



FINANCIAL POSITION FOR THE YEAR 2024/25

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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 2025.

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 2024 the Council set balanced budgets for financial year 2024/25. This took account of obligations and duties placed upon it by legislation and national priorities alongside local political priorities, and was the eighth budget designed around our commissioning approach and third 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. Whether it is the enduring effects of the pandemic, the ongoing implications from population changes that have taken place in recent years, an increase in homelessness presentations, the declaring of a Housing Emergency and the high cost and demand that has been experienced in the Health and Social Care sector in Aberdeen City – similar to other parts of the country. Our costs have risen particularly in providing education, and children and families services.

The cost of new borrowing has not reduced to levels that had perhaps been expected during the year with inflation falling before rising again across the year, costs for local authorities have been rising and with construction inflation pushing up the cost of building assets, the Council must expect the future cost of capital investment to rise substantially for both the General Fund and the Housing Revenue Account. The revenue implications of bringing new assets into operation are not to be underestimated either.

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).

The Housing Revenue Account budget was approved and at the Council meeting on 13 December 2023 there was a rent increase of 4.7% agreed with support of approximately £3m from the HRA Reserve. The context of rising costs for repair and maintenance and construction costs were all ongoing pressures on the HRA budgets..

The Common Good budget was set using the investment returns from the land, property and cash held. Additional income was forecast from Common Good cash balances that are invested with an external fund manager. A total distribution of approximately £5m 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 2024/25 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 8 May 2025. 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 2024 and officers are working with the auditors to present reports and audited Annual Accounts by 26 June 2025.

2024/25 Financial Position

• General Fund Revenue

As approved in the Quarter 3 Financial Performance report, the Council has had to increase funding to the Aberdeen City IJB. Based on the draft outturn the 39% share of additional funding from the Council amounts to a little over £4m. Having drawn the funds from the earmarked reserve the Council has balanced its operational General Fund Budget for 2024/25, this is shown in the table presented on page 7.

Across the budget the Council has experienced variances from original plans, and these have been described in the three previous quarterly reports. At year end these variances will be generally familiar to the Committee. 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 a proportion, c.£1m, of uncommitted contingencies within the General Fund budget to avoid the need to drawdown the full value of those additional earmarked reserves to support the funding for the IJB. Further information on reserves and earmarked sums is included in pages 20-21.

• **Housing Revenue Account**

The HRA delivered a deficit of £3.001m 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 Council has plans in place to address these challenges. 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 2024/25 reflecting interim valuations for projects that were on site at 31 March 2025. 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, 2025/26.

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 fifth 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 2025/26.

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 earmarked reserves at the end of 2024/25 were the Service Concession

Reserve, Bus Lane Enforcement funds, Ukrainian Tariff funding, Open Data funding, Low Emission Zone Enforcement funds 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.

A transfer from the Capital Fund has been made to support the Scottish Government providing additional, Capital, funding for the increased pay award in 2024/25, the Capital Fund receiving additional funding to enable this to happen.

The review of reserves is reflected in the table below that summarise the Council's Usable Reserves at the start and end of 2024/25, 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 2025 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 2024 £'000	Usable Reserves	31 March 2025 £'000
(94,430)	General Fund	(93,646)
(14,190)	Housing Revenue Account	(10,889)
(50,024)	Statutory and Other Reserves	(49,647)
(158,644)	Total Usable Reserves	(154,182)

• Common Good

The year end position shows an operational surplus of £0.054m, and details are provided on page 19. This underspend was achieved mainly through reduced expenditure on repairs and maintenance and an increase in contributions towards events. The value of the underlying investment with Fidelity fell by £0.505m during the year resulting in an additional charge to the Common Good. All of this means the Common Good has reduced cash balances at 31 March 2025 of £0.451m compared to the value budgeted.

Conclusion

This has been, financially another extremely challenging year with costs rising alongside demand for our services, while service income in some 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.

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. 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 and 2024/25. That said, during the year construction activity has progressed on a wide range of capital projects that means a number of projects are now due to be completed in the first quarter of 2025/26,

including Tillydrone Primary School, North East Scotland Shared Mortuary and the Bridge of Don Waste Recycling Centre. Further new build housing at Tillydrone, Cloverhill and Kaimhill was handed over in 2024/25.

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 2025	Budget 2024/2025	Actuals 2024/2025	Variance (Actual - Budget)		to Statutory Funds	to Earmarked Reserves	from Earmarked Reserves	Q4 Variance after earmarking
		£'000	£'000	£'000	%	£000s	£000s	£000s	£000s
1	Families & Communities	328,305	339,021	10,716	3.3		2,866	(325)	13,257
2	City Regeneration & Environment	34,015	32,264	(1,750)	(5.1)		5,186		3,436
3	Corporate Services	46,120	42,242	(3,878)	(8.4)				(3,878)
4	Integrated Joint Board	130,925	134,972	4,047	3.1			(3,335)	712
Total Functions	Total Functions Budget	539,365	548,500	9,135	1.7	0	8,052	(3,660)	13,527
5	Miscellaneous Services	70,218	65,787	(4,431)	(6.3)	4,500		(2,040)	(1,971)
6	Contingencies	11,122	1,337	(9,785)	(88.0)	700			(9,085)
7	Council Expenses	1,557	1,426	(132)	(8.5)				(132)
8	Joint Boards	1,947	1,774	(173)	(8.9)				(173)
Total Corporate	Total Corporate Budgets	84,844	70,323	(14,521)	(17.1)	5,200	0	(2,040)	(11,361)
9	Non Domestic Rates	(208,768)	(208,563)	206	(0.1)				206
10	General Revenue Grant	(259,144)	(260,849)	(1,705)	0.7				(1,705)
Total Council	Government Support	(467,912)	(469,412)	(1,499)	0.3	0	0	0	(1,499)
11	Council Tax	(139,727)	(143,109)	(3,381)	2.4		2,033		(1,348)
Total Council	Local Taxation	(139,727)	(143,109)	(3,381)	2.4	0	2,033	0	(1,348)
12	Contribution from Reserves	(16,569)	(15,887)	682	(4.1)				682
Total Council	Contribution from Reserves	(16,569)	(15,887)	682	(4.1)	0	0	0	682
13	Deficit/(Surplus)	(0)	(9,584)	(9,584)	0.0	5,200	10,085	(5,700)	0
14	Contribution to Statutory Funds	0	5,200	5,200					
15	Contribution from Earmarked Reserves	0	(5,700)	(5,700)					
15	Contribution to Earmarked Reserves	0	10,085	10,085					
16	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 2024 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. Families & Communities 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 and it brings together housing, libraries and community learning to support the development of sustainable communities and enable individuals to manage their own lives. The Corporate Landlord cluster is responsible for the commercial and non-commercial land and property assets, facilities management and council housing stock management.

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 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 there are increased costs of energy due to a rise in prices (£1.7m) and long-term absence spend (£1.84m) was over budget for 2024/25.
- Early Years did not achieve the budgeted income from Cross Boundary Charging, a shortfall of £980k 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 (£4.7m), spend was also higher than the previous year due to both an increase in placements and an average contract price increase of 6.48% for the residential framework & 4.17% for secure care plus Kinship care costs (£390k).
- 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 lower levels of income, such that the budget values during the year have not been met.
- Spend of £2.27m 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 which is an increase of circa. £400k from 23/24.

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

2. City Regeneration & Environment 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. This function is also responsible for operational services such as

waste collection and disposal, fleet, environmental services and roads and related infrastructure.

- Roads was impacted by winter maintenance costs which are ultimately covered by the Council's contingency budget (part of the Corporate budgets).
- Capital cluster was £2.5m underspent, as a result of lower staffing costs and consultants fees and an over recovery of fee income.
- Waste services are experiencing pressures are Energy from Waste (EfW) and waste disposal with costs being higher than current budgets. The income from the EfW, received corporately was higher than budget, helping to offset overall cost pressures.

3. Corporate Services is responsible for the financial planning, monitoring and reporting of the Council and for managing all internal and external customer contact. Data and Insight also sits within Corporate Services, 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.

- The main area of pressure is Digital & Technology as the service continue to transform services digitally however continue to experience increased contract costs and in some cases overlap of contracts due to transitional period.

4. 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. 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.

In 2024/25 there was an overspend of £17.036m on the Health and Social Care Partnership budget of £437.797m. This deficit is after an uplift in funding for the IJB from the Council in 2024/25 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.

IJB reserves of £6.546m have been used to reduce the deficit and the remainder was funded by Aberdeen City Council (39%) and NHS Grampian (61%) in line with the IJB agreement. The Council contribution towards the deficit is £4.047m.

5. 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 2024/25 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 the last two years has assisted to reduce costs in 2024/25.

The provision for doubtful debt was under budget for 2024/25, 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.

6. 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, which at Quarter 3 had been forecast to be needed to balance the budget.

7. 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.
8. 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 2023/24 surplus to the three Councils.
9. 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 2024/25.

10. 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.
11. 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 (£2.033m) 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.

12. 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 2024 and updated to take account of additional funding released from earmarked reserves. This includes capital funding of £9m that was paid by Scottish Government that has been converted to revenue to support the funding of the pay award in line with amended legislation for 24/25. Service Concession income of £3.646 m was released for 2024/25, under the Service Concession arrangements approved in 2023/24, and £3.241m was used from Earmarked Reserves as per the 24/25 budget.
13. 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.
14. 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 2024/25 £4.5m was transferred to the Capital Fund to provide for anticipated decommissioning costs, and £0.7m was transferred to the Insurance Fund.
15. 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 20.
16. 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 (HRA)

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 2025		Budget 2024/25	Actuals 2024/25	Variance
		£000s	£000s	£000s
(Surplus)/Deficit from Income & Expenditure		3,161	3,001	(160)

The HRA was in deficit for the year, the intention had been to plan to use the reserves in 2024/25. Although a deficit had been budgeted there were variances during the year, which included higher spend on Repairs and Maintenance this took account of both response, planned and void repairs.

In addition void rent loss continues to rise despite an increased level of spend on void repairs. A Housing Board Bi-Annual Report was presented to Communities, Housing and Public Protection Committee on 21 November 2024, this included a change to the Minimum Letting Standard, the action plan for the Housing Emergency and a revised Council Housing Stock Acquisition and Disposal Policy. These changes should result in a reduced spend on Repairs and Maintenance in 2025/26.

General Fund Capital Programme

As at Period 12 2024/25	2024/25		
	Revised Budget for Year	Actual Expenditure for Year	Actual v Budget Variance
	£'000	£'000	£'000
AEECC Programme Board	3,003	218	(2,785)
Asset Management Programme Board	84,643	72,150	(12,493)
Asset Management Programme Board Rolling Programmes	29,585	0	(29,585)
City Centre Programme Board	81,389	26,158	(55,230)
Energy & Climate Programme Board	40,188	19,275	(20,913)
Housing and Communities Programme Board	2,727	805	(1,922)
Housing and Communities Programme Board Rolling Programmes	647	536	(112)
Transportation Programme Board	14,349	2,801	(11,548)
Transportation Programme Board Rolling Programmes	1,000	1,000	(0)
Strategic Asset & Capital Plan Board	15,951	21,892	5,942
Strategic Asset & Capital Plan Board Rolling Programmes	4,441	0	(4,441)
Developer Obligation Projects & Asset Disposals	0	418	418
Total Expenditure	277,923	145,253	(132,671)
Capital Funding:			
Income for Specific Projects	(63,054)	(31,693)	31,361
Developer Contributions	0	(438)	(438)
Capital Grant	(17,518)	(18,329)	(811)
Other Income e.g. Borrowing	(197,352)	(94,793)	102,559
Total Income	(277,924)	(145,253)	132,671

Profiling of project budgets and forecasting of outturns remains challenging given the wide range of factors continuing to affect construction supply chains and this is reflected in the £145m investment recorded for the capital programme for the year. Cost inflation over the last year has been the highest experienced in several decades, and is only now beginning to show signs of reducing.

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

- Tillydrone Primary School (New Riverbank Primary School) it is anticipated that practical completion will be achieved with the purpose of achieving an opening in May 2025. This would allow the pupils of the existing Riverbank Primary School to decant to the new school in advance of the summer recess.
- 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 Spring 2025. The operating agreement between Partners (Aberdeen City Council and National Health Service) is now ready to be implemented.
- Bridge of Don Household Waste Recycling Centre (HWRC) works have progressed with a project completion date expected in May 2025.
- Work commenced on the Tolbooth roof and parapet works (Condition & Suitability Programme) in June 2023 with completion now planned for late Spring 2025, works to repair and conserve the external fabric of this grade A listed, early 17th Century building have been undertaken.

- Union Street Central Streetscaping has commenced this will see the space within the existing streetscape reappropriated in favour of walking, wheeling, and riding users, and public transport whilst still allowing for service vehicle access. the works will now not be completed in 2025 but are more likely to be Spring 2026.
- Construction work on the Bairns' Hoose project within the Links Hub building on Regent Walk commenced in January 2025 the expectation is that practical completion will be achieved in Summer 2025.
- Work has commenced on St Machar External Improvements to create a new Multi Use Games Area (MUGA), tier seating and external dining with an anticipated practical completion date of Summer 2025.
- Work is progressing on the Aberdeen City Vision – Phase A Beach Park, Events Park and Broadhill which will provide a significantly sized outdoor destination within the unique beachfront context. The expectation is that works to form all 3 sites should reach practical completion in late summer 2026.

Housing Capital Programme

Housing Capital Programmes	Approved Budget	Expenditure to date	Variance from Revised Budget
As at 31 March 25	£'000	£'000	£'000
Compliant with the tolerable standard	3,922	2,368	(1,554)
Free from Serious Disrepair	23,655	16,970	(6,685)
Energy Efficient	14,651	6,888	(7,763)
Modern Facilities & Services	15,260	14,238	(1,022)
Healthy, Safe and Secure	6,585	7,933	1,348
<i>Non Scottish Housing Quality Standards</i>			
Community Plan and Local Outcome Improvement Plan	9,034	9,650	616
Service Expenditure	8,720	498	(8,222)
2000 New Homes Programme	64,666	57,208	(7,458)
			-
less 27% slippage	(23,443)	-	23,443
Net Programme	123,050	115,753	(7,297)

Capital Funding			
Borrowing	(96,423)	(103,409)	(6,986)
Other Income - Grants Affordable Homes etc	(17,579)	(12,344)	5,235
Capital Funded from Current Revenue	(9,048)	0	9,048
Total	(123,050)	(115,753)	7,297

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 Energy solid wall insulation and the programme which wasn't delivered in 2024/25 has been rolled forward into 2025/26.

The 2,000 new homes programme is progressing well with further homes at the Tillydrone, Cloverhill and Kaimhill sites being handed over to the Council in 2024/25. The programme in 2024/25 has included developer led projects such as Cloverhill in Bridge of Don, Council led projects Craighill, Stoneywood and Kincorth and buying former Council Homes. Grant funding of £7.1m was received from the Scottish Government for the Cloverhill, Craighill, Stoneywood and Buy backs. The lower than budgeted spend is due to the retendering of the Kincorth contract which was let in April 25.

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						
	2023/24 £'000 Actual	2024/25 £'000 Actual	2025/26 £'000 Estimate	2026/27 £'000 Estimate	2027/28 £'000 Estimate	2028/29 £'000 Estimate	2029/30 £'000 Estimate
Gen Fund	112,343	143,717	276,766	203,998	126,131	83,079	63,578
HRA	119,903	115,753	129,649	67,699	79,266	119,385	173,898

	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	8.2%	8.0%	9.5%	10.8%	11.7%	12.3%	12.0%
HRA	10.3%	17.0%	21.3%	22.5%	20.6%	19.8%	18.7%

	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	1,297,978	1,518,461	1,669,367	1,744,716	1,779,169	1,788,698
HRA	454,531	556,349	676,489	732,960	797,817	901,085	1,057,548
Total	1,704,306	1,854,327	2,194,950	2,402,327	2,542,533	2,680,254	2,846,246

	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	1,564,185	1,718,947	2,062,811	2,222,673	2,369,488	2,514,091	2,687,039

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	1,891,357	2,231,980	2,385,757	2,525,963	2,663,684	2,829,750
10% Margin	189,136	223,198	238,576	252,596	266,368	282,971
Total	2,080,493	2,455,178	2,624,333	2,778,559	2,930,052	3,112,721

	Operational Boundary for External Debt					
	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Borrowing	1,718,947	2,062,811	2,222,673	2,369,488	2,514,091	2,687,039
Other Long-Term Liabilities	172,410	169,169	163,084	156,475	149,593	142,711
Total	1,891,357	2,231,980	2,385,757	2,525,963	2,663,684	2,829,750

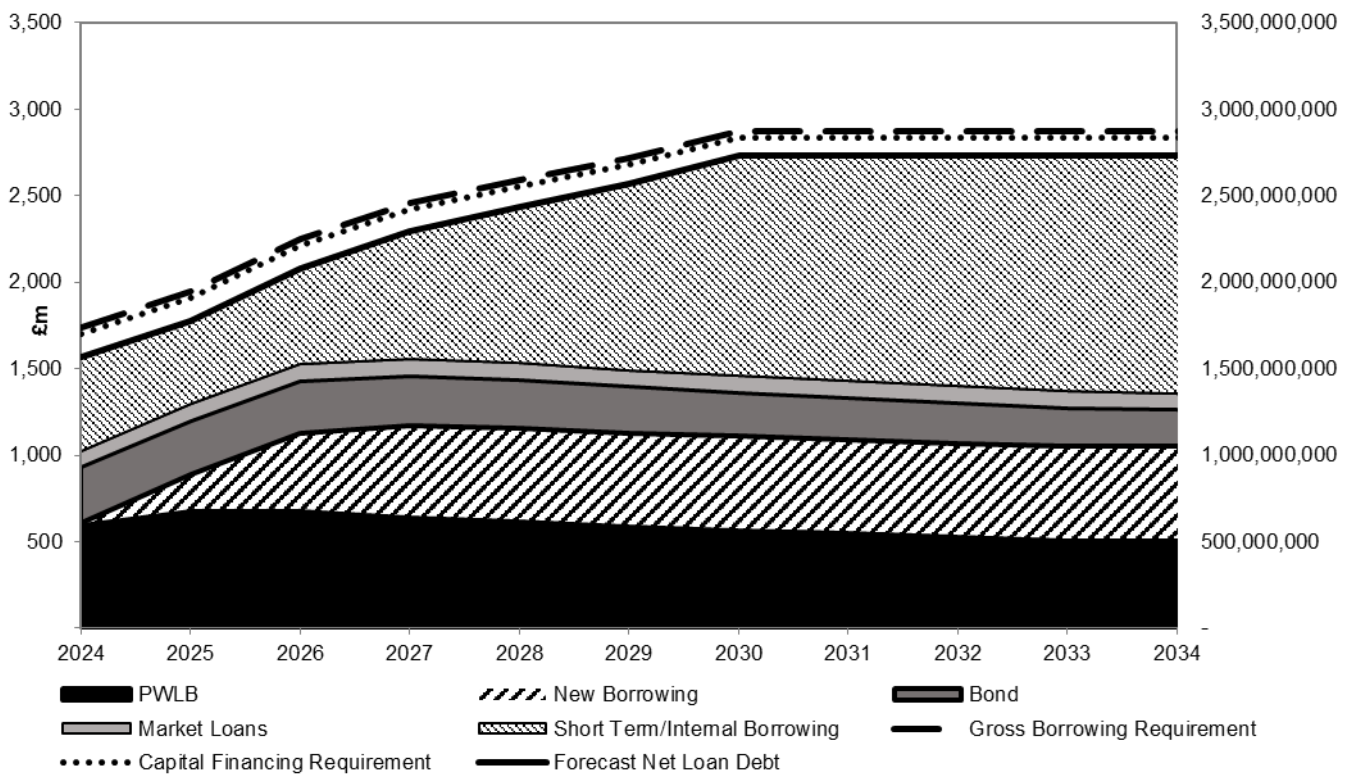
The latest version of the Prudential Code for Capital Finance in Local Authorities introduced a new indicator – the Ratio of Net Income from Commercial and Service Investments to Net Revenue Stream.

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 31 March 2025	Full Year Budget 2024/25	Actual Expenditure	Variance from Budget
	£'000	£'000	£'000
Recurring Expenditure	5,132	5,053	(78)
Recurring Income	(5,370)	(5,338)	32
Budget after Recurring Items	(238)	(285)	(47)
Non Recurring Expenditure	238	250	12
Non Recurring Income	0	(19)	(19)
Net (Income)/Expenditure	0	(54)	(54)
Cash balances as at 1 April 2024	(42,201)	(42,201)	
Net Expenditure from Income & Expenditure	0	(54)	(54)
Investment Revaluation (Increase)/Decrease	0	505	505
Cash Balances as at 31 March 2025	(42,201)	(41,750)	451

The Common Good Fund is showing an operating surplus of £0.054 m for the year, a favourable variance from budget for the year to 31 March 2025.

This was mainly due to lower expenditure on repairs and maintenance and increased income from contributions for events.

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, however cash received for the period to 31 March 2025 was slightly below budgeted levels.

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 £0.505m to £23.439m. 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 2024	Transfers in	Transfers Out	Balance at 31 March 2025
DEM (Comm Centres)	(522)		2	(520)
DEM (School Funds)	375		1,555	1,930
Energy Efficiency Fund	(1,284)	(67)	333	(1,018)
Bus Lane Enforcement	(4,199)	(3,769)	706	(7,262)
Service Concessions Reserve	(5,257)	(3,646)	3,646	(5,257)
Property Transfer	(102)			(102)
2nd/Long Term Empty Homes	(7,613)	(2,033)	5,118	(4,528)
De-risk the Council	(1,267)	(3,113)	1,059	(3,321)
Transformation Fund	(3,198)	(123)	751	(2,570)
Repairs & Maintenance Fund	(1)		1	0
Rapid Rehousing Transition	(172)		107	(65)
ADM - Education	(366)	(157)	523	0
Budgeted Use of Reserves	(3,241)	(1,059)	3,241	(1,059)
Care Exp Y.P WIFI (CSW)	(13)			(13)
Nat Trauma Training Prog	(50)	(50)		(100)
M Health Recovery & Renewal	(107)			(107)
Seed Funding Plan for H2 JV	(607)			(607)
Whole family wellbeing	(6)		6	0
FWES Employability	(2,185)			(2,185)
Afghan-Bridging Accommodation	(747)	(345)		(1,092)
Syrian Refugees (UKRS Scheme)	(623)		29	(594)
Inc frm Afghan resettle scheme	(487)			(487)
Resilience - including Covid	(8,794)	(1,305)	4,669	(5,430)
Coastal Communities Fund	(228)	(83)	23	(288)
Family Wellbeing (Partnership)	(1,471)	(732)		(2,203)
Counsellors Through Schools	(268)		217	(51)
Easter in the City	(48)		3	(45)
Recyc and environ in schools	(150)		2	(148)
Fuel Poverty Assistance Fund	(111)		111	0
Marischal Square	(1,700)			(1,700)
Corp Llord - Educ Security	(27)		27	0
Afghan Funding	(1,037)			(1,037)
Ukrainian Tariff	(12,021)	(1,416)	2	(13,435)
De Trunking Funding	(6,117)		1,279	(4,838)
Open Data Funding	(32)	(2,953)		(2,985)
JV reval surplus	(15,450)		277	(15,173)
Early Years	(3,151)			(3,151)
Elections Act - New Burdens		(31)	4	(27)
NESCAN Abdn Com Enviro Improve		(44)	44	0
Community Resilience		(119)	54	(65)
Donation - STEM Centre of Excellence		(95)	4	(91)
Altens & Cove Leased Centre Funding		(25)	25	0
Asylum Dispersal		(431)		(431)
Education Training of Support		(33)	12	(21)
Contribution to Environmental		(25)	25	0
Low Emission Zone Enforcement		(1,230)		(1,230)
SPP Development Plan		(156)		(156)
Anti-Poverty Funding		(31)		(31)
Total General Fund Reserves	(82,277)	(23,071)	23,855	(81,493)
Uncommitted General Fund balance	(12,153)	0	0	(12,153)
Total General Fund Balance	(94,430)	(23,071)	23,855	(93,646)

HRA Earmarked Reserves	Balance at 31 March 2024	Transfers In 2024/25	Transfers Out 2024/25	Balance at 31 March 2025
	£'000	£'000	£'000	£'000
<i>Projects:</i>				
Housing Repairs	(2,299)	(2,375)	2,299	(2,375)
House Sales - Non Right to buy	(308)			(308)
Support for Budget 2024/25	(3,161)		3,161	0
Support for Budget 2025/26	0	(793)		(793)
Total HRA Earmarked Reserves	(5,768)	(3,168)	5,460	(3,476)
Uncommitted HRA Balance	(8,421)	(1)	1,009	(7,413)
Total Housing Revenue Account	(14,189)	(3,169)	6,469	(10,889)
Recommended Uncommitted Balance				(11,405)
Common Good Earmarked Reserves	Balance at 31 March 2024	Transfers in	Transfers Out	Balance at 31 March 2025
<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	0
Lord Provost Portrait	(5)	(10)	5	(10)
Friends of Jacobs Ladder	(3)			(3)
Winter Clothing Grant	(7)	(13)		(20)
Total Common Good Reserves	(124)	(23)	25	(122)
Uncommitted Common Good balance	(42,264)	0	29	(42,235)
Total Common Good Balance	(42,388)	(23)	54	(42,357)