

## **Contingent Liabilities**

The Council is aware of the following contingent liabilities at 31 December 2025:

### **Guarantees**

#### **Sport Aberdeen**

The Council agreed to provide a bank guarantee to Sport Aberdeen up to a maximum of £5 million as approved at the 7 June 2016 Finance, Policy and Resources Committee. There is currently a Revolving Credit Facility for £1.4 million in place.

#### **External Organisations - Guarantor in relation to North East Scotland Pension Fund (NESPF)**

As the administering authority, the Council may admit a body to the Pension Fund as an 'admitted body' provided (i) the organisation can confirm they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest; and (ii) the Scheme employer is prepared to act as guarantor in the event the admitted body should cease to exist. If this situation was to occur and staff made redundant the staff over 50 years old would become entitled to immediate payment of their pension benefits. The Council has agreed several such guarantees to organisations that include Aberdeen Sports Village, Sport Aberdeen, Aberdeen Performing Arts, Aberdeen Heat and Power, Bon Accord Support Services and Bon Accord Care Ltd. The potential values guaranteed are subject to a range of actuarial assumptions.

#### **SEEMIS Group LLP**

The Council has agreed to fund any additional pension liability payments arising from its membership of the SEEMIS organisation (the provider of our schools' Management Information System). To date there has been no call on the guarantee.

#### **Integration Joint Board (IJB)**

The IJB is responsible for the strategic planning of the functions delegated to it by Aberdeen City Council and NHS Grampian. The Aberdeen City IJB Integration Scheme provides the framework in which the IJB operates including information on funding and what should happen if the IJB is projecting to overspend its budget at the year-end. Whilst steps will be taken to address this (through a Recovery Plan), ultimately the parties to the arrangement may be potentially liable should the IJB overspend.

### **Contractual**

#### **Waste Disposal**

The Council has a long-term contract with an external contractor for the disposal of all relevant waste arising in the City and the operation and maintenance of waste transfer stations, recycling facilities and landfill sites. The contract commenced in September 2000 and is due to run until April 2029.

The fire at Altens East Recycling and Resource Facility on 8 July 2022 has resulted in business continuity plans being implemented and changes made to the processing of some waste streams. There have therefore been a wide range of the implications arising from the events. There will remain contractual matters to be addressed that will

take time and the Council continues to work closely with the Contractor and representatives to determine the full extent and cost of these.

#### Energy from Waste - Decommissioning costs

The inter-authority agreement covering the EfW plant states that the parties will share any decommissioning costs not taken by the contractor at the end of the project in accordance with their project share percentages. The Council is currently seeking specialists to provide a valuation for these costs which will result in a future financial liability.

#### Energy from Waste – General

Due to a material breach of contract by the operator notice of termination was issued by the Council to the operator. The termination took effect in December 2025. Responsibility for the current running and operation of the plant has been transferred to a new operator whilst plans for the long-term operation of the plant are finalised. The Council shall be seeking damages from the terminated operator, these are yet to be fully quantified. As such it is likely that the terminated operator shall likewise seek damages from the Council which will be contested.

#### **Landfill Allowance Scheme (LAS)**

The Scottish Government had previously introduced a scheme under which Local Authorities were to be penalised for exceeding landfill tonnage targets. The Landfill Allowance Scheme in Scotland is currently suspended, and it is expected that the Waste (Scotland) Regulations 2012 will take over the requirement for the control of landfilling biodegradable municipal waste. However, until such a repeal is formalised there remains a potential liability on the Council.

#### **Section 75 agreements**

Section 75 agreements (developer obligations) are frequently sought by the Council in relation to the award of planning permission. The possibility of liabilities arises in cases where the developer is not adhering to the agreed payment schedule and the Council elects to proceed with a project where that developer obligation funding is due. In these cases, unless a resolution can be found with the developer, the Council may be exposed to additional costs due to higher levels of borrowing than originally anticipated to “cashflow” a legally committed project. Costs could apply to the short, medium, or long-term depending on the circumstances.

The Council’s Risk Board agreed that the Developer Obligations working group would escalate to Corporate Management Team any developers who fall behind on payments, and where necessary this will be reported to Finance & Resources Committee. This is a risk which may crystalize in the current housing market conditions due to high supply costs and reduced supply of labour.

The inherent risk with all developer obligation funded projects is whether the build rate of the development is triggering financial contributions at the rate required to fund the Council projects involved. Where the Council project advances more quickly than the development, the Council may have to step in to “cashflow” the necessary funding requirement. Where a project has not been legally committed, a failure to receive the supporting developer obligation funding may require a discussion to determine

whether the project should be paused, or even stopped completely. Continued detailed monitoring is therefore required by the Planning service to forecast expected build rates on developments and map out the timelines of expected trigger points for release of funding.

### **Market conditions, supply chain and inflation exposure**

The UK has moved on from the extreme price shocks experienced during the post-pandemic period, but the construction sector continues to operate in a volatile environment. After reaching the highest inflation levels in over 30 years, cost pressures have eased significantly, with overall CPI inflation projected to stabilise around 3.6% in 2025, trending toward 2.8–3.2% in 2026. Construction-specific inflation has also moderated, with Building Cost Information Service (BCIS) and Department of Business and Trade (DBT) data showing more modest annual materials price increases through 2025, following a period of sustained downward movement in 2023–24. Industry forecasts suggest that although building cost inflation is no longer surging, labour shortages, wage pressures and elevated input costs remain persistent, contributing to ongoing uncertainty for project viability.

This reduction in volatility has provided some stability, but risks to capital programmes remain. Output growth across the construction industry is projected to be subdued in 2025 before strengthening in 2026, with tender prices and project costs continuing to rise at moderate levels. Consequently, the need to review project delivery timelines, reassess financial viability and monitor supply-chain exposure remains essential, with updates reported through appropriate governance channels as programme risks evolve.

More recently, however, the external risk environment has intensified. The escalation of US-driven tariff measures in 2025 has triggered what many analysts now describe as the early phases of a global trade war, reshaping supply chains, increasing costs and creating unprecedented volatility across global markets. UNCTAD and other international bodies are now highlighting rising protectionism, slower global growth and continued fragmentation of trade flows into 2026, contributing further uncertainty to commodity pricing and availability in construction-critical materials such as steel and timber.

Although the full impact of these geopolitical developments is still emerging, early indications suggest that if tariff escalation continues, the consequences will be far-reaching—potentially affecting procurement strategies, supplier resilience, materials lead times and the long-term financial planning of capital programmes.

### **Reinforced Autoclaved Aerated Concrete (RAAC)**

Following a published update regarding the risk of failure with Reinforced Autoclaved Aerated Concrete (RAAC) Planks, the Council initially carried out and completed its review of its public buildings where the presence of RAAC has been identified. RAAC was found in a small number of them, and mitigation is now in place.

Similarly, as reported previously a programme of work was conducted across the whole Council housing stock and this work is now complete. The outcome of this review across the whole housing stock has resulted in the identification of a housing type with RAAC, located to the south of the city in the Balnagask area.

The outcome of the above has been reported to Council and an options appraisal for the affected housing at Balnagask is now ongoing. This appraisal will consider mitigation options such as remedial works or demolition. At a meeting of Council on 21 August 2024, demolition followed by a rebuilding programme was approved as the preferred option. Communities, Housing and Public Protection Committee on 11 March 2025 approved the indicative demolition proposals and sequence of phasing, noting that only vacant terraces/blocks will be demolished. In addition, a further report went to Communities, Housing and Public Protection Committee on 27 May 2025 detailing the outcomes of the viability of the alternative options presented by the Torry RAAC Campaign Group Management Committee. The Committee instructed the Chief Officer – Corporate Landlord to write to all homeowners to advise them of the alternative options presented, and ask homeowners, having considered the information, to formally identify by the end of June 2025 which option they would be willing to consider.

The update was reported back to Communities, Housing and Public Protection on 26 August 2025. This noted the outcome of the engagement with home owners in June 2025, the next steps for property swaps withdrew option 3 “roof on – roof off” and continued engagement with homeowners regarding Voluntary Acquisition was instructed, with a review and report back to the Committee in early 2026 on whether this option should remain open for future financial years. Chief Officer – Capital was instructed to recommence planning, preparation, engagement, and mitigation works for demolition with immediate effect . The Chief Officer – Corporate Landlord was instructed to progress master planning for the site, considering both a fully cleared site and alternative scenarios.

At a meeting of the Urgent Business Committee on 20 November 2025 the Chief Officer Corporate Landlord was instructed to formally advise all RAAC affected homeowners of a revised Voluntary Acquisition proposal in which the Council will make a payment to voluntary acquire properties on the basis of market value of the property, payment of all reasonably and properly incurred professional fees, and an additional discretionary payment based on number of bedrooms. This will give rise to a future financial liability

## **Legal**

### **Scottish Child Abuse Inquiry**

The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act 2021 opened on 8 December 2021 to provide financial and non-financial redress to survivors of historical child abuse in care in Scotland. Fair and meaningful financial contributions are made from organisations historically involved in the care of children, where abuse was perpetrated. The local government contribution is made on the basis that payments are made to survivors who enter into a waiver which means that litigation cannot then be pursued as a separate matter. The scheme is delivered by Redress Scotland and the Scottish Government (SG).

Following negotiation between the COSLA Resources Spokesperson and the now First Minister Mr Swinney MSP, in October 2021 Leaders agreed Local Authorities will contribute £100m to the cost of the Redress Scheme over a 10-year period. A further

£50m uplift has now been agreed by Leaders and the Deputy First Minister and Cabinet Secretary for Economy and Gaelic. The Local Government contribution is capped at £150m, with this going towards relevant payments and any surplus to be put towards running costs.

Civil Litigation claims continue, both as lead authority to the former Grampian Regional Council and Aberdeen District Council as well as claims solely against Aberdeen City Council. Any uninsured claims or associated costs in respect of these require to be met by Aberdeen City Council. The costs of these are unquantifiable at this time but will give rise to a future financial liability.

**Litigation against APSE (Association for Public Sector Excellence)**

This Council is a member of APSE. Thurrock Council has raised a Court action against 23 member Councils seeking damages in respect of their reliance on APSE advice which they say led to significant losses. Whilst no Scottish Councils are involved in the Court Action there is a potential risk that all Members will become involved in the dispute with a potential liability per Council of up to £200,000. The court case against the 23 Councils has been stayed (suspended) pending the outcome of a separate case. This has withdrawn any immediacy of any litigation risk against other APSE members.

**Litigation in connection with an Experimental Traffic Regulation Order**

A statutory appeal has been raised against the Council in connection with an Experimental Traffic Regulation Order being made permanent. The appeal will be heard in Court in November. Following ongoing advice from Senior Counsel the Council remains comfortable with its position, however, if the Council is unsuccessful in defending the appeal, repayment of fines seems a low likelihood, but this could have a high impact if required.

**ACC V Aecom**

This is a case raised by the Council in the Court of Session in which the Council is seeking damages in connection with the design and construction of the Diamond Bridge/Third Don crossing. If the Council is unsuccessful the Court may award expenses in favour of Aecom which may amount to a significant sum given the costs of expert reports and expert evidence. The costs of these are unquantifiable at this time but may give rise to a future financial liability.