

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	10 December 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Treasury Management Strategy – Mid-Year Review
REPORT NUMBER	CORS/25/277
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Neil Stewart
TERMS OF REFERENCE	5 and 6

1. PURPOSE OF REPORT

- 1.1 To update the Council on Treasury Management activities undertaken to date, during financial year 2025/26.

2. RECOMMENDATION

That Council: -

- 2.1 Note the Treasury Management activities undertaken to date in the 2025/26 financial year as detailed in this report.

3. CURRENT SITUATION

Introduction

- 3.1 Historically, the Council's annual programme of capital investment has been funded by Treasury Management activities, such as additional long-term borrowing. It is a requirement of CIPFA "Code of Practice for Treasury Management in the Public Services" that Treasury Management is conducted in accordance with good professional practice, which this Council does.
- 3.2 The Council approved a Treasury Management policy for the financial years of 2025/26 to 2027/28 on 5 February 2025 Part of this policy is to report on Treasury Management activities undertaken during the financial year 2025/26 to date.

Treasury Management 2025/26

- 3.3 The following is a summary of the significant Treasury Management activities which were undertaken to date during financial year 2025/26: -
- 3.4 Long-Term Borrowing – Four new long-term Public Works Loan Board loans totalling £70m have been drawn down during this financial year to date. The

average rate of these loans is 4.45%, with an average life of 5 years. Substantial long-term borrowing was planned for this financial year, but market conditions have not been favourable. We remain open to the possibility of undertaking further longer-term borrowing, during this financial year.

- 3.5 Short-Term Borrowing - At the time of writing, the Council currently has c£329m of temporary borrowing from other local authorities. The average interest rate on these loans is 4.74%. Further borrowing of this type may be undertaken during the year as necessary, although long-term borrowing would be preferable.
- 3.6 North East Scotland Pension Fund – The Council's Loans Fund has an ongoing Temporary Loan from the North-East of Scotland Pension Fund. This represents the Pension Fund's excess level of cash funds on hand, which is driven by the Pension Fund's cashflow requirements. This Temporary Loan is a means of earning the Pension funds a fair short-term interest rate from these funds, rather than a means of borrowing for the Loans Fund. As at 4th November 2025, the balance of the temporary loan was £11.1m.
- 3.7 Investments - The Council currently has c£34m of Temporary Investments. These funds are invested across a range of highly rated Banks and Money Market Funds in line with the Council's current Counterparty List. The average rate of these investments is 4.05%.
- 3.8 Money Market Funds - Money Market Funds are AAA rated, short term pooled investment vehicles. They offer security, counterparty diversification, and instant access to funds, when required. The Council operates seven Money Market Fund accounts. These Money Market Fund accounts greatly assist the Council in spreading its Counterparty risk while also improving short-term cashflow liquidity.
- 3.9 Common Good Fund Investment - A decision was taken by the Council in 2021 to invest £30m of Common Good cash in a Multi-Asset Income fund, which generates greater income for the fund, when compared with traditional fixed-term bank deposits. Several funds were considered for this purpose, and after a period of meetings and further due diligence, the decision was taken to proceed with Fidelity International's Multi-Asset Income fund.
- 3.10 To date this fund has raised £5.37m in interest at an average rate of 4.21%.
- 3.11 Retail Price Index (RPI) – At the time of writing, the latest RPI rate (Sept 25) was 4.5%. The movements to this rate have particular relevance to the Council in relation to its 2016 Bond issuance. Increases in the RPI rate are used to calculate indexation, which is paid alongside half yearly repayments of the Bond debt.
- 3.12 Moody's Credit Rating - The annual review meeting regarding the Council's credit rating took place on 26th August. On 9th October 2025, Moodys confirmed it had made no changes to the Council's credit rating of A2, with a rating outlook of "stable". A copy of the Moody's Credit Opinion is attached at Appendix 1 for information.

4. FINANCIAL IMPLICATIONS

- 4.1 Treasury Management activities influence the loans pool interest rates and aims to minimise the cost of borrowing. This directly impacts on costs chargeable to the Council's revenue budgets through the interest rates that are applied to capital financing costs. Whilst the level of borrowing a Council can undertake is now devolved from the Scottish Government to individual Councils, it will still be constrained by the requirement for capital investment to be affordable, sustainable, and prudent. The main test of affordability will be whether the capital financing costs can be contained within the revenue budgets.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report, however it should be noted that the issuance of the Bonds requires the Council to comply with the Market Abuse Regulations, the Disclosure and Transparency Rules, the Listing Rules and ongoing obligations as set out in the London Stock Exchange Admission and Disclosure Standards.

6. ENVIRONMENTAL IMPLICATIONS

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

7. RISK

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?
Strategic Risk	No significant risks identified			
Compliance	No significant risks identified			
Operational	No significant risks identified			
Financial	Loss of deposit in a failed bank or financial institution	The Council has strict lending criteria, only financial institutions with the highest credit ratings are included on the Council's Counterparty list. The list is compiled in conjunction with the	L	Yes

		Council's Treasury Advisors.		
Reputational	No significant risks identified			
Environment / Climate	No significant risks identified			

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	It is confirmed by Chief Officer - Finance that no Integrated Impact Assessment is required
Data Protection Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 CIPFA "Code of Practice for Treasury Management in the Public Services "
CIPFA "The Prudential Code for Capital Finance in Local Authorities"
Link Asset Services "Treasury Management Annual Investment Strategy"
Scottish Government "The Investment of Money by Scottish Local Authorities"

11. APPENDICES

Appendix 1 – Moody's Credit Opinion

12. REPORT AUTHOR CONTACT DETAILS

Name	Neil Stewart
Title	Treasury Management Officer
Email Address	nstewart@aberdeencity.gov.uk
Tel	(01224) 067757