



**FINANCIAL POSITION
FOR THE YEAR 2023/24**

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Management Commentary

The purpose of the management commentary is to inform readers, helping them to assess how the Council is performing and understand our financial performance for the year to 31 March 2024.

It also provides an insight into the challenges we face and how we will address these challenges to provide assurance in relation to our financial stability, thus allowing our citizens to have confidence that we can continue to provide the diverse portfolio of services on which they rely.

Background

The Council maintains a General Fund, for day to day Council operations, and also a Housing Revenue Account, for administering the Council housing stock. These statutory funds both feature revenue and capital expenditure and income, and accounting practice, statutory guidance and the legislation all play a part in determining the financial performance reporting.

The Council is also responsible for the Common Good.

In March 2023 the Council set balanced budgets for financial year 2023/24. This took account of obligations and duties placed upon it by legislation and national priorities alongside local political priorities, and was the sixth budget designed around our commissioning approach and first around the updated Target Operating Model 1.2 (TOM1.2). The financial conditions in which the budget was set remained challenging as continued resource constraint, settlement conditions and funding targeted on specific projects / priorities meant that less money was available to fund the core Council operations that it had in place. Savings and efficiencies were a familiar and ever-present requirement in setting the budget and pressures did not reduce during the year requiring the strong financial management the Council has demonstrated.

Since the budget was approved in March 2024 there have been significant changes to the financial environment. The enduring implications of the pandemic placed pressure on achieving service income targets, while the additional demand to meet the needs of an increasing population, particularly in respect of education services, was a direct consequence of resettlement schemes to support over 1,300 Ukrainians and Afghans during 2023/24, at the same time as an increased number of families in the city following admission to the city Universities. The continued high cost of energy has affected almost all the Council's services and inflation has remained at high levels throughout much of the year, only to fall below 4% in the final quarter of the year. This has impacted the costs of supplies and services, fuel and energy.

The cost of borrowing rose to a peak in December 2022 but remained well above the levels experienced over the last decade or more, added to the challenges of inflation and supply chain issues in construction projects it has pushed up the costs of individual projects. For many projects the capital budget has had to be revised upwards during the course of the year.

The cost of new borrowing has remained higher than recent years and with construction inflation too at high levels, the Council should expect the cost of future capital investment to rise substantially for both the General Fund and the Housing Revenue Account.

A multi-billion pound Balance Sheet supported continued capital investment in the city and the strength of the balance sheet remains a key feature of the Council's financial resilience framework to support its sustainability, and also to support its regulatory requirements of

maintaining its credit rating, following the issue of bonds on the London Stock Exchange (LSE) in 2016.

The Housing Revenue Account budgets were set based on a rent increase of 4% for 2023/24 following a rent freeze for two years (2021/22 and 2022/23) and ongoing pressure from housing waiting lists, which underpinned a commitment to build 2,000 new council homes.

The Common Good budget was set using the investment returns from the land, property and cash held. Additional income was forecast from a new investment of Common Good cash balances with an external fund manager, which was approved by the Council in March 2021. A distribution of approximately £4m for the year covered a range of Council run and externally organised projects and activities.

Financial Performance Reporting and Annual Accounts

This is the final quarterly financial performance report for 2023/24 which meets the requirements of the Council and of the LSE, and provides financial transparency for citizens of the City and beyond.

Having reached the end of the financial year the Council has delivered on its early reporting commitment for each quarter and has again worked to a faster closedown, and early production of the Council's unaudited Annual Accounts, that will be presented to Audit, Risk and Scrutiny Committee on 9 May 2024. This enables the external audit to start earlier than would ordinarily be the case. This has continued to be a challenging task, especially given the impact of the scarcity of resources in key areas and the substantial funding streams that continued to be distributed until the year end. To achieve this there has been a focus on ensuring that robust procedures and deadlines were in place and communicated early to staff. The process commenced with the issue of year end instructions in November 2023 and officers are working with the auditors to present reports and audited Annual Accounts by 27 June 2024.

2023/24 Financial Position

• General Fund Revenue

The Council has achieved a balanced budget for 2023/24, this is shown in the table presented on page 7. The statutory guidance provided by the Scottish Government to reprofile the accounting treatment of the service concession payments has been implemented as approved in the budget.

While a balanced operational budget was achieved there were variances, as highlighted throughout the year, explanations are provided below (from page 8) for the key variances from budget.

The financial position takes into account the need for the Council to earmark certain sums that are recommended to be earmarked for use in future years, as required by statute or having arisen from unspent/received in advance grant funding. In the Quarter 3 report the forecast outturn of a balanced budget included the use of earmarked reserves, it has been possible to release the uncommitted contingencies within the General Fund budget to avoid the need to drawdown those earmarked reserves. Further information on reserves and earmarked sums is included in pages 20-21.

• **Housing Revenue Account**

The HRA delivered a deficit of £1.525m for the year and made no contribution to capital from revenue. There has been significant spending on Repairs and Maintenance this year with the impact of inflation and pay awards being particularly prevalent. In addition the cost of having more void properties resulted in lost rental income and additional council tax payments. The deficit will be funded by the HRA uncommitted reserve. A summary of the HRA is shown on page 12.

• **General Fund Capital**

The final position on the General Fund capital programme is provided on page 13, with the final spend for 2023/24 reflecting interim valuations for projects that were on site at 31 March 2024. An underspend has been forecast throughout the year due mainly to a wide range of factors affecting the construction supply chain. Differences between actual spend and forecast outturn will result in a realignment of budgets in Quarter 1, 2024/25.

The capital programme has been funded through a number of project specific grants and contributions, the use of reserves, general Scottish Government capital grant, with the difference being funded by borrowing.

• **Housing Capital**

The final position on the Housing capital programme is provided on page 15, including key project indicators and financial details. The decision was taken by Council to pause, retender and delay some of the new housing sites due to the financial environment. The capital programme has been funded predominantly through borrowing and, for a fourth year in a row, grant funding to support the new homes programme.

• **Reserves**

Having reached the end of the financial year and as in previous years, a review of the overall position for both revenue and capital, in the context of the Council's Balance Sheet and Reserves Policy has been undertaken and action taken to ensure the Council is suitably prepared for future revenue and capital investment purposes. This has included taking account of the decisions that were made by the Council at the budget setting meeting for financial year 2024/25.

This review has taken cognisance of the impact of adjustments required to ensure compliance with accounting standards, applying new standards and including making judgements and estimates to ensure that the unaudited Annual Accounts represent a true and fair view of the Council finances.

Year-end adjustments consider the implications of certain conditions such as the statutory provisions of the Capital Fund, HRA, statutory guidance in relation to the Loans Fund, Voluntary Severance / Early Retirement costs and transactions required across the Group.

In certain circumstances, funds are required to be earmarked for use in future years. This can be to fulfil statutory obligations or where funding has been received but not yet been spent. The

most significant of these at the end of 2023/24 were the Service Concession Reserve, Bus Lane Enforcement funds, Joint Venture revaluation surplus, reserves approved for use in 2024/25 Budget and Council Tax second/long term empty homes (affordable homes) income. The Council is able to earmark General Fund reserves for purposes that it determines, a significant example is the commitment to the Transformation Fund.

As agreed by the Council, 6 March 2024, a large part of the Service Concession Reserve funding has been utilised towards the General Fund Capital Programme, and further monies allocated towards the General Fund approved as part of the 2023/24 budget. This is reflected in the General Fund Reserve.

The review of reserves is reflected in the table below that summarise the Council's Usable Reserves at the start and end of 2023/24, and is also shown in more detail in the Reserves section on page 20.

The uncommitted reserves have been maintained at the recommended minimum of £12m, in compliance with the Council approved Reserves 2024 policy.

Subject to any findings and/or adjustments arising from the audit of the Annual Accounts it is requested that committee approve the sums shown on pages 20 and 21 as transfers to and from earmarked reserves.

31 March 2023 £'000	Usable Reserves	31 March 2024 £'000
(85,928)	General Fund	(91,279)
(15,715)	Housing Revenue Account	(14,190)
(29,635)	Statutory and Other Reserves	(39,517)
(131,278)	Total Usable Reserves	(144,986)

• Common Good

The year end position shows an operational surplus of £1.814m, and details are provided on page 20. This underspend was achieved through increased investment income, generated from the long-term multi-asset income fund investment with Fidelity, cash on deposit with the Council loans fund and investment income received from the Lands of Skene and Lands of Torry Charitable Trusts, after taking account of budgeted and one-off costs. The value of the underlying investment with Fidelity fell by £2.453m during the year resulting in an additional charge to the Common Good. All of this means the Common Good has increased cash balances at 31 March 2024 of £1.614m compared to the value budgeted.

Conclusion

This has been, financially an extremely challenging year with costs rising alongside demand for our services, while service income in places has not reached the levels expected. The Council has responded to the challenges by keeping spending to a minimum wherever possible, whilst recognising the huge demand and cost increases that have been managed, including rising school rolls from the influx of families to the city

Active management of the capital programmes has meant that capital investment expenditure was substantially lower than budgeted in both the General Fund and Housing Programmes despite the ongoing restrictions on construction sites and supply chain volatility. The decisions taken in August 2022 to pause, retender, defer and stop some of the approved projects has made a positive impact on spending and borrowing requirements in 2023/24. That said, during the year construction activity has progressed on a wide range of capital projects with a number being completed during the year, including the Energy from Waste facility and the South College Street Junctions improvement (Phase 1), and more new build housing was handed over.

Throughout, the overall financial performance of the Council reflects strong financial management and timely and transparent reporting of the quarterly position and full year position.

General Fund Revenue

Notes	As at 31 March 2024	Budget 2023/24	Actuals 2023/24	Variance (Actual - Budget)	to Statutory Funds	to Earmarked Reserves	from Earmarked Reserves	Q4 Variance after earmarking
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	Children & Family Services	240,568	255,569	15,001		997	(421)	15,577
2	Resources	58,835	57,735	(1,101)		3,116		2,015
3	Customer	47,068	44,447	(2,621)		166		(2,455)
4	Commissioning	20,141	22,176	2,035		0		2,035
5	Integrated Joint Board	121,483	121,483	0				0
	Total Functions Budget	488,096	501,410	13,314	0	4,279	(421)	17,172
6	Miscellaneous Services	74,458	61,818	(12,641)	5,640	74		(6,927)
7	Contingencies	10,150	(4,194)	(14,344)	900	5,627		(7,817)
8	Council Expenses	1,549	1,421	(129)				(129)
9	Joint Boards	1,952	1,844	(108)				(108)
	Total Corporate Budgets	88,109	60,889	(27,221)	6,540	5,701	0	(14,980)
10	Non Domestic Rates	(257,797)	(257,378)	420				420
11	General Revenue Grant	(165,778)	(166,897)	(1,119)				(1,119)
	Government Support	(423,575)	(424,275)	(700)	0	0	0	(700)
12	Council Tax	(137,908)	(141,475)	(3,566)		1,981		(1,585)
	Local Taxation	(137,908)	(141,475)	(3,566)	0	1,981	0	(1,585)
13	Contribution from Reserves	(14,722)	0	14,722			(14,629)	93
	Contribution from Reserves	(14,722)	0	14,722	0	0	(14,629)	93
14	Deficit/Surplus	0	(3,451)	(3,451)	6,540	11,961	(15,050)	0
15	Contribution to Statutory Funds	0	6,540	6,540				
16	Contribution from Earmarked Reserves	0	(15,050)	(15,050)				
16	Contribution to Earmarked Reserves	0	11,961	11,961				
17	Deficit/(Surplus) after movement in Earmarked Reserves and Statutory Funds	0	0	0				

Notes

It should be noted that the full year budgets reflected above differ from those set by Council in March 2023 for a number of reasons. It is normal practice during the year to make changes as variations are identified or additional funding is provided. The main changes in services relate to the allocation of inflation provisions for pay and procurement, staff vacancies and savings arising from changes to the staffing establishment as a result of voluntary severance/early retirement which were held within contingencies at the time the budget was set.

1. Children & Family Services is the largest function within Aberdeen City Council with responsibility for delivering key statutory and frontline services to children and young people, adults, families and communities of Aberdeen. This includes the delivery of early years, primary, secondary, special education and children's social work services.

A number of areas of pressure were highlighted throughout the year which have impacted on the final position for the service as follows:

- For Education the service is managing a substantial increase in children that have arrived in the city. This continues to be driven by two factors: - the post-Covid increase of international students from other countries to the two Universities, who are bringing their families with them - there is evidence that this is now levelling off, and secondly the number of children (and families) in the city seeking refuge from Ukraine.
- Also, within Education there are increased costs of the 3R's Schools unitary charge due to the inflationary uplift (£658k) and long-term absence spend (£1.385m) was over budget for 2023/24.
- Early Years did not achieve the budgeted income from Cross Boundary Charging, a shortfall of £1.276m this is due to the difference in the number of children between local authority areas not being as significant as anticipated.
- Increased spend on Out of Authority Placements (£2.738m), spend was also higher than the previous year due to both a small increase in placements and an average contract price increase of 4.34% plus Kinship care costs (£573k) that have in part been offset by under spends in payments to private organisations by the fostering team of £1.065m.

Cost pressures were mitigated as far as possible by underspends and cost reductions in other areas of the service.

2. Resources is responsible for the financial planning, monitoring and reporting of the Council. They manage the development of design and delivery of all strands of capital including the city centre masterplan, the schools estates strategy, roads infrastructure and housing. The Corporate Landlord cluster is responsible for the commercial and non-commercial land and property assets, facilities management and council housing stock management. This function is also responsible for operational services such as waste collection and disposal, facilities management, fleet, building services, environmental services and roads and related infrastructure.

- Primarily the outturn for 2023/24 was affected by an under recovery of income within Commercial Property Trading Account (£5.69m). There continues to be challenging market conditions for the leasing of property in the City and with facilities, including P&J

Live, Marischal Square, and hotels achieving well below expected levels, such that the budget values during the year have not been met.

- Spend of £1.85m for hard facilities management (property repairs) was incurred by the service due to the price of materials and labour, despite 'wind and water tight' criteria continuing to be applied.
- Car Parking income was severely affected by the pandemic in each of the last 3 years, in 2023/24 total budgeted income was achieved, but this was largely due to fines being over recovered by £1.3m.
- Roads was impacted by winter maintenance costs which are ultimately covered by the Council's contingency budget (part of the Corporate budgets) while the pay award being greater than expected but fundamentally was agreed late in the year resulted in missed opportunities to recover some of the cost incurred.
- Capital cluster was £2.5m underspent, as a result of lower staffing costs and consultants fees and an over recovery of fee income.

3. Customer is responsible for managing all internal and external customer contact. It brings together housing, libraries, community learning and community safety to support the development of sustainable communities and enable individuals to manage their own lives. Data and Insight also sits within Customer, they are responsible for identifying social, economic and digital trends of the city in the future and how the Council meets these needs. The revenues and benefits teams handling key income streams for the Council, such as Council Tax and Non-Domestic Rates and process approximately £36m of housing benefit payments. There is a focus on creating digital services for customers that are easy to use and improving access to services. It is responsible for providing external communications, advice and support to ensure effective communications with external audiences, and to promote the reputation of the Council. This function is also responsible for the selection, retention and development of the Council's staff.

- As referenced in previous reports, temporary accommodation (hotels, and bed and breakfast) is experiencing a significant rise in demand due to the cost of living crisis and this is being exacerbated by fewer people moving into permanent accommodation, the overspend is £1.62m however this has been mitigated by underspends across the other aspects of the Housing Support service.
- Other savings achieved included training £370k, City Wardens £462k and Localities £115k.
- The Customer Experience cluster was £1.185m underspent, this mainly related to an underspend on staffing and an over recovery of income, mainly recharges.

4. Commissioning is responsible for both commissioning and procuring the best service/partner to deliver the agreed outcomes. City Growth represents the Council and the City of Aberdeen on local, regional, national and international stages with key responsibilities for outward trade, a diverse employability and skills base, and a focus on tourism, culture and the development of a city events programme. Strategic Place Planning focus is to enable, facilitate and deliver place planning for the City which includes all of the transport, environment, housing, building, planning (which includes community planning) and digital initiatives that will help to deliver major infrastructure projects. Governance includes Legal Services, Democratic Services, Audit, Policy, Emergency Planning and Corporate Health & Safety. Commercial and Procurement drives the shared service with Aberdeenshire and the Highland Councils, and this function is also responsible for managing and monitoring the service-level agreements with the Council's Arm's Length External Organisations (ALEOs).

- Challenges in 2023/24 included museums, galleries and archives reporting a £614k overspend, although there was an over recovery of income it did not match the level of increased costs.
- The Beach Ballroom are overspent which consists of both an overspend on staff and under recovery of income whilst supplies & services were underspent.
- Strategic Place Planning have been affected by market conditions which has seen an under recovery in building application fees of £415k however planning applications did achieve their budgeted income this year.

5. Integration Joint Board (IJB) / Adult Social Care is responsible for the provision of health and social care services to adults, with the expenditure incurred being on services which the IJB has directed the Council to deliver on its behalf such as the provision of care to the elderly, support to adults with support needs and criminal justice services.

The Integrated Joint Board is funded by the Council and NHS Grampian and the cost of services delivered by the Council is significantly more than the Council contributes, resulting from the funding being allocated through the NHS financial settlement in prior years for Social Care services and demands. This means that there is funding allocated by the IJB to the Council that has come from the NHS Grampian contribution to the IJB.

The cost pressures around demand and need, particularly in relation to reducing delayed discharges from hospital, supporting complex needs and accommodation for those with learning disabilities and needs led home care and accommodation for mental health and also substance misuse client, were managed by the IJB during the year and are met by IJB funds.

In 2023/24 there was an overspend on the Health and Social Care Partnership budget which was funded from IJB reserves.

6. Miscellaneous Services includes capital financing costs, the cost of repaying the borrowing required in the past for General Fund Capital Programme investment, audit costs and the provision for doubtful debts.

Capital Financing Costs is the most significant budget within Miscellaneous Services, and includes the impact of accounting requirements in relation to the Council's Bond Issue, and the annual changes in the level of external borrowing.

The actual charges for 2023/24 take account of the approved treasury and investment policy that delivers a prudent approach to capital financing, and the interest rate applicable to the debt. The significantly reduced capital expenditure in 2022/23 and 2023/24 assisted to reduce costs in 2023/24, with a transfer of money being made to the Capital Fund to fund capital expenditure that has been delayed.

The provision for doubtful debt was on budget for 2023/24, and continues to take action to reduce the non-collection of debts and to return to budget of pre-pandemic levels, which has been made more difficult by the cost of living crisis.

Annually the Council must make financial provision for circumstances that might arise from current operations and a full review has been carried out and suitable provisions made where there is likelihood of the event happening and there is the ability to estimate a value. The miscellaneous services budgets reflects the impact of the review and if the matter is less likely and the value cannot be estimated then these have been included in contingent liabilities.

7. Contingencies hold budgets that enable the Council to plan and address known/expected costs in-year without relying on the Usable Reserves held by the Council.

The value of contingencies not needed in the year – after covering costs such as additional winter maintenance costs, provided a positive variance for the overall Council position, and enabled the Council to retain reserves, which at Quarter 3 had been forecast to be needed to balance the budget.

8. Council Expenses this represents the cost of councillors. While it is not showing a significant variance, there has been less expenditure on travel during the year.

9. Joint Boards represents the amount requisitioned by Grampian Valuation Joint Board which is known during the year, the underspend was created as the Board agreed in Quarter 4 to refund the 2022/23 surplus to the three Councils.

10. Non-Domestic Rates this is the value guaranteed by the Scottish Government rather than the value collected by the Council, as this in line with the accounting practice. The cost to the council being the value of discretionary relief that is shared between the Scottish Government and the Council. The variance shown is due to the deduction of charity relief due by the Council for 2023/24.

11. General Revenue Grant in line with the Scottish Government Finance Circular which has been redetermined at the year end and funding paid in relation to announcements during the year. The total value is higher than had been budgeted due to an additional award received during the year that had not been identified as part of the budget.

12. Council Tax this takes account of the total value of council tax for the year, along with any adjustments for prior years that have to be accounted for. The total value is higher than had been budgeted, as collection rates were higher than anticipated.

From the value of Council Tax collected a sum (£1.981m) must be set aside for the purpose of funding affordable housing projects. This is then added to the earmarked sum in the General Fund Reserve.

13. Contribution from reserves this represents the sum of funding to be received from reserves to reflect a balanced budget approved at Council on 1 March 2023 and updated to take account of additional funding released from earmarked reserves. This also captures the funding (£10m) that was paid by Scottish Government as capital funding in 2023/24 that has been converted to revenue to support the funding of the pay award.

14. General Fund Deficit/(Surplus) before adjustments is the value of all expenditure and income incurred during the year that compares to budget. This is before the transfer of monies to Statutory Funds, and the transfer of funds to and from the General Fund Earmarked Reserves.

15. Contributions to Statutory Funds this represents the total value of sums transferred to funds such as the Capital Fund and Insurance Fund, which are reviewed annually to ensure appropriate value is retained at year end. In 2023/24 £5.640m was transferred to the Capital Fund, and £0.9m was transferred to the Insurance Fund.

16. Contributions to/from Earmarked Reserves are the values that have been used during the year, or are to be set aside for future years and are reviewed annually with reference to statutory and regulatory requirements, Council commitments and policy. Further information is included about which Earmarked Reserves are affected on page 21.
17. Deficit/(Surplus) after movement in Earmarked and Statutory Funds shows the overall operational position for the General Fund for the year, being a balanced budget.

Housing Revenue Account

The Housing Revenue Account (HRA) is responsible for the provision of council housing to over 20,000 households with the most significant areas of expenditure being on repairs and maintenance and the capital financing costs for debt borrowed to fund capital investment in the housing stock. This is a ring fenced account such that its costs must be met by tenants' rental income.

Housing Revenue Account As at 31 March 2024		Budget 2023/24	Actuals 2023/24	Variance
		£000s	£000s	£000s
(Surplus)/Deficit from Income & Expenditure		(500)	1,525	2,025

The HRA was in deficit for the year, against a budgeted surplus. There were variances during the year that together contributed to the deficit, which included higher spend on Repairs and Maintenance this took account of both response, planned and void repairs. Following the reports to Council of Reinforced Autoclaved Aerated Concrete (RAAC) in council homes a £2m provision was created on the Council Balance Sheet for some of the estimated costs arising from RAAC. In addition void rent loss continues to rise despite an increased level of spend on void repairs.

Due to the continued increase in repairs and maintenance in 2023/24 officers have put in place additional spending controls and will continue to look at other controls and service standards for work carried out to, that may need to be considered during the year. Changes that may be necessary include the frequency of services, the quality of services and the timing of services.

General Fund Capital Programme

As at Period 12 2023/24	2023/24		
	Revised Budget for Year	Actual Expenditure for Year	Actual V Budget
	£'000	£'000	£'000
AECC Programme Board	3,140	0	(3,140)
Asset Management Programme Board	77,357	29,435	(47,922)
Asset Management Programme Board Rolling Programmes	26,604	24,616	(1,988)
City Centre Programme Board	33,723	12,473	(21,250)
Energy & Climate Programme Board	48,234	23,096	(25,138)
Housing and Communities Programme Board	2,801	1,187	(1,614)
Housing and Communities Programme Board Rolling Programmes	754	657	(97)
Transportation Programme Board	21,936	9,484	(12,452)
Transportation Programme Board Rolling Programmes	1,335	1,335	0
Strategic Asset & Capital Plan Board	22,028	3,929	(18,099)
Strategic Asset & Capital Plan Board Rolling Programmes	3,901	3,959	58
Developer Obligation Projects & Asset Disposals	0	272	272
Total Expenditure	241,813	110,443	(131,370)
Capital Funding:			
Income for Specific Projects	(78,040)	(36,580)	41,459
Developer Contributions	0	(252)	(252)
Capital Grant	(26,038)	(19,801)	6,237
Other Income e.g. Borrowing	(137,735)	(53,809)	83,926
Total Income	(241,813)	(110,443)	131,370

The supply chain disruption which began during the Covid-19 Pandemic continued in 2023/24 and is reflected in the total £110 million investment recorded for the Capital Programme for the year. The Construction Industry continued to experience shortages of products, raw materials, staffing and logistical support across the UK, compounded by the largest increase in energy prices seen in recent years. The Red Sea disruption also exacerbated supply chain issues for some commodities.

Despite the continued and emerging challenges faced this year, progress was made on a range of projects;

- The Energy from Waste (EfW) facility achieved its Acceptance Certificate on 12 December 2023, and formally moved into the 20 year Services (operations) phase of the contract. This was a project being carried out in collaboration with Aberdeenshire and Moray Councils, to avoid waste being sent to landfill in future and use those resources for the production of electricity, and heat for the Torry Heat Network.
- South College Street Junction Improvements (Phase 1) as at the start of July 2023 all project roads and junctions reopened. The works are now complete with additional lanes on Palmerston Place and South College Street between its junctions with Wellington Place and Riverside Drive fully operational. The new North Esplanade West/ Palmerston Place junction is also in use.
- Construction commenced on the new North East Scotland Shared Mortuary in Aberdeen, a multi-agency project with local public sector partners in 2022/23. The project is currently expected to be complete in late Autumn/Winter 2024/25. The operating agreement between Partners is currently being drafted.

- Tillydrone Cruyff Court works have progressed with a completion date of Spring 2024 this is dependent on weather conditions for surfacing works..
- Work commenced on the Tolbooth roof and parapet works (Condition & Suitability Programme) in June 2023 with completion planned for Autumn 2024 however this is likely to be delayed due to the additional works being required as new areas of dilapidation are uncovered. This is typical with repairs works to the external fabric of a 17th century building
- The Council continued its commitment to its New Schools and Early Learning programmes. Greyhope School & Community Hub was completed in October 2023, Works on the Tillydrone Primary School (New Riverbank Primary School) is progressing on site despite some delays due to the weather. Bucksburn Temporary Accommodation is now in operation.
- The Council on 6 March 2024 renewed their commitment to the School Estate Plan, based on need and condition, and the commitment to build a new Hazlehead Academy, the building of a new school building for Riverbank Primary, create a refurbished and expanded home for St Peter's Primary and investment in Victorian school buildings.
- Design development work has continued across a portfolio of projects in and around the city centre and Financial Close is expected to be concluded soon with regard to the New Market, Union Street Central and Beach Phase A projects.

Ongoing scrutiny and monitoring is reported to the Finance and Resources Committee.

Housing Capital Programme

Housing Capital Programmes	Approved Budget	Expenditure to date	Variance from revised budget
As at 31 March 2024	£'000	£'000	£'000
Compliant with the tolerable standard	1,816	1,731	(85)
Free from Serious Disrepair	17,694	10,577	(7,117)
Energy Efficient	15,094	8,778	(6,316)
Modern Facilities & Services	15,268	11,132	(4,136)
Healthy, Safe and Secure	7,112	7,022	(90)
<i>Non Scottish Housing Quality Standards</i>			
Community Plan and Local Outcome Improvement Plan	9,648	10,980	1,332
Service Expenditure	7,544	494	(7,050)
2000 New Homes Programme	93,439	73,574	(19,865)
			-
less 11% slippage	(8,600)	-	8,600
Net Programme	159,015	124,288	(34,727)

Capital Funding			
Borrowing	(127,078)	(98,456)	28,622
Other Income - Grants Affordable Homes etc	(21,000)	(25,832)	(4,832)
Capital Funded from Current Revenue	(10,937)	0	10,937
Total	(159,015)	(124,288)	34,727

As detailed above in the General Fund Capital programme the Housing Capital programme experienced similar issues from the resulting supply chain challenges including delays and price increases.

Progress has been delayed in areas which involve mixed ownership within Free from Serious Disrepair such as structural improvements within the multi storeys and flat roofs (multis and general). Prioritisation of work on voids has continued which has shifted resources from capital to revenue works during the year. This has resulted in lower than budgeted spend on heating system replacement, kitchens and bathrooms, and the programme which wasn't delivered in 2023/24 has been rolled forward into 2024/25.

The 2,000 new homes programme is progressing well with further homes at the Tillydrone, Cloverhill and Summerhill sites being handed over to the Council in 2023/24. The programme in 2023/24 has included developer led projects such as Cloverhill in Bridge of Don, Council led projects such as Kaimhill, Tillydrone and Summerhill with work on Craighill and Kincorth currently being suspended, and buying former Council Homes. Grant funding of £18m was received from the Scottish Government for the Haudagain, Cloverhill, Uranian Voids and Clinterty redevelopment.

Prudential Indicators

From 1 April 2004, Councils are required by Regulation to have regard to the Prudential Code (the Code) when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003.

In setting the revenue and capital budgets, members will be aware that under the Prudential Code, the level of capital investment is determined locally. Therefore, these indicators will be reviewed on an ongoing basis to ensure that the Council does not breach the indicators it sets.

The key objectives of the Code are to ensure: -

- The Council's capital programmes are affordable, prudent and sustainable.
- Treasury management decisions are taken in accordance with good professional practice.

The Code also has the objectives of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

In setting the indicators, cognisance should be paid to the level of capital investment looking ahead for a five-year period, for both the housing and non-housing capital programmes that the Council wishes to embark upon. The Code also requires that the underlying requirement to finance PPP projects and finance leases be included when setting the indicators.

	Capital Expenditure						
	2022/23 £'000 Actual	2023/24 £'000 Actual	2024/25 £'000 Estimate	2025/26 £'000 Estimate	2026/27 £'000 Estimate	2027/28 £'000 Estimate	2028/29 £'000 Estimate
Gen Fund	128,126	108,451	253,728	210,924	159,991	108,005	81,636
HRA	114,447	124,288	123,050	119,592	97,780	72,752	74,105

	Ratio of Financing Costs to Net Revenue Stream						
	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Gen Fund	6.9%	9.6%	10.1%	11.1%	12.4%	13.4%	13.9%
HRA	10.7%	16.1%	18.6%	22.9%	26.1%	26.5%	27.6%

	Capital Financing Requirement						
	2022/23 £'000 Actual	2023/24 £'000 Estimate	2024/25 £'000 Estimate	2025/26 £'000 Estimate	2026/27 £'000 Estimate	2027/28 £'000 Estimate	2028/29 £'000 Estimate
Gen Fund	1,258,748	1,257,209	1,433,717	1,591,232	1,693,674	1,743,511	1,769,856
HRA	366,911	458,253	550,939	643,079	727,084	789,053	851,696
Total	1,625,659	1,715,462	1,984,656	2,234,311	2,420,758	2,532,564	2,621,522

	Gross Borrowing						
	2022/23 £'000 Actual	2023/24 £'000 Estimate	2024/25 £'000 Estimate	2025/26 £'000 Estimate	2026/27 £'000 Estimate	2027/28 £'000 Estimate	2028/29 £'000 Estimate
Borrowing	1,481,780	1,563,474	1,837,409	2,090,305	2,282,837	2,401,252	2,497,122

The Prudential Code states:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.”

The Chief Officer - Finance reports that the Council can meet this requirement in 2023/24, and it is expected to do so for the future years, as outlined, taking into account current commitments, existing plans, and the assumptions in this report.

	Authorised Limit for External Debt					
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Operational Boundary	1,740,624	2,009,818	2,259,473	2,445,920	2,557,726	2,646,714
10% Margin	174,062	200,982	225,947	244,592	255,773	264,671
Total	1,914,686	2,210,800	2,485,420	2,690,512	2,813,499	2,911,385

	Operational Boundary for External Debt					
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Borrowing	1,563,473	1,837,408	2,090,304	2,282,837	2,402,251	2,497,121
Other Long-Term Liabilities	177,151	172,410	169,169	163,084	156,475	149,593
Total	1,740,624	2,009,818	2,259,473	2,445,920	2,557,726	2,646,714

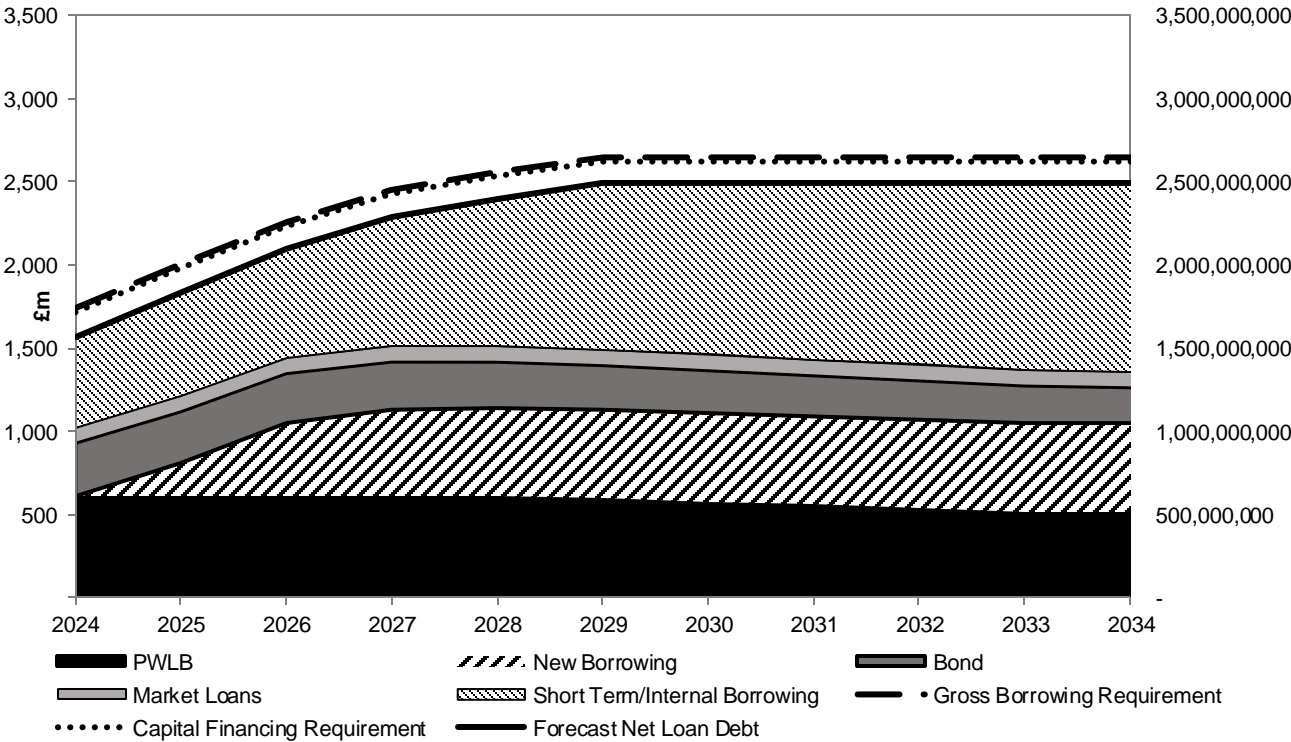
The latest version of the Prudential Code for Capital Finance in Local Authorities introduced a new indicator – the Ratio of Net Income from Commercial and Service Investments to Net Revenue Stream.

The Code defines Commercial Investments as investments taken or held primarily for financial return and not linked to treasury management activity and Service Investments as those directly involved in the delivery of a service, for example, loans to leisure providers, loans to trusts providing services, a shareholding in a shared service vehicle, and investments in local companies for regeneration.

As the Council has no investments that fall into these categories, there is no requirement to report this indicator.

The latest version of the CIPFA Treasury Management in the Public Services code requires the reporting of an additional treasury management indicator known as the Liability Benchmark.

The liability benchmark (shown below) is a comparison of existing borrowing levels against future capital financing requirements from both committed and planned future borrowing over the next ten years.



Common Good

As at March 2024	Full Year Budget 2023/24	Actual Expenditure	Variance from Budget
	£'000	£'000	£'000
Recurring Expenditure	4,263	3,969	(294)
Recurring Income	(5,088)	(6,617)	(1,529)
Budget after Recurring Items	(825)	(2,648)	(1,823)
Non Recurring Expenditure	825	835	10
Non Recurring Income	0	(1)	(1)
Net (Income)/Expenditure	(0)	(1,814)	(1,814)
Cash balances as at 1 April 2023	(37,384)	(37,384)	
Net (Income)/Expenditure	(0)	(1,814)	(1,814)
Investment Revaluation (Increase)/Decrease	0	200	200
Net Capital Receipt	0	0	0
			(1,614)
Cash Balances as at 31 March 2024	(37,384)	(38,998)	

The Common Good Fund is showing an operating surplus of £1.814m for the year, a favourable variance from budget for the year to 31 March 2023.

This was due to increased income from investments, being investments with Fidelity, the Council's Loans Fund and the two Charitable Trusts.

Expenditure on a number of one-off projects and activities, where the approved expenditure has not been fully spent will be carried forward as an earmarked reserve to enable works to continue in the next year.

The investment of cash balances in a multi-asset income fund, approved by Council on 10 March 2021 was implemented in 2021/22. The fund manager, Fidelity, was selected as reported in the quarter 1 report and investment of £30m was made during Quarter 2. As an income fund it performed well, with cash received for the period to 31 March 2024 ahead of budgeted levels, producing a positive variance for recurring income.

Seeking increased annual income comes with additional risk and therefore there is volatility in the value of the fund into which the Common Good is invested. The value of the investment may fall as well as rise and should be measured over the medium to long term. With financial markets particularly volatile over the past year the value at the end of Quarter 4 of the Common Good investment fell by £2.453m to £23.945m. This is shown separately in the table above, where either the value of a rise or fall in value must be accounted for annually.

Reserves

General Fund Earmarked Reserves	Balance at 31 March 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	Balance at 31 March 2024 £'000
Devolved Education M'ment (Comm Centres)	(522)	0	0	(522)
Devolved Education M'ment (School Funds)	(274)	0	648	374
Energy Efficiency Fund	(1,275)	(61)	51	(1,285)
Bus Lane Enforcement	(294)	(4,448)	544	(4,198)
Service Concessions Reserve	0	(39,886)	34,629	(5,257)
Property Transfer	(102)	0	0	(102)
Second/Long Term Empty Homes	(10,733)	(1,981)	5,102	(7,612)
De-risk the Council	(5,614)	0	4,347	(1,267)
Transformation Fund	(3,887)	0	688	(3,199)
Repairs & Maintenance Fund	(339)	0	338	(1)
Rapid Rehousing Transition Plan	(270)	0	98	(172)
Co Op Business Development Fund	(75)	0	75	0
ADM - Education	(937)	0	571	(366)
Budgeted Use of Reserves	0	(3,241)	0	(3,241)
Care Experienced Y.P WIFI (CSW)	(13)	0	0	(13)
Neurodevelopment Specification (CSW)	(166)	0	166	0
Tree Works - Storm Damage	(143)	0	143	0
Implem of National Trauma Training Prog	(50)	(50)	50	(50)
Mental Health Recovery & Renewal	(107)	0	0	(107)
Seed Funding - Comm Bens Plan for H2 JV	(663)	0	56	(607)
Whole family wellbeing	(35)	0	30	(5)
FWES Employability	(1,685)	(501)	0	(2,186)
Afghan - Bridging Accomodation	(580)	(166)	0	(746)
Syrian Refugees (UKRS Scheme)	(654)	0	31	(623)
Income from Afghan resettlement scheme	(487)	0	0	(487)
Scottish Child Payment	(27)	0	27	0
Coastal Communities Fund	(134)	(94)	0	(228)
Family Wellbeing (Partnership)	(979)	(947)	455	(1,471)
Counsellors Through Schools	(485)	0	217	(268)
Easter in the City	(59)	0	11	(48)
Recycling and environmental initiatives in schools	(150)	0	0	(150)
Fuel Poverty Assistance Fund	(111)	0	0	(111)
Marischal Square	(1,700)	0	0	(1,700)
Corporate Landlord - Education Security Costs	(61)	0	34	(27)
20mph Road Assessment	(58)	0	58	0
Afghan Funding	(1,458)	0	421	(1,037)
Ukrainian Education Funding	(1,720)	0	1,720	0
Ukrainian Tariff	(13,146)	0	1,125	(12,021)
De Trunking Funding	(7,006)	0	889	(6,117)
Open Data Funding	(42)	0	10	(32)
Joint Venture revaluation surplus	(11,216)	(4,234)	0	(15,450)
Resilience inc. Covid Funding	(6,671)	(2,141)	18	(8,794)
Total General Fund Earmarked Reserves	(73,928)	(57,750)	52,552	(79,126)
Uncommitted General Fund Balance	(12,000)	(153)	0	(12,153)
Total General Fund Balance	(85,928)	(57,903)	52,552	(91,279)

HRA Earmarked Reserves	Balance at 31 March 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	Balance at 31 March 2024 £'000
<i>Projects:</i>				
Housing Repairs	(2,278)	(2,299)	2,278	(2,299)
House Sales - Non Right to buy	(308)			(308)
Support for Budget 2024/25	0	(3,161)		(3,161)
Total HRA Earmarked Reserves	(2,586)	(5,460)	2,278	(5,768)
Uncommitted HRA Balance	(13,128)	0	4,707	(8,421)
Total Housing Revenue Account	(15,714)	(5,460)	6,985	(14,189)
Common Good Reserves	Balance at 31 March 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	Balance at 31 March 2024 £'000
<i>Projects:</i>				
Grove Nursery	(27)			(27)
Culter Playing Fields	(5)			(5)
Smithfield Farm - Roof repairs	(18)			(18)
AWPR Drainage Issues for future issues	(35)			(35)
CPR Training	(4)			(4)
Denis Law Trail	(20)			(20)
Lord Provost Portrait	(10)		5	(5)
Friends of Jacobs Ladder	(4)		1	(3)
Ukraine Refugee Support	(25)		25	0
Winter Clothing Grant	(7)		0	(7)
Torry Development Trust	(3)		3	0
Total Common Good Earmarked Reserves	(158)	0	34	(124)
Total Uncommitted Common Good Balance	(37,226)	(1,648)		(38,874)
Total Common Good	(37,384)	(1,648)	34	(38,998)