

Best Value

Aberdeenshire Council

ACCOUNTS COMMISSION 

Prepared by the Controller of Audit

March 2026

Contents

| | |
|----------------------------|----|
| Key facts | 3 |
| Controller of Audit report | 4 |
| Appendix 1 | 16 |
| Appendix 2 | 17 |

Accessibility

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

Key facts

| | |
|----------------|--|
| 2,448 | Square miles |
| 265,080 | Population |
| 2.7% | Proportion of all data zones in Aberdeenshire that are within the 20 per cent most deprived in Scotland, according to Scottish Index of Multiple Deprivation (2020) |
| 15,934 | Workforce (Headcount) |
| 70 | Elected members 20 Scottish Conservative and Unionist, 18 Scottish National Party, 14 Scottish Liberal Democrat, 13 Independents & 5 Reform UK (Conservative, Liberal Democrats & aligned Independent Coalition administration) |
| £81.4m | General Fund cumulative funding gap projected over 2025/26 to 2029/30 (as of reporting at the end of Quarter 2 2025/26) |
| £776.3m | General Fund revenue budget 2024/25 |
| £98.8m | General Fund capital budget 2024/25 |

Controller of Audit report

1. This report is made by the Controller of Audit to the Commission under Section 102(1) of the amended Local Government (Scotland) Act 1973. It is based on evidence collected in the 2022/23, 2023/24, and 2024/25 annual audits of the council, with the latter reported in February 2026. [Appendix 1](#) includes links to the 2022/23, 2023/24, and 2024/25 Annual Audit Reports (AAR) and [Appendix 2](#) includes a link to the Best Value Statutory Guidance.

2. The reporting of Best Value is undertaken through the annual audit of each council and includes detailed work focusing on a Scotland-wide theme. The Best Value theme for 2022/23 was councils' leadership of the development of new local strategic priorities while the 2023/24 theme focused on workforce innovation. The theme for 2024/25 was transformation and how councils are redesigning and delivering services to achieve planned outcomes.

Pace of continuous improvement

3. Aberdeenshire Council ("the council") has set clear priorities and continues to demonstrate strong partnership working and a commitment to community engagement.

4. The Best Value thematic reviews on leadership and workforce noted appropriate overall governance arrangements and positive workforce initiatives. The council recognises that it could improve aspects of its workforce planning and is taking steps to address the issues raised by auditors.

5. The council has suitable overall arrangements for monitoring performance against its strategic objectives, and is surpassing its targets for several local indicators. Against national performance indicators, there has been a long-term trend of improvement overall, though this varied by service area, and in the most recent year more indicators declined than improved.

6. The council has a significant forecast funding gap and faces a number of risks to its financial sustainability in the medium term. Its transformation programme aims to deliver sustainable cost reductions while enhancing efficiency and modernising services. The council now needs to ensure that it can deliver on these aims, and that it is clear on how far doing so will address the funding gap.

Best Value Assurance Report (BVAR) follow-up

- 7.** The council received a Best Value Assurance Report in October 2020. The Commission noted that services were largely performing well, with high levels of public satisfaction in most areas and relatively good outcomes for communities.
- 8.** Performance was slightly above the Scottish average and there had been improvement against national indicators over the previous five years. Within this, auditors noted some areas of poor performance around educational attainment for more disadvantaged pupils and in the management of void housing.
- 9.** The Commission highlighted the importance of the council setting clearer and more focused high-level priorities to facilitate assessment of performance against objectives, comparison with other councils, and a clearer sense of where improvement and/or additional resources were required. As set out in paragraph 12, the Council Plan 2024-2029 marks an improvement in this regard.
- 10.** The council had demonstrated strong partnership working and a good track record of consulting communities. Meanwhile, there was scope for continued development of the council's workforce plan, with recommendations to set out medium- to longer-term staffing needs and conclude service-level plans. As noted in paragraph 38, the council continues to take actions to strengthen its workforce planning arrangements.
- 11.** Auditors recognised a sound record on financial planning and management and a relatively stable financial position. However, they also noted a rising cumulative budget gap, exacerbated by the impact of the Covid-19 pandemic. As set out in paragraph 68, this remains a risk for the council.

Leadership and governance

- 12.** The council approved a new Aberdeenshire Council Plan 2024-2029 in June 2024, setting out three strategic priorities. The plan is clear and concise, and includes outcomes and performance indicators. This marks an improvement from the council plan at the time of the 2020 BVAR, when auditors noted that priorities were too vague.
- 13.** The council's overall governance arrangements enable effective and transparent decision making. In their 2024/25 annual audit report, auditors found that the council has suitable risk management arrangements. They also noted that policies were appropriate, easily accessible to staff, and kept up-to-date through established processes.
- 14.** The political administration of the council is a coalition, which requires a collaborative approach to making key decisions and addressing council

priorities. The council's leadership must ensure sufficient focus on achieving the depth and pace of transformation needed to put both the council's finances and services on a sustainable footing.

Management of partnership funding

15. The council is the Accountable Body for the Aberdeen City Region Deal, under which it makes grant payments to delivery partners through UK and Scottish government funding.

16. Grant payments are dependent on the council, as the Accountable Body, receiving evidence of projects' spend and progress. An internal audit in 2023/24 identified a need for greater transparency and challenge in respect of this evidence.

17. Internal audit follow-up work in 2024/25 found substantial improvements, but made further recommendations that the council improve arrangements to maximise the use of funding before the Deal ends in March 2027. Internal audit also highlighted a lack of formal review or assurance over the sustainability and continuity of the various projects. The council have committed to addressing these areas by April 2026.

18. A further partnership funding arrangement, the North East Scotland Investment Zone, will commence in March 2026, again with the council as the Accountable Body. The 2024/25 annual audit report noted that governance arrangements were emergent and would need to be finalised quickly to ensure project oversight.

Citizen and community engagement

19. Auditors have consistently reported positively on the council's community engagement activities. The 2020 BVAR noted that the council's six local area committees (which remain in operation) provide a vital connection with local communities and community planning groups.

20. The 2022/23 Best Value report on leadership found that the council appropriately reflected the views of citizens and communities in its priorities and decisions, noting that the council had taken positive steps to ensure that this was the case. In addition, council priorities were informed by positive engagement with stakeholders to identify local needs and inequalities.

21. The council approved its Place Policy and Strategy in June 2024 to support council plan priorities. It set out the council's intention to develop Place Plans, informed by local engagement. As of January 2026, the council's website showed work underway on four Place Plans, with 13 more due to start over 2026 and 2027. A £1.4 million reserve was created during the 2024/25 budget setting process to support Place Strategy delivery, but this was fully utilised to mitigate in-year overspends.

Effectiveness of performance reporting

22. The council has appropriate performance management arrangements in place to monitor and report progress against its priorities.

23. The council's Performance Management Framework supports delivery of the three strategic priorities set out in the council plan. It was refreshed in March 2025 to reflect the new Statutory Performance Information (SPI) Direction published by the Accounts Commission in January 2025.

24. Strategic Directorate Plans incorporate key council plan indicators and Heads of Service within each directorate have also developed business plans, where a curated set of 25-30 indicators are reported to illustrate how the directorate is contributing to achieving the council's priorities.

25. The Strategic Leadership Team (SLT) receives quarterly reviews of council and directorate performance reports. Elected members receive regular updates on council performance through an annual performance report to full council, quarterly reports to relevant policy committees, and six-monthly updates on directorate business plans presented to policy committees. This promotes regular scrutiny of performance at council-wide and service level.

26. In the 2023/24 audit, the auditor recommended that the council enhance the presentation of performance information in its annual performance report, noting that the existing approach over-summarised KPI data, creating a risk that actual performance was not fully understood.

27. Following review in the 2024/25 annual audit, auditors concluded that this recommendation remained relevant. They advised that future reports should include KPI data in a tabular format to enable easier comparison between performance and targets. Auditors will continue to monitor progress on this action as part of the 2025/26 annual audit.

Reported performance

28. In 2024/25, auditors reported that the council's service performance had remained broadly consistent compared to previous years. However, progress against LGBF indicators showed that the pace of improvement had slowed.

29. The 2024/25 annual performance report was published in September 2025. As noted in paragraph 26, auditors concluded further work is required to improve the presentation of data in the report. The report outlined the council's progress against its three strategic priorities using 49 indicators. A breakdown of reported progress is below:

- Connected communities (10 indicators) – 6 green and 4 red
- Living well locally (21 indicators) – 17 green, 1 red and 3 data only

- A sustainable economy (18 indicators) – 11 green, 5 red and 2 data only
- Total (49 indicators) – 34 green, 10 red and 5 data only

30. An overview of movements on all LGBF indicators as of February 2026 is shown in Exhibit 1 alongside the averages for all Scottish councils. Overall, the exhibit shows a good level of improvement since base year, but in the most recent year more indicators declined than improved.

31. Nationally, the council ranks 19th out of 32 councils for indicators in the top two quartiles. It performs above the family group average for area-based comparisons, but below the family group average when compared on a population basis.

Exhibit 1

Aberdeenshire Council – LGBF indicator summary February 2026

Council movements are shown alongside Scotland averages in brackets.

| | Cost indicators | Performance indicators | Satisfaction indicators | All indicators |
|--|-----------------|------------------------|-------------------------|----------------|
| Movement in last year | % | % | % | % |
| - Improved | 50 (51) | 40 (44) | 0 (24) | 38 (43) |
| - Stayed the same | 0 (9) | 22 (22) | 18 (8) | 18 (18) |
| - Declined | 50 (41) | 38 (34) | 82 (68) | 44 (39) |
| Movement since base year | | | | |
| - Improved | 70 (55) | 65 (66) | 0 (7) | 59 (58) |
| - Stayed the same | 0 (1) | 12 (6) | 9 (2) | 9 (5) |
| - Declined | 30 (44) | 23 (29) | 91 (90) | 31 (38) |
| Indicators in the top two quartiles | | | | |
| - Most recent year | 65 | 48 | 36 | 50 |
| - Base year | 65 | 51 | 27 | 51 |

1. Scotland average movements are shown in brackets

Source: LGBF as of 9 February 2026

32. At service level, LGBF indicators generally show good improvement since the base year. Tackling climate change (100 per cent), environmental service (79 per cent) and corporate services (71 per cent) saw the highest proportion of indicators showing improvement since base

year. In contrast, financial sustainability (17 per cent), adult social work service (27 per cent) and culture and leisure services (38 per cent) have the lowest proportion of indicators displaying an improvement since base year.

33. The council's performance was better than the Scottish average in areas such as cost per primary school pupil, percentage of pupils from 20% most deprived areas gaining 5+ awards at Level 5, and average time per business and planning application. Areas where reported performance is worse than the Scottish average included home care costs per hour for 65 and overs and rates of hospital readmissions within 28 days.

Workforce planning

34. The 2023/24 thematic review on workforce found that the council's Workforce Strategy, approved in 2019, linked to the Council Plan 2022-2027 and other key workforce policies. However, auditors noted a need to formally link the Workforce Strategy with the Transformation Strategy.

35. The thematic review also highlighted a lack of overarching council-wide data and analysis and noted that, while the council did measure the impact of its workforce planning, more rigorous performance reviews were required to ensure objectives were met.

36. The council has a comprehensive flexible working programme known as workSTYLE. This has been effective, with a benefits realisation assessment in November 2023 showing all expected benefits either achieved or partially achieved. However, auditors noted that expected financial benefits from office space rationalisation had not yet been fully realised by the council.

37. To support future workforce capacity and skills needs, the council developed the 'Springboard' programme, which aims to redeploy skills across the council. In 2023/24, auditors found that the initiative had the potential to deliver savings while maintaining good employee relations, but highlighted that implementation was limited and, without a council-wide analysis of skills gaps, it would not achieve the savings and benefits envisioned.

38. In the 2024/25 annual audit report, the council reported a number of steps either already taken or planned to strengthen workforce planning, recognising that there was room for improvement:

- It approved a new People Strategy in November 2024, linked to the Medium-Term Financial Strategy and the Transformation Strategy.
- It reported that it had made significant improvements in the quality and depth of its workforce data, enabling more robust analysis and informed decision-making.

- It plans to recruit a dedicated workforce data analyst in early 2026 to further strengthen arrangements.

39. Recognising this progress, auditors have now closed all recommendations arising from the 2023/24 thematic review on workforce. Nevertheless, it will be important for the council to continue pushing forwards with its plans to strengthen its analysis and use of data.

Digital

40. The council's previous Digital Strategy, approved in 2021, was well implemented and delivered some cash savings, but the council lacked evidence that the strategy supported improved workforce productivity or service quality.

41. The council transitioned to a new Digital Transformation Programme in 2024, with the aim of delivering savings through a variety of methods including automation and process redesign. The programme will require close monitoring to ensure that cash savings, productivity gains and service quality outcomes are achieved.

Transformation

42. The council approved its Future Aberdeenshire Transformation Strategy in November 2023. This set out a vision for a whole organisation approach to change, with innovative projects helping to create future financial sustainability. Though not explicitly linked, the strategy is aligned to the council plan.

43. The council established a Transformation Reserve in 2023/24 to fund projects that enhance efficiency, modernise services, and deliver sustainable cost reductions. At inception, the fund held £37.5 million, and at 31 March 2025 it held £16.2 million. The reserve has been used to fund voluntary severance costs; the development of the transformation team; work on digital, data and technology; and investment in children's home provision.

44. The 2024/25 transformation review reported that a number of projects were underway but most were still at early stages. The council has a Programme Management Office to support the delivery of transformation, funded by the Transformation Reserve. Resourcing is highlighted as a risk to project delivery in the council's progress reporting.

45. The council has a clear process for approval of Transformation Strategy projects, but this does not capture all transformation activity. Auditors recommended that the council applies a standard governance approach for all transformation and savings projects to ensure proper scrutiny.

46. As part of this, the council needs to set clear financial and non-financial targets for each project and take a consistent approach to

developing these. In 2024/25, auditors reported that the council had not clearly set out savings for each theme or project in the Transformation Strategy, nor timelines for achieving them. As noted in paragraph 53, the £6.2 million budgeted transformation savings in 2024/25 lacked detail and were not delivered.

47. The 2024/25 transformation review highlighted that the council did not have clear arrangements for monitoring and reporting on costs, savings, or success measures and lacked centralised reporting across all transformation projects. Auditors recommended addressing this to allow comparison of projects across the council and to provide elected members with clear oversight of progress and risks. They also noted scope for more frequent reporting to full council.

48. The council has formal partnerships that work well and provide benefits. It has a procurement shared service with Aberdeen City and Highland councils and a partnership with NHS Education for Scotland on digital training. It also has a joint insurance service with Aberdeen City Council; a shared planning service with other local authorities; and a shared internal audit function with Aberdeen City Council, Aberdeenshire and Aberdeen City Integration Joint Boards (IJBs), and the North East Scotland Pension Fund. Beyond this, there is other evidence of partnership working with other councils but the examples are less significant.

49. The council engages well with its local communities. However, in 2024/25 auditors found that Integrated Impact Assessments (IIAs) were only completed when a full business case was required, and that it was not always clear how IIAs had informed business cases.

50. The council needs to strengthen its plans and ensure that it has clarity on the impacts (financial or non-financial) of its transformation work. In doing so, it should seek to assure itself that its transformation plans are sufficiently ambitious, when combined with other measures, to deliver financial sustainability.

Financial management and sustainability

51. Key financial information for the council is included in Exhibit 2.

Exhibit 2

Aberdeenshire Council – key financial information

| | 2022/23 (£m) | 2023/24 (£m) | 2024/25 (£m) | 2025/26 (£m) |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| Budget setting | | | | |
| General Fund budget deficit | 19.2 | 25.0 | 28.4 | 29.0 |

Planned to be met via:

| | | | | |
|---|------|------|------|-------|
| - Savings | 11.6 | 18.6 | 24.7 | 21.5 |
| - Use of reserves | 3.8 | 0.9 | 0.0 | (9.5) |
| - Council tax increases | 3.8 | 5.4 | 0.0 | 16.9 |
| - Change in council tax and non-domestic rates exemptions | 0.0 | 0.0 | 3.7 | 0.0 |
| - Percentage increase in council tax | 3% | 4% | 0% | 10% |

Actual

| | | | |
|--|---------|---------|---------|
| Savings | 8.8 | 15.0 | 14.5 |
| Reserves: | | | |
| Contribution to / (Use of) reserves | 178.9 | (19.0) | (17.3) |
| Total usable reserves carried forward, comprising: | 84.8 | 97.6 | 78.7 |
| General Fund | 65.4 | 80.6 | 62.2 |
| Earmarked or committed | 57.1 | 73.7 | 53.2 |
| Uncommitted | 8.3 | 6.9 | 9.0 |
| Housing Revenue Account | 2.0 | 2.3 | 2.8 |
| Capital and other | 17.4 | 14.7 | 13.7 |
| Total unusable reserves carried forward | 1,270.6 | 1,269.8 | 1,271.4 |

Source: Audited annual accounts and council committee papers

Financial management

52. In their 2024/25 annual audit report, auditors raised risks around the achievability of the council's budget and savings plans. The council set out savings proposals of £23.6 million in its 2024/25 budget, including £6.2 million through transformation. £14.5 million (62 per cent) of these saving were achieved, with none of the £6.2 million transformation savings delivered. This contributed to a £4.1 million overspend, funded from reserves, against the General Fund revenue budget of £776.3 million.

53. Auditors noted that there was a lack of clarity over the source of the £6.2 million transformation savings in the 2024/25 budget. A further £5.1 million savings are at risk of non-delivery in 2025/26, largely relating to transformation and efficiency savings. In response to an audit recommendation, the council has committed to all savings in its 2026/27 budget being underpinned by specific identified measures.

54. In 2024/25, the council had a net underspend on the Housing Revenue Account of £0.5 million. Within this, overspends of £9.4 million were offset with additional interest income and a reduced Capital Funded

from Current Revenue (CFCR) contribution. The reduction in CFCR led to an additional £2.7 million prudential borrowing to fund capital spend.

Delivery of the capital programme

55. The council underspent on its 2024/25 capital budgets by £38.2 million (39 per cent) for the General Fund and by £8.8 million (18 per cent) for the Housing Revenue Account. This reflects a national picture of capital underspends across councils. The underspends were largely caused by project delays, with capital work impacted by scope and design changes, withdrawals of contractors, and price increases.

56. The council is also forecasting a capital underspend of £13.0 million for 2025/26. Of this, £9.7 million (75 per cent) relates to the Peterhead Cultural Quarter levelling up project. The project will establish a multi-purpose location, but has been delayed due to the need to re-tender for a new contractor.

57. The council aims to deliver 100 per cent of planned capital projects each year, but historically the actual rate has been closer to 75 per cent. It is important that the council ensures its capital plans are accurate and deliverable.

58. In the longer term, the council has a capital plan which sets out its intention to invest £698.5 million over the next 15 years. It plans to fund this primarily through Scottish Government funding (47 per cent) and cash and borrowings (45 per cent).

59. In light of this, borrowing costs as a percentage of expected revenue are forecast to increase from 5.8 per cent to 7.2 per cent over the five years to 2029/30. The council has implemented a cap of 8.5 per cent on this measure to ensure continued affordability.

60. The council is developing a new capital strategy to address current challenges, with the aim of making the best use of assets while aligning with council goals, being cost-effective, and promoting sustainability. It anticipates that this will be introduced in 2026/27.

Financial sustainability

61. The council identified a budget shortfall of £29.0 million in 2025/26, with an additional £7.4 million required on top of this for the IJB. Councils across Scotland are facing significant budget gaps, but the [Local government budgets 2025/26 briefing](#) indicated that the council's budget gap is among the largest in Scotland when taken as a percentage of total revenue budget.

62. The council set out measures in its 2025/26 budget to address the projected shortfall, namely:

- £13.8 million savings;

- £2.0 million voluntary severance;
- £5.7 million transformation savings / service efficiencies; and
- £16.9 million from council tax increases.

63. These measures met the £29.0 million budget gap, with a surplus of £9.5 million to cover the anticipated IJB contribution and to replenish the Risk and Inflation Reserve, which was used to fund the council's 2024/25 overspend.

64. In 2023/24 and 2024/25, auditors warned that the financial position of the Aberdeenshire IJB presented a significant risk to the financial sustainability of the council. The IJB has exhausted all reserves, meaning overspends must be fully funded by the council and NHS Grampian. As of December 2025, the IJB projected a 2025/26 underspend of £4.1 million. This marks a significant improvement on prior years and means that the £7.4 million contribution the council set aside in its budget is not expected to be fully required.

65. The IJB's December 2025 Medium-Term Financial Strategy indicated a funding gap of £98.2 million to 2029/30. This is a significant increase from the previous forecast of £57.0 million from 2023/24 to 2028/29. Given the scale of the funding gap, an unprecedented level of savings would be required for the IJB to achieve financial balance.

66. Auditors also noted financial risks to the council around the Ness Energy from Waste facility, which is a joint project with Aberdeen City and Moray councils. The facility temporarily stopped accepting waste in June 2025, after which the contract between the main supplier and sub-contractor was terminated and operations resumed.

67. The three authorities considered this a material breach of contract and issued a termination notice. The financial implications for the council could be significant, with potential for costs arising from renegotiation of the contract, the need for alternative provision, litigation, and/or settlement. The council is working with its partners and seeking appropriate advice to address this matter.

68. The IJB's financial position and potential costs around the Ness Energy from Waste facility both contribute to a wider picture of concern around the council's medium-term financial outlook. As of February 2025, the council's Medium-Term Financial Strategy projected a cumulative funding gap of £79.5 million over 2025/26 to 2029/30. By the end of quarter 2 2025/26, this had increased to £81.4 million. This is before potential additional costs relating to the IJB or Ness Energy from Waste facility, which the council intends to reflect in its next Medium-Term Financial Strategy.

69. Meanwhile, the council's usable reserves are relatively low in comparison to peer authorities. The council forecasts that these will

increase over the period to 1 April 2029. It also recognises a need to increase its uncommitted General Fund balance. It aims to grow this to £25.0 million by 2029/30.

70. The council faces significant demographic challenges, with the region's pensionable age population expected to increase to 28 per cent by 2030 (compared to 24 per cent across Scotland). This change will increase demand for key services. The council has managed financial pressures to date, but in light of the significant risks it faces, it urgently needs to progress transformation and savings plans to build resilience for the challenges ahead.

Appendix 1

Annual Audit Reports

These reports summarise the findings from the 2022/23, 2023/24 and 2024/25 annual audits of Aberdeenshire Council.

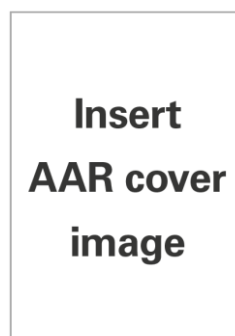
Each Annual Audit Report comprises:

- significant matters arising from the audit of the council's Annual Accounts.
- conclusions on the council's performance in meeting its Best Value duties.
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
 - Financial management
 - Financial sustainability
 - Vision, leadership and governance
 - Use of resources to improve outcomes.



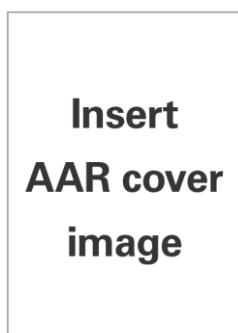
[2022/23 Annual Audit Report Aberdeenshire Council](#)

December 2023



[2023/24 Annual Audit Report Aberdeenshire Council](#)

February 2025



[2024/25 Annual Audit Report Aberdeenshire Council](#)

February 2026

Appendix 2

Best Value Statutory Guidance

[The Local Government in Scotland Act 2003](#) introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development.
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

Best Value

Aberdeenshire Council



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit.scot
www.audit.scot