We are not aware of any relationships between Grant Thornton and Aberdeenshire Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Entity or investments in the organisation held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place, note that there are no non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the organisation's board, senior management or staff.

# Fees and non-audit services

The following tables below sets out the total fees for audit services that we have been engaged to provide or charged from the beginning of the financial year to the current date. No non-audit services have been provided. None of the below services were provided on a contingent fee basis. We have not identified any threats to our independence.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to the Council.

Service	Planned fees	Final fees
External Auditor Remuneration	£331,540	£331,540
Pooled Costs	£8,330	£8,330
Contribution to Performance Audit and Best Value	£95,980	£95,980
Sectoral cap adjustment	£62,510	£62,510
<b>Total core fee</b>	<b>£498,360</b>	<b>£498,360</b>
Fee for the audit of charitable trusts	£12,960	£12,960
Additional audit fee for wider scope	£15,000	£6,600
HB Subsidy claim	-	£4,200
IFRS 16	-	£5,400
PFI	-	£3,500
<b>Total fee with fee variation</b>	<b>£526,320</b>	<b>£531,020</b>

In our Audit Plan, we proposed to charge an additional £15,000 in 2024/25 for additional work expected in response to the additional risks identified as part of our wider scope planning. We have since concluded this work and made an assessment of the costs associated with the additional time taken to perform the work and propose a fee of £6,600.

In addition, several issues were identified with the Housing Benefit subsidy audit, which required reperformance work and additional review. We are proposing to charge an additional £4,200 for this work.

As explained in our audit plan, additional work was required as a result of the new implementation of IFRS 16. We are proposing to charge an additional £5,400 for this work.

The Council's external advisors were unable to share their models and calculations for the Council's PFI liability which resulted in our own PFI experts having to reperform this work, at an additional cost of £3,500. We advise that in future the Council seeks to use an expert who is willing to share their calculations for audit, to avoid the additional costs.

The fee, and any fee variations, is subject to agreement by the Council and Audit Scotland. The fees shown here are inclusive of VAT.

We do not anticipate any fees in relation to non-audit services as none are provided.

# 13 Appendices

# A. Communication of audit matters with those charged with governance (1)

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance.	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks.	●	
Confirmation of independence and objectivity.	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence.	●	●
Significant matters in relation to going concern.	●	●
Views about the qualitative aspects of the Council’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures.		●
Significant findings from the audit.		●
Significant matters and issue arising during the audit and written representations that have been sought.		●
Significant difficulties encountered during the audit.		●
Significant deficiencies in internal control identified during the audit.		●
Significant matters arising in connection with related parties.		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements.		●
Non-compliance with laws and regulations.		●

# A. Communication of audit matters with those charged with governance (2)

## Our communication plan

	Audit Plan	Audit Findings
Unadjusted misstatements and material disclosure omissions.		●
Expected modifications to the auditor's report, or emphasis of matter.		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

## B. Client Service Review

### Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner, 8 Finsbury Circus, London, EC2M 7EA. If you feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2024 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024).



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