PROJECTED FINANCIAL POSITION FOR THE YEAR 2024/25

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MANAGEMENT COMMENTARY

This is the second reporting point in the year for the Council's finances, following approval of the budgets in December 2023 (Housing Revenue Account) and March 2024 (General Fund). The full year budgets reflected in the table below differ from those set by Council for a number of reasons. This is normal practice during the year as virements are identified and budget responsibilities change.

At this stage of the year, the General Fund, Housing Revenue Account and Common Good are all forecast to deliver in line with budgets set for 2024/25, but this will not be without continued effort and action, including the expectation that some savings will only be delivered later in year.

In common with previous years there are pressures on the organisation that emerge during the year and this year the Council continues to be impacted by the longer-term effects of the Covid pandemic, such as customer and citizen behaviours resulting in lower than expected income streams in some services. Inflation has been at higher than Bank of England target levels for 3 years, having peaked at 11.1% in October 2022, and while CPI has been 2% for the last couple of months the cost base has been lifted for good.

Appendix 1 pointed out the financial turmoil that has led to our future costs for capital investment rising, and while bank borrowing rates have been steady for the last six months it is currently a much higher cost environment for borrowing money than the last ten years or so had provided. Combined with the challenges inflation and supply chain issues future capital investment will be more expensive.

Demand has continued to rise for our services this year, with attention being drawn to changes in our population, specifically rising school rolls, which are on the back of increased numbers of families in the city, whether through the dispersal and resettlement schemes, welcoming those fleeing harm and seeking sanctuary, and through the University schemes to attract international students to the City, with their families. Increased homelessness presentations are also affecting our finances with significant levels of temporary accommodation being needed.

At best there is a lag between rising population and funding, but with the core grant not increasing to take account of more demand or cost in the system then the redistribution of grant between local authorities means nobody receives what is needed to deliver the current level of services. Without the funding the alternative action, as seen over the last many years, is to reduce the cost of services and it is clear from the decisions made for 2024/25 budget that the savings are reducing services. They are also limiting the service standards that we can deliver and if the pressure described in Appendix 1 for the second quarter continues as expected for the foreseeable future, then this position will only get more difficult.

There is an underlying commitment from Senior Management to pursue options to mitigate cost pressures and to work with the Chief Officer – Finance to ensure the overall agreed budget is adhered to, however this is increasingly difficult.

Appendix 1 provides the Income and Expenditure Statement and Balance Sheet of the Council as at 30 September 2024. The forecast for the year is built on the information that was available at this time.

For the full year, 2024/25, the General Fund is forecast to be on budget however it must be noted that there are continuing actions and processes in place to support managers to continue to reduce, stop or delay expenditure that they can, in the remainder of the financial year.

Payroll / Staff Costs:

As part of our 2024/25 budget it was recognised that our payroll bill needed to reduce. The levers to deliver this was mainly turnover and through our current Voluntary Severance and Early

Retirement (VSER) policy. Importantly managers are supported to redesign services with a reduction of resources as well as looking at automation and process improvements to remove work.

To monitor this, an Establishment Control Board (ECB) oversees all recruitment and VSER requests and monitors the level of people leaving the council (turnover) and people newly joining the council (new starts). Through this monitoring it has been evident that the turnover and new starts are almost balancing each other out meaning that we are not experiencing a reduction in our payroll costs. Furthermore, the number of staff seeking VSER, and subsequently being approved is less than was forecast or assumed in the budget.

To improve this position the Establishment Control Board continues to maintain these key controls:

1. Robust Recruitment Freeze. This will mean that only essential posts are recruited to when a vacancy arises.
2. Agency Freeze. The use of agency workers should only be used for a short-term need, on average up to 13 weeks. The ECB has implemented tighter controls where all agency requests must be supported by the relevant Chief Officer and then passed to the ECB for consideration. People and Organisational Development (P&OD) continue to monitor previously approved agency contracts to seek assurance that the Council is only using agency for short term essential need.
3. Overtime Freeze. Overtime is currently approved at service manager level. Like 2. above, all future overtime requests now requires the support of Chief Officer. Overtime requests should only be used for emergency-type need where the resource requirement is not planned. Again, P&OD review current overtime usage and work with the business to ensure that it is being used effectively.

These 3 controls will be continually monitored for effectiveness and to ensure the payroll bill is reducing in line with our budget commitment. In the first half of the year the Council has engaged with staff and trade unions on what a 35 hour working week could mean for individuals and the Council. This engagement does underpin budget saving requirements and collective bargaining will be continued in the third quarter to progress the options, however the level of saving that can actually be achieved would be less than the budget assumption made at the start of the year.

The pay award for 2024/25 has not yet been agreed nationally, only 3% has been set aside by the Council to pay for any increase. For every 0.1% over 3% there is an additional cost to the Council of approximately £350,000 so with the implementation of the current offer having been agreed by Cosla Leaders, there will be a cost of approximately £700,000 (the additional amount needed to meet the first 3.2% of the cost of the offer) to be funded in 2024/25, with the remainder being funded by the Scottish Government. The fact that Unison has not agreed to the offer means this remains a continuing financial risk for 2024/25. The Council has no additional funds available on a recurring basis that would fund a higher pay settlement therefore if more money is needed for pay then the Council would have to stop or reduce services.

<u>Essential Spend:</u>

The Council has been operating in an environment of restricting discretionary spend for many months, if not years. This has been communicated to ‘requisitioners’ and ‘approvers’ at all levels within the organisation. Due to the continued uncertainty of the fiscal environment and the recognition of new service demand entering our system, further controls have been implemented to effectively manage non-essential spend and control additional spending resulting from unplanned demand.

To enable the Council to work towards achieving delivery of a balanced budget by 31 March 2025 the provisions are essential and necessary, in the face of the significance of the uncertainty arising from current known situational awareness and the continuing financial risks that exist.

General Fund

With reference to the table below, key areas of the budget that the Council is managing are as follows:

The high costs of gas and electric will affect all Council services to some degree. These forecasts are included in the table below.

As stated above, across the whole of the Council the planned reduction in the number of posts that are affordable is being managed through voluntary and natural turnover processes. The full value of the staff savings is still forecast to be below budget at this time however actions noted above continue to be implemented to continue to influence the full year position. Other savings are supporting balancing the budget, to counteract the situation, however the Council is relying on some of the revenue contingency budget not being required to help finance the cost pressures currently forecast.

Based on the forecasts for the year key highlights are as follow.

1. The main areas of pressure within Families & Communities are:

    - Higher than budgeted spend on Out of Authority Placements, spend continues to increase due to contract uplifts and increased number of placements. Kinship placements are relatively in line with last year which continues the added pressure on this budget.
    - Looking at demand, the Public Health restrictions of the last few years, downturn in the local economy and increased costs being experienced by families, is impacting on the needs of children and families. There is a notable rise in vulnerability and need and this is increasing demand for more specialist services. As would be anticipated, there is a level of need apparent in those seeking sanctuary in the city.
    - It is exceptionally difficult to predict ongoing demand with any certainty. Hotels can be secured for asylum dispersal schemes at short notice with limited information about the age and stage of those being placed locally. Services continue to be proactive in their response.
    - Commercial property trading account income has been revised to reflect current conditions, this will continue to be monitored closely. This includes the additional costs of energy for corporate facilities and, also the Energy Centre and AD Plant at The Events Complex Aberdeen, and related contracts.
    - In Building Services there is a risk that the level of capital works will not increase with the focus being on void properties and response repair and maintenance, then the budgeted surplus may not be achieved this year.
    - Facilities are experiencing significant staff overspend mainly in the cleaning service.
    - Asset management are experiencing a significant cost pressure on repairs & maintenance.
    - 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.

    For Education, the service is managing a substantial increase in the school rolls. This is driven by several 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, the number of children (and families) in the city seeking refuge and the cost-of-living crisis meaning more parents are not opting for a private education.

- Also, within Education long-term absence spend is forecast to overspend based on costs incurred for 2022/23 and 2023/24, this is being closely monitored and managed.
- There is a risk that Early Years will not achieve the budgeted income from Cross Boundary Charging as the difference in the number of children between local authority areas is not as significant as anticipated.

2. The main areas of pressure within City Regeneration & Environment are:

- Car Parking income was severely affected by the pandemic, and whilst it is now recovering it is not expected that the budgeted income from on/off street parking & permits will be achieved.
- The business continuity insurance for the fire at Altens East has now ceased – which had offered cost mitigation to the Council for a period of 18 months. The impact on the service and the potential costs for the Altens East Transfer Station are now reflected in forecasts.
- There is a risk that forecasts may be higher than budget within Fleet as a result of ongoing implementation issues of new software, Jaama.
- For commercial services, the Beach Ballroom are forecasting income to be lower than budget.
- Building warrant & planning application fee income is expected to under recover due to current market conditions.

3. The main areas of pressure within Corporate Services are:

- Commercial and Procurement where staff costs are unlikely to deliver budgeted savings.

4. The main areas of pressure within Integrated Joint Board (IJB)/Adult Social Care are:

- An uplift of 6% for 23/24 was agreed for care home providers that run care homes under the national care home contract. This was higher than anticipated when the budget was set at the beginning of the year. There is a risk that care home costs will be overspent unless there is a reduction in client numbers.
- There is a risk that the commissioned services & direct client payment budgets might not be sufficient to cover any agreed contract uplifts.
- There is a risk that income from clients' care packages may not be received in full.
- The numbers of direct payments to clients may rise. However, as demand for care services remains high, there is a risk that this situation could deteriorate. There is a risk that the number of new clients requiring care exceeds the financial capacity.

The 'on budget' forecast includes an uplift in funding for the IJB from the Council of approximately £9m, which is a requirement of the Local Government Settlement, and means that 100% of the funding allocated to Health & Social Care Partnership obligations by Scottish Government has been passported through to the Aberdeen City IJB by the Council.

It is clear from the Quarter 2 position that achieving a balanced budget is extremely difficult. Expenditure and savings have continued to be challenging to achieve. There remains a high risk that if there is an overspend at the end of the 2024/25 financial year the Council may have to fund a portion of the deficit. Action continues to be taken to ensure only necessary expenditure is undertaken, and that savings are making progress.

5. Miscellaneous Services includes capital financing costs, the cost of repaying the borrowing received in the past for General Fund Capital Programme investment. Capital Financing Costs is the most significant budget within Miscellaneous Services and includes the impact of accounting for loans fund repayments on a prudent basis, approved by the Audit Risk and Scrutiny Committee in April 2019.

   As highlighted above, and in Appendix 1, the financial turmoil recently has only exacerbated the rising cost of borrowing. The cost of capital investment will rise from previous forecasts due to the current economic environment, with borrowing rates up at levels last seen a decade ago, the enduring effects of a 3 year period of high inflation – above Government and Bank of England targets – and supply chain volatility.

   The bad debt provision has been updated to take account of latest data. This budget sits within Miscellaneous Services and is under regular review.

6. The corporate saving for a reduced teaching workforce is captured in the “Corporate Budgets”. The full value of the staff savings is forecast to be above budget, and mitigates the additional spending on non-teaching workforce in Children and Family Services.

   The £3m saving for staff moving to a 35 working week hour that is included in the budget modelling would have required agreement and implementation by 1st October 2024. Therefore the saving cannot be achieved in full but we continue to engage with Trade Unions as part of the collective bargaining process.

   Contingencies also holds the in-year revenue contingency for the General Fund and the forecast includes the use of some of that contingency in the remainder of the year – uncommitted contingencies amount to c.£1.5m for the year. This provides ongoing resilience against emerging risks such as winter maintenance, pay settlement costs and a deficit for the IJB for 2024/25. That does not stop future unplanned events taking place or from implications arising from the risk registers and, where identified, contingent liabilities becoming more certain (see Appendix 1). It means at this stage that the Council relies on the strength of its balance sheet to address future unknown costs.

7. Council Expenses include the budgets for all councillors’ costs, including salaries and expenses. These are forecast to be on budget.

8. The Joint Boards budget and forecast outturn is based on the amount requisitioned by Grampian Valuation Joint Board.

9. The Non-Domestic Rates figure is set by the Scottish Government as part of its overall funding support package rather than the amount billed and receivable by the Council. The forecast amount receivable by the Council is in line with Government distribution information.

10. The General Revenue Grant is set by the Scottish Government as part of its funding support package for Local Government. This is regularly updated to account for the redeterminations that are allocated to Local Government after the approval of the Scottish Budget. Funding for these allocations is paid to Councils in March.

11. Council Tax income is forecast to be on budget for 2024/25 based on collection levels in 2023/24.

12. Use of Reserves. The Council approved in its 2024/25 budget that a sum of £7.569m will be used from the annual Service Concession flexibility transaction and other earmarked General Fund reserves to fund the budget.

Housing Revenue Account

13. The HRA budget in 2024/25 has a budgeted deficit of £3.1m (utilising reserves), it is currently estimated to stay within budget. Spend is challenging, as it was in 2023/24 and the HRA continues to plan to utilise its reserves in 2024/25. There are several areas of pressure. These are the potential increases in repairs and maintenance from the cost of materials, voids, and staff costs. The higher costs in these areas will be offset by a reduced contribution to Capital from Current Revenue (CFCR).

Earmarked Reserves

As at 1 April 2024 the Council held c.£82m of earmarked reserves across the General Fund and HRA and expenditure is estimated to be incurred over a period of years.

Expenditure in relation to the delivery of other specific projects, funded by the earmarked reserves is not included in the figures in the tables above, the expenditure being set against the finite reserves held at the start of the year. As an example, the Council expects to continue to incur expenditure from the Transformation Fund in 2024/25 progressing the digital programme of transformation.

The other significant earmarked reserves to draw attention to at this time are the Refugee Funding (£14.914m) to support the work and activities we deliver for through the dispersal and resettlement schemes; and the Joint Venture (ASV) Revaluation Surplus (£15.450m), which is not cash backed and reflects the increased value of the Council shares in the Sports Village following asset revaluation.

Also notable is the Second & Long-term Empty Properties (Affordable Housing) reserve (£7.613m), which is underpinned by legislation. Expenditure in 2024/25 will depend on the progress with a number of developments including Craighill, and the amount of Scottish Government funding and Section 75 income (developers' contributions) to be used as this funding is time limited, these funds support the delivery of additional social housing by the Council.

The earmarked Resilience fund, including former Covid-19 Grants (£8.794m) is for general support to Council services, income shortfalls and historically education services.

Balancing the Budget through Controls and Monitoring Structures

Drawing attention again to the points made in the introduction about Payroll/Staff Costs and Essential spend controls, specific actions that will continue, to manage spending and work towards reducing the operating deficit include:

- Further instruction to all budget holders to reduce, stop or delay expenditure wherever possible to reduce the outturn position.
- Ongoing review and analysis of the national dispersal and resettlement programmes on council budgets.
- Ongoing review and scrutiny of the out of authority placements for children by the Chief Officer – Integrated Children's Services.
- Specific work in relation to the Service Income policy to ensure full cost recovery is achieved from a range of services that the Council delivers, such as support services, housing services, accommodation and building services.
- Monitoring and management of council long-term debt in light of the agreed policy and capital spend forecasts for 2024/25.
- The voluntary severance / early retirement scheme (VSER) is how the Council has incentivised workforce reductions. The scheme has been recently promoted to staff in order to further reduce the ongoing cost of staff and to support the affordability of the

Council's budget going forward. This is an expensive scheme, funding must be found and accounted for up front from revenue resources. The Council approved the use of the Service Concession earmarked sum as a source of funding for VSER.

To ensure tight controls are in place over expenditure, management have created the following control boards, through which requests to spend must be cleared:

The Demand Management Control Board captures the commissioning and procurement intentions for revenue expenditure as they arise and provides an environment for demand-based challenge – this is chaired by the Executive Director for Corporate Services.

Similarly, the Capital Board oversees the progress and emerging aspects of capital planning and delivery, but also connects to the asset elements of the revenue budget and capital financing requirements – this is chaired by the Chief Officer for Capital.

The Performance Board has oversight of the performance reporting, this is chaired by the Executive Director of Families & Communities and brings together the emerging and escalated issues from overall Council performance and agrees actions. The Corporate Management Team has oversight of the Council's financial performance.

Balancing the Budget through the monitoring and control of risks.

Risks are reviewed on a regular basis at a strategic level by the Risk Board on a monthly basis and at an operational level by Chief officers and their teams daily.

The emerging risks from demand and costs and the challenge to balance the budget should be having an impact on those operational risk registers and the Corporate Management Team expect, where appropriate, that these risks are escalated to the Corporate Risk Register, along with the potential impacts and means of mitigation.

The spectrum of difficulty that has been described as widening signals that risks are going to change and that the likelihood and impact of those risk are going to rise. The Council should be expecting to see this and to be asked to take appropriate action to mitigate them as they are identified.

The main risks to the Council are now the cost of living crisis, the rise in the number of people in the city through resettlement and refugee schemes and studying in the city from abroad. Also, the impact of high inflation level and extremely high increases experienced in the cost of energy supplies remain significant risks as these will continue to have a substantial impact on Council services.

It is predicted that the increased cost of supplies and services in the trades may be a significant risk in areas such as Building Services and Roads.

Contingent Liabilities are noted to capture potential liabilities which could result in costs being incurred in the future. As part of the budget process, contingent liabilities are reviewed and described within the budget pack presented to Council. The Corporate Management Team continues to monitor the status of these. A review of the contingent liabilities, listed in Appendix 1, has not established any significant shift in certainty or in the Council's ability to quantify the financial exposure. On that basis there is no adjustment included in the forecasts for the year, they will continue to be reviewed quarterly and any change reported as appropriate.

Conclusion

Based on the information available now in Quarter 2 where forecasts are more certain and greater confidence can be placed on the outturns, the forecast for the overall position of the General Fund is a balanced budget, with key actions continuing as described to reduce the payroll/staff costs across the Council and also the cost of our supplies and services during the remainder of this year. Any deficit that emerges later in the year, the Council will have to rely on unused contingencies and the availability of funding from the Balance Sheet in the form of earmarked reserves.

Ongoing demand in the areas of looked after children and homelessness, as well as the higher risk of a contribution being needed to support the Aberdeen City IJB, and the fact that pay negotiations that are not yet been finalised for the majority of non-teaching staff means there is continuing risk to the Council finances therefore while there is no certainty of the final costs, the Council will remain on essential spending only status, so there will be no further money to fund anything further.

The Housing Revenue Account is also expected to meet the approved budget position but the cost of repairs and maintenance of housing stock means this remain a financial risk and work is being carried out to mitigate it.

These positions are captured in the tables set out below. Further updates will be provided as part of the Quarter 3 financial reporting.

General Fund Financial Reporting Summary 2024/2025 - Quarter 2

As at 30 September 2024	Budget 2024/2025	Outturn 2024/2025 Quarter 2	Variance from Budget		Notes
	£'000	£'000	£'000	%	
Families & Communities	318,193	330,829	12,636	4.0	1
City Regeneration & Environment	31,832	31,341	(491)	(1.5)	2
Corporate Services	44,767	43,545	(1,222)	(2.7)	3
Integrated Joint Board	130,638	130,638	0	0.0	4
Total Functions Budget	**525,430**	**536,352**	**10,922**	**2.1**	
Miscellaneous Services	69,604	67,553	(2,051)	(2.9)	5
Contingencies	20,101	11,226	(8,875)	(44.2)	6
Council Expenses	1,557	1,560	3	0.2	7
Joint Boards	1,947	1,947	1	0.0	8
Total Corporate Budgets	**93,209**	**82,287**	**(10,922)**	**(11.7)**	
Non Domestic Rates	(208,768)	(208,768)	0	0.0	9
General Revenue Grant	(262,574)	(262,574)	0	0.0	10
Government Support	**(471,342)**	**(471,342)**	**0**	**0.0**	
Council Tax	(139,727)	(139,727)	0	0.0	11
Local Taxation	**(139,727)**	**(139,727)**	**0**	**0.0**	
Contribution from Reserves	(7,569)	(7,569)	0	0.0	12
Contribution from Reserves	**(7,569)**	**(7,569)**	**0**	**0.0**	
Deficit/(Surplus)	**0**	**(0)**	**(0)**	**0.0**	

Housing Revenue Account Summary 2024/2025 - Quarter 2

Deficit/(Surplus)	**3,161**	**3,161**	**0**	**0**	**13**

General Fund Capital Programme

The programme reprofiling approved by the report CR&E/24/273 – Capital Programme Delivery: Projects Update, at Finance and Resources committee on 12 September 2024, has been incorporated into this update for 2024/25.

The Capital Programme also now includes additional projects following confirmation of funding awards from the Scottish Government:

- £0.128 million for continuing the Nature Restoration Fund into 2024/25;
- £0.019 million for Bairns Hoose 2024/25

- £1.557 million for the new Tier 1 Active Travel Infrastructure Fund, which has formally superseded the previous Cycling Walking Safer Routes programme
- An increased £0.451 million for capital grant in 2024/25.

	2024/25					
As at Period 6 2024/25	**Original Approved Budget £'000**	**Adjustments & Carry Forwards £'000**	**Revised Budget for Year £'000**	**Actual Expenditure for Year £'000**	**Forecast Outturn £'000**	**Outturn Variance from Revised Budget £'000**
AECC Programme Board	3,000	3	3,003	25	3,003	0
Asset Management Programme Board	68,765	15,116	83,881	25,027	81,881	(2,000)
Asset Management Programme Board Rolling Programmes	26,936	2,649	29,585	15,109	26,801	(2,784)
City Centre Programme Board	82,519	(1,130)	81,389	5,590	81,389	0
Energy & Climate Programme Board	37,073	3,115	40,188	8,076	40,188	0
Housing and Communities Programme Board	2,429	298	2,727	84	2,727	0
Housing and Communities Programme Board Rolling Programmes	550	97	647	243	647	0
Transportation Programme Board	11,132	3,217	14,349	870	14,349	0
Transportation Programme Board Rolling Programmes	1,000	0	1,000	500	1,000	0
Strategic Asset & Capital Plan Board	15,824	127	15,951	3,675	15,951	0
Strategic Asset & Capital Plan Board Rolling Programmes	4,500	(59)	4,441	4,109	4,441	0
Developer Obligation Projects & Asset Disposals	0	0	0	40	13	13
Total Expenditure	**253,728**	**23,434**	**277,162**	**63,350**	**272,391**	**(4,771)**
Capital Funding:						
Income for Specific Projects	(43,243)	(19,049)	(62,292)	(10,669)	(62,292)	0
Developer Contributions	0	0	0	(27)	(12)	(12)
Capital Grant	(17,067)	(451)	(17,518)	(10,444)	(17,518)	0
Other Income e.g. Borrowing	(193,418)	(3,934)	(197,352)	(42,209)	(192,569)	4,784
Total Income	**(253,728)**	**(23,434)**	**(277,162)**	**(63,350)**	**(272,391)**	**4,771**

Profiling of project budgets and forecasting of outturns remains challenging given the wide range of factors continuing to affect construction supply chains. Cost inflation over the last year has been the highest experienced in several decades, and is only now beginning to show signs of reducing. As such the forecast outturns quoted above represent a point in time and there is a strong probability they will be subject to change as the financial year progresses and additional information becomes available. Opportunities exist to review the overall programme for affordability as business cases for new project budgets approved in March continue to be developed and presented to Capital Board.

Given the prevailing conditions and with a view to managing the capital programme with best value in mind, a more detailed report presenting the outcomes of a review conducted by the Chief Officer – Capital on projects included in the Capital Programme was reported to this committee on 12 September. This was approved which resulted in £1.2m being vired from the contingency budget to both the Greyhope School and Hub (£700k) and the Bucksburn Academy extension (£500k) budgets.

Expenditure for Quarter 2 2024/25 includes continued construction works related to progressing the New Schools programme, with significant expenditure on the new Tillydrone School. Works are also progressing well on the new shared mortuary at Foresterhill, and the City Centre Masterplan has also continued to develop the designs for Union Street and the Beachfront.

Housing Capital Programme

Spend on the new build projects has increased significantly since Quarter 1 due to spend on Cloverhill and Craighill.

Prioritisation of work on voids is continuing, this is shifting resources from capital to revenue works. This is resulting in lower than budgeted spend on lift maintenance, heating system replacement, kitchens and bathroom.

Paying for Capital [Expenditure] From Current Revenue (CFCR) out-turn has been amended to reflect the pressures experienced by the revenue account, this is balanced by an increase in borrowing.

At Quarter 2 virements have been made to reflect the decisions taken on the RAAC properties at the Council meeting on 21 August 2024. A further review of all budgets will be undertaken for Quarter 3.

Housing Capital Programmes	Approved Budget	Expenditure to date	Forecast Expenditure	Variance from Revised Budget
As at 30 September 24	**£'000**	**£'000**	**£'000**	**£'000**
Compliant with the tolerable standard	3,922	1,787	9,402	5,480
Free from Serious Disrepair	23,655	6,373	20,715	(2,940)
Energy Efficient	14,651	3,799	12,746	(1,905)
Modern Facilities & Services	15,260	4,113	14,625	(635)
Healthy, Safe and Secure	6,585	2,663	6,585	0
Non Scottish Housing Quality Standards				
Community Plan and Local Outcome Improvement Plan	9,034	2,980	9,034	0
Service Expenditure	8,720	0	8,720	0
2000 New Homes Programme	64,666	25,819	64,666	0
less 27% slippage	(23,443)	-	(23,443)	0
Net Programme	**123,050**	**47,535**	**123,050**	**0**

Capital Funding				
Borrowing	(96,423)	(44,936)	(101,031)	(4,608)
Other Income - Grants Affordable Homes etc	(17,579)	(1,489)	(17,579)	0
Capital Funded from Current Revenue	(9,048)	(1,110)	(4,440)	4,608
Total	(123,050)	**(47,535)**	**(123,050)**	**0**

Prudential Indicators

The Prudential Code For Capital Finance in Local Authorities - 2022/23 to 2028/29

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.

The Code requires the following Prudential Indicators to be set for the Council:

	Capital Expenditure						
	2023/24 £'000 Actual	**2024/25 £'000 Estimate**	**2025/26 £'000 Estimate**	**2026/27 £'000 Estimate**	**2027/28 £'000 Estimate**	**2028/29 £'000 Estimate**	**2029/30 £'000 Estimate**
Gen Fund	112,343	253,728	210,924	159,991	108,005	81,636	81,636
HRA	119,903	123,050	119,592	97,780	72,752	74,105	74,105

	Ratio of Financing Costs to Net Revenue Stream						
	2023/24 Actual	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**
Gen Fund	6.7%	7.9%	11.0%	12.0%	12.7%	13.1%	12.7%
HRA	8.8%	18.9%	24.2%	25.5%	23.6%	22.3%	21.0%

	Capital Financing Requirement						
	2023/24 £'000 Actual	**2024/25 £'000 Estimate**	**2025/26 £'000 Estimate**	**2026/27 £'000 Estimate**	**2027/28 £'000 Estimate**	**2028/29 £'000 Estimate**	**2029/30 £'000 Estimate**
Gen Fund	1,249,775	1,426,283	1,583,798	1,686,240	1,736,077	1,762,422	1,788,693
HRA	454,531	547,217	639,357	723,362	785,331	847,974	910,617
Total	**1,704,306**	**1,973,500**	**2,223,155**	**2,409,602**	**2,521,408**	**2,610,396**	**2,699,310**

	Gross Borrowing						
	2023/24 £'000 Actual	**2024/25 £'000 Estimate**	**2025/26 £'000 Estimate**	**2026/27 £'000 Estimate**	**2027/28 £'000 Estimate**	**2028/29 £'000 Estimate**	**2029/30 £'000 Estimate**
Borrowing	1,533,960	1,832,770	2,085,666	2,278,198	2,396,613	2,492,483	2,588,353

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 2024/25, 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					
	2024/25 £'000	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**2029/30 £'000**
Operational Boundary	2,005,179	2,254,834	2,441,281	2,553,087	2,642,075	2,731,063
10% Margin	200,518	225,484	244,129	255,309	264,208	273,107
Total	**2,205,697**	**2,480,318**	**2,685,410**	**2,808,396**	**2,906,283**	**3,004,170**
	Operational Boundary for External Debt					
	2024/25 £'000	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**2029/30 £'000**
Borrowing	1,832,770	2,085,666	2,278,198	2,396,613	2,492,483	2,588,353
Other Long-Term Liabilities	172,409	169,168	163,083	156,474	149,593	142,710
Total	**2,005,179**	**2,254,834**	**2,441,281**	**2,553,087**	**2,642,075**	**2,731,063**

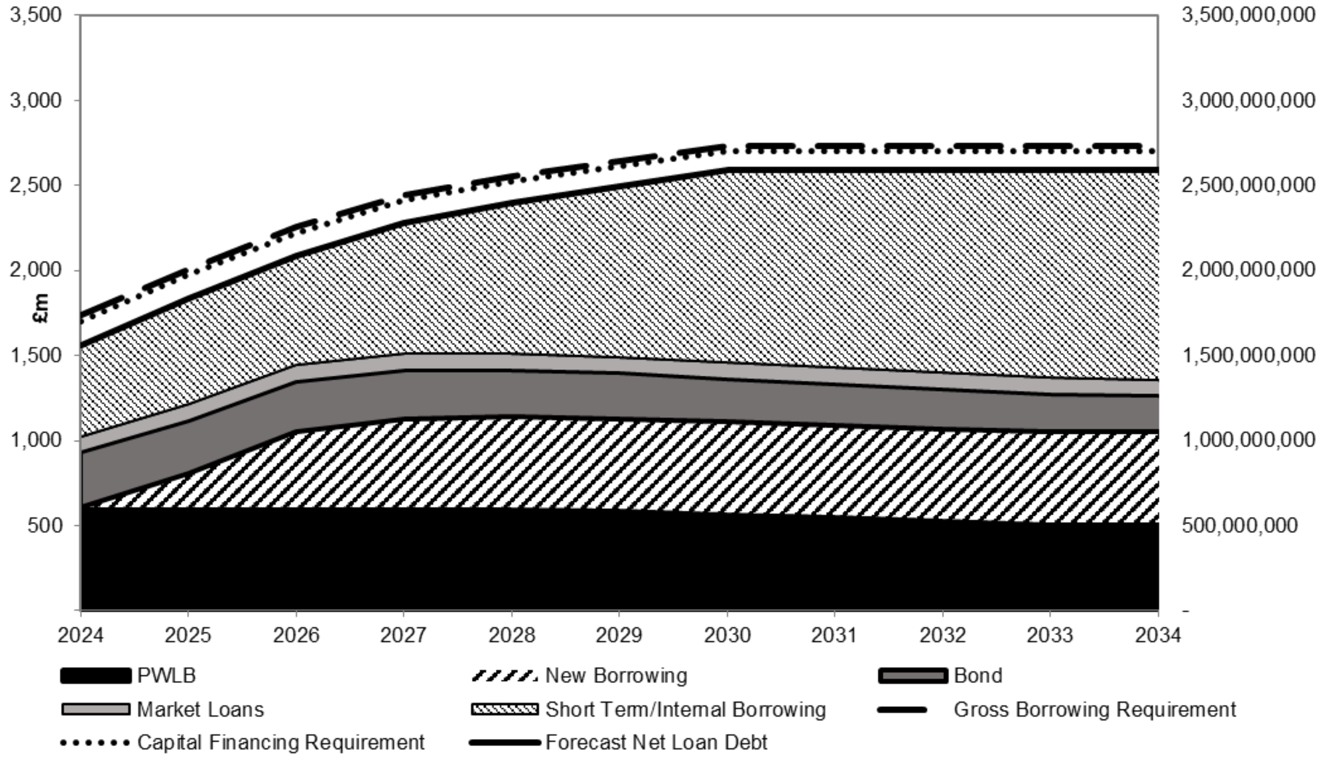
The latest version of the Prudential Code for Capital Finance in Local Authorities introduced a new indicator – the Ratio of Net Income from Commercial and Service Investments to Net Revenue Stream.

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 September 2024	Full Year Budget 2024/25 £'000	Actual Forecast Expenditure £'000	Variance from Budget £'000
Recurring Expenditure	5,132	5,132	0
Recurring Income	(5,370)	(5,370)	0
Budget after Recurring Items	**(238)**	**(238)**	**0**
Non Recurring Expenditure	238	238	0
Non Recurring Income	0	0	0
Net (Income)/Expenditure	**0**	**0**	**0**
Cash balances as at 1 April 2024	**(42,201)**	**(42,201)**	
Net Expenditure from Income & Expenditure	0	0	0
Investment Revaluation (Increase)/Decrease	0	69	69
Net Capital Receipt	0	0	0
Cash Balances as at 31 March 2025	**(42,201)**	**(42,131)**	**69**

Minimum cash balance requirement per budget report (Council February 2015)	**(35,456)**	**(35,456)**	

Notes

- Operationally the Common Good is forecast to be on budget as at 30 September 2024.
- The investment of cash balances in a multi-asset income fund, approved by Council on 10 March 2021 has now been implemented. The value of the investment may fall as well as increase, this will be reported quarterly. As at 30 September 2024 the value of the investments was £23.875m, an increase in the quarter of £0.261m. Cash balances will be affected by this change as will the overall Net Value of the Common Good.
- The investment with Fidelity remains a long-term investment and should be measured over a 3 to 5 year period.
- Income levels expect to be maintained and the budgeted income achieved.
- Recurring expenditure is generally forecast to be on budget, with events proceeding as expected this year, and grants payable throughout the year to the wide range of approved organisations.