

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Finance and Resources
<b>DATE</b>	6 August 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Council Financial Performance – Quarter 1, 2025/26
<b>REPORT NUMBER</b>	CORS/25/181
<b>DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	1.1

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### 1. PURPOSE OF REPORT

- 1.1 To provide the financial position of the Council as at Quarter 1 (30 June 2025) and the full year forecast position for the financial year 2025/26, including:
- General Fund and Housing Revenue Account (HRA) and capital accounts; and associated Balance Sheet; and
  - Common Good revenue account and Balance Sheet

### 2. RECOMMENDATION(S)

That the Committee :-

- 2.1 Note the cash position that has been achieved for the General Fund and HRA to the end of Quarter 1 as detailed in Appendix 1;
- 2.2 Note the Common Good financial performance to the end of Quarter 1 as detailed in Appendix 3;
- 2.3 Note that the General Fund full year forecast position remains on track to achieve a full year outturn of 'on budget' although there are a range of financial risks that exist for the financial year. Continuing action and controls, as outlined in Appendix 2 will remain in place for the remainder of the financial year;
- 2.4 Note that the Council maintains financial resilience with the resources available on the Council Balance Sheet, the General Fund Reserves in particular. As at 31 March 2025 the uncommitted value of those reserves was £12m, the minimum that the Council Reserves Statement recommends and as approved by the Council;
- 2.5 Approve inclusion of the Den Burn Restoration project in the General Fund Capital Programme as detailed in Appendix 5, with funding being provided from SEPA, additional Scottish Government Capital Grant (Climate Emergency) and

Bus Lane Enforcement money received, and instructs the Chief Officer – Capital to ensure the project is delivered;

- 2.6 Note that the HRA full year forecast position, as detailed in Appendix 2, is ‘on budget’, but continues to face challenging cost pressures as outlined in Appendix 2 and the HRA Budget Report 2025/26;
- 2.7 Note that the forecast for General Fund Capital budget has been updated to include approved in-year virements, carry forward commitments and a reprofiling exercise. General Fund and Housing Capital expenditure is currently forecast to be as per the revised profiles for 2025/26.

### **3. CURRENT SITUATION**

- 3.1 The Local Government Finance Act 1992 provides that the Council must set its Council Tax amount by 11 March each year for the next financial year. The amount set must be sufficient to meet total estimated expenditure. This means that having taken account of expenditure, agreed savings and income from other sources, the level of Council Tax must ensure that a balanced budget is set by the Council. Aberdeen City Council set the Council Tax for 2025/26 on 5 March 2025 to ensure a balanced budget for year ahead, in accordance with its statutory duty.
- 3.2 This report focuses on both the financial performance for the year to 30 June 2025 and the forecast financial position for the full year for the Council’s General Fund, Housing Revenue Account and Common Good.
- 3.3 Across the General Fund and the Housing Revenue Account the impact of global, national, and local conditions is having local implications for the financial position, and the need to address ongoing cost pressures remains a feature of the Quarter 1 position and forecasts for the remainder of the year.
- 3.4 The consequence of factors such as a 3 year period of high inflation, increased borrowing rates (compared to the last ten years) is that capital investment is more expensive and the Council needs to consider the choices it makes, to fund increasingly expensive capital works or to fund increasingly expensive service delivery. For 2025/26 the estimated cost of repaying borrowing for the General fund is approximately £63.3m (capital and interest) and represents 9.6% of revenue funding (General Revenue Grant, Non-Domestic Rates & Council Tax income); while for the Housing Revenue Account it is approximately £24.6m and represents 21.3% of the housing rental income for the year.
- 3.5 Population changes in the city over the last few years have had implications for education and homelessness services in the city, pushing pupil numbers up in our schools and homelessness presentations. These pressures alongside rising costs for the Council looking after children in need are all areas of the budget that officers are focused on managing and minimising across the remainder of the financial year.

- 3.6 The appendices note that the IJB is managing a significant financial challenge for 2025/26. The IJB budget includes the assumption of additional funding from Partners, with £4.2m confirmed from the Council and a commitment of £6.7m from NHS Grampian. The approved balanced budget requires £14.3m of savings to be delivered, and there are plans in place to achieve these. The IJB will reach a balanced position at the end of the financial year if these savings are achieved. Expenditure and savings are being monitored on an ongoing basis. However as there are no Reserves now retained by the IJB, if the IJB does not achieve the savings by 31 March 2026, or if there are unplanned costs, such as from increased demand, then the Council (and NHS Grampian) will be required to fund a deficit position for the year to bring it back to a balanced position.
- 3.7 In Appendix 2 the challenges of balancing the General Fund budget across the year are explained in detail, however achieving a balanced position is not without a need for continued action. To mitigate this the Corporate Management Team have reiterated the need for increased scrutiny of all costs and continued controls put in place last year, including:
- Establishment Control Board (ECB) – oversight of staff numbers and staff costs including agency staff and overtime.
  - Demand Management Control Board - oversight of contractual spend, non-essential spend and authorisation and approval of procurement of goods and services.
- 3.8 The Council retains a contingency budget to address unexpected and unplanned expenditure, as well as costs that could arise as a result of the identified contingent liabilities coming to fruition or from risks included on the corporate and operational risks registers. The Risk Board routinely reviews the risk registers, and the Chief Officer - Finance tracks the contingent liabilities, and these are included in Appendix 1. At the end of Quarter 1 the value of uncommitted contingencies for the year is £4m. This provides resilience against emerging risks such as winter maintenance, the cost of implementing the 35 hour working week, and an IJB deficit position for the financial year.
- 3.9 The Capital Programme budget has been adjusted to include slippage from 2024/25 and further approved virements, adjustments and reprofiling and is currently forecasting to be in line with budget for 2025/26. There remains considerable volatility in respect of capital expenditure, as has been seen in recent years, and this is therefore subject to increased scrutiny by officers.
- 3.10 The Housing Revenue Account (HRA) is forecasting an 'on budget' position, utilising reserves, in line with budgeted expectations however there is a risk that Repairs & Maintenance may over spend based on current demand, and the associated Housing Capital Programme is forecasting to be on budget. The use of reserves has meant a reduced cost to tenants, but did not address the underlying costs being experienced by the HRA. This reserve is necessary to ensure the HRA is financially resilient and can meet any unforeseen or exceptional circumstances for example inflationary pressures, or the emergence of new risks like RAAC. The impact of the recently implemented 35 hour working week will be included in the Quarter 2 report.

- 3.11 The 2025/26 HRA Budget approved at Council on 12 December 2024 a rent increase of 7.5% and a reduced level of spend on grounds maintenance, this was below the officer recommendation of 12% and continues to utilise reserves although at a reduced level of £792k. This means further changes to services may still be required to ensure the long term financial viability of the HRA.
- 3.12 Operationally the Common Good is expected to be slightly over budget. The investment of cash balances in a Multi-asset Income Fund has been put in place with Fidelity as the fund manager since 2021. This continues to deliver the level of income the Common Good was expecting, however the value of the underlying investment has fallen by £6.5m since outset. The investment remains a long-term financial instrument and performance should be measured over the medium term (5 years) rather than for any single year. Further work with Fidelity is planned in 2025/26 to review the investment.
- 3.13 Summary of Financial Statement Appendices

1. The financial statements reflect the income and expenditure of the General Fund and Housing accounts for the period to 30 June 2025 and, where the impact of statutory accounting adjustments can be calculated, these have been reflected in the financial statements as required by International Financial Reporting Standards (IFRS). The position at 30 June 2025 is positive as the profile of income from Scottish Government supports expenditure levels.

The Balance Sheet figures at 30 June 2025 show an overall net worth of the Council of £1.4 billion. The figures shown include statutory adjustments where these have been made, and where this is not possible the figure as at 31 March 2025 has been used.

2. This provides an overview of the forecast outturns for revenue and capital across the General Fund, Housing Revenue Account and Common Good. These financial statements provide a comprehensive summary of where the Council expects to be at the end of the financial year. These forecasts indicate that the General Fund will be on budget, subject to no financial shocks emerging and with instruction to budget managers to delay, reduce, stop expenditure where possible and ECB controls remaining tight. This aims to mitigate the risks however the use of earmarked reserves provides the assurance that the General Fund would have the in-year resilience to rely on. The Council will continue to manage cost pressures across the whole portfolio of services with all other revenue accounts expected to be on budget. Capital expenditure has been reprofiled to take account of the 2024/25 outturn position and latest information on the projects. The forecast expenditure, currently in line with the latest profiling, will be funded by a mixture of Scottish Government Capital Grants, contributions from other partners and borrowing.
3. This presents the Common Good position as at 30 June 2025 and provides an overview of performance.

4. This provides information on the Group Entities. Due to the timing of this report not all performance reports are available in relation to Quarter 1 and in the absence of Quarter 1 information the latest data has been provided where appropriate.

#### 4. FINANCIAL IMPLICATIONS

- 4.1 The full year financial position is provided in Appendix 2 to this report and the revenue positions are summarised below:

<b>Revenue</b>	<b>2025/26 Budget £'000</b>	<b>2025/26 Forecast (Surplus) / Deficit exc. Group £'000</b>	<b>Variance (Under) / Over Budget £'000</b>
General Fund	0	0	0
HRA	0	0	0
Common Good	0	35	35

- 4.2 The capital position can be summarised as follows:

<b>Capital</b>	<b>2025/26 Budget £'000</b>	<b>2025/26 Forecast Expenditure £'000</b>	<b>Variance (Under) / Over Budget £'000</b>
General Fund	233,937	233,937	0
HRA	127,189	127,189	0

- 4.3 Details of key variances for the capital budgets can be found in Appendix 2.
- 4.4 Appendix 1 includes a Management Commentary providing information on the 2025/26 financial position, including details of the movement between Reserves.
- 4.5 The usable reserves have moved as follows:

<b>Usable Reserves</b>	<b>Balance at 31 March 2025 £'000</b>	<b>Balance at 30 June 2025 £'000</b>	<b>Movement £'000</b>
General Fund	(93,071)	(183,988)	(90,917)
HRA	(10,889)	(8,889)	2,000
Statutory & Other	(49,647)	(48,940)	707
<b>Total</b>	<b>(153,607)</b>	<b>(241,817)</b>	<b>(88,210)</b>

- 4.6 The level of reserves is high at this stage in the year as 52% of the core grant funding has now been received. The Scottish Government front load General Revenue Grant payments, before adjusting for NDR income estimates. Further

adjustments will be made following the redeterminations advised by the Scottish Government, and this is paid in March 2026.

## 5. LEGAL IMPLICATIONS

- 5.1 There are additional reporting requirements due to the London Stock Exchange listing, for example the requirement to notify them ahead of publication of the report.

## 6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

## 7. RISK

- 7.1 The risks detailed within Appendix 2 are reflected across the Council's risk registers and are managed in accordance with the Council's risk management arrangements. The risks are mitigated and managed by the establishment of control actions in addition to existing control measures and activities to achieve a risk score that is consistent with the Council's risk appetite.
- 7.2 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	Failure to manage Council finance and resources could lead to failure to achieve strategic objectives.	Robust financial reporting and monitoring activities, combined with a rigorous financial planning process as part of the commissioning cycle prepare the Council for the years ahead. Financial resilience to address financial pressures arising in-year is maintained and monitored.	M	Yes
<b>Compliance</b>	There is the risk that the accounts do not comply	Annual external audits are undertaken to review the financial transactions and	L	Yes

	with legal and accounting legislation.	controls. Ongoing internal audits also review specific financial and service data.		
<b>Operational</b>	There is the risk that there may be an IT system failure.	Daily backups taken and held offsite for security purposes. Constant review and update of security systems for IT.	M	Yes
<b>Financial</b>	The main financial risk the Council is managing is the supply chain and inflation impact on costs.	Reviewing all areas of expenditure with a view to only incurring essential expenditure. Forecasts have taken account of known implications Regular reporting and action taken where appropriate.	M	Yes
	In relation to capital projects there is a risk that following the procurement process tendered costs will vary from that assumed at the time of project approval.	Quantification and review of indicative projects costs by suitable qualified staff or external body, where appropriate. The Capital programmes were reset at the Council Budget meeting on 5 March 2025.	M	Yes
	The risk that workforce management options are not affordable in the future, such as the cost of the VS/ER scheme described in	Having approved the implementation of the fiscal flexibility for service concessions, this will provide a source that will enable the funding of VSER costs.	H	Yes

	Appendix 2 (page 2).			
<b>Reputational</b>	There is a risk that through the reduction of expenditure the Council may be criticised that spending isn't in line with public expectation of service delivery.	The Council has continued to address priority spending areas, and to protect people. It is equally accountable for the use of public funds and to ensure that they are managed robustly. There are a wide range of unknown external factors that require to be balanced to deal with the current operating environment. Regular reporting during the year provides an ongoing description of the position the Council is in and the situations it faces.	M	Yes
<b>Environment / Climate</b>	None identified			

## 8. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>	The proposals in this report have no impact on the Council Delivery Plan
<b><u>Aberdeen City Local Outcome Improvement Plan</u></b>	
Prosperous Economy Stretch Outcomes	The proposals in the report have no impact on the Local Outcome Improvement Plan
Prosperous People Stretch Outcomes	The proposals in the report have no impact on the Local Outcome Improvement Plan
Prosperous Place Stretch Outcomes	The proposals in the report have no impact on the Local Outcome Improvement Plan
<b>Regional and City Strategies</b>	The proposals in this report have no impact on Regional and City Strategies

## 9. IMPACT ASSESSMENTS



Assessment	Outcome
<b>Integrated Impact Assessment</b>	It is confirmed by Chief Officer- Finance on 17 July 2025 that no Integrated Impact Assessment is required
<b>Data Protection Impact Assessment</b>	not required
<b>Other</b>	not required

## 10. BACKGROUND PAPERS

[Council Meeting , 5 March 2025](#)

## 11. APPENDICES

Appendix 1 – Financial Statement for the period ending 30 June 2025

Appendix 2 – Forecast Financial Position for the year 2025/26

Appendix 3 – Common Good Financial Statement for the period ending 30 June 2025

Appendix 4 – Group Entities Forecast Financial Position for the year 2025/26

Appendix 5 – Den Burn Restoration Project Funding Update 30 June 2025

## 12. REPORT AUTHOR CONTACT DETAILS

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