



## **PROJECTED FINANCIAL POSITION FOR THE YEAR 2025/26**

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## MANAGEMENT COMMENTARY

This is the third reporting point in the year for the Council's finances, following approval of the budgets in December 2024 (Housing Revenue Account) and March 2025 (General Fund & Common Good). 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 and Housing Revenue Account (HRA) are forecast to deliver in line with budgets set for 2025/26, but this will not be without continued effort and action, including the expectation that some savings will only be delivered later in year. The HRA budgeted for a deficit. A small overspend position is forecast for the Common Good.

The greatest uncertainty is the financial risk posed to the General Fund from the Aberdeen City IJB. As at 31<sup>st</sup> March 2025 the IJB reported a deficit and all available IJB reserves were set against that deficit. The remaining overspend was funded by contributions from its partners, NHS Grampian and the Council per the IJB Partnership agreement (Integration Scheme). The forecast outturn as at Quarter 3 is that the IJB will spend in line with budget for the year, if all savings are achieved. In the event that demand rises or the savings are not achieved by 2025/26 year-end, leading to an overspend position, then the deficit will have to be met by the IJB partners. This means that the Council would have to contribute from the General Fund to bring the IJB back to a balanced position.

The Council will have to find this funding from within its own year-end position, where, for example, savings have been greater than forecast or a part of the in-year contingency remains unused. Ultimately Council Reserves would have to be used if there is no opportunity to cover this cost from the actual outturn 2025/26 General Fund Budget.

While inflationary pressures and higher interest rates have made our goods, services and debt more expensive to manage, as described in previous reports, demand has continued to be higher for our services this year, with attention being drawn to changes in our population, specifically rising school rolls, which have risen year on year in recent years. Similarly, increased homelessness presentations are also affecting our finances with significant levels of temporary accommodation being needed.

Funding does not adjust in-year and distribution of funding at the start of the year is dependent on the historic data which means at best there is a lag between rising population and funding, but with the core grant not increasing sufficiently to take account of rising demand or costs, it is unlikely that any Council would argue that it receives sufficient funding to deliver the current level of services needed.

Managers are expected to be working to the essential spend message and for all means of saving money so that a balanced budget can be achieved at year end, 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 31 December 2025. The forecast for the year is built on the information that was available at this time.

For the full year, 2025/26, 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 2025/26 budget it was recognised that our payroll bill needed to reduce.

As noted in Appendix 1, the Council has undergone an extensive consultation with the recognised trade unions and individual consultation with staff on the proposal to reduce the standard working week for full time Aberdeen City Council employees, a collective agreement was reached in June 2025 between the Council and the joint trade unions to implement the change to contracts of employments for all in-scope employees with effect from 1 July 2025. Impacted staff will receive a 'buyout' payment split into 2 annual payments made in July 2025 and 2026 – the funding of this was the subject of a separate report presented at Finance & Resources Committee, 7 May 2025. The first of these payments was made to staff in scope in July 2025, and amounted to £6m for the General Fund. Additional savings forecast for the year are funding approximately £2m of this cost leaving a little under £4m to be funded by unused / uncommitted contingencies. If the contingencies are required for other purposes, e.g. additional costs of winter weather or storm damage or teachers' pay negotiations, then earmarked reserves will have to be drawn down to fund any outstanding balance.

The Council continues to pursue the reduction of the payroll bill 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 there is not a significant gap between leavers and new starts, however it is clearer in 2025/26 that the headcount of employees is reducing. The Council is still receiving VSER applications in small numbers and those that are approved are having an impact on achieving savings.

To assist the 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 require 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.

The pay award for 2025/26 was agreed nationally, and implemented in August 2025 backdated to April 2025. The 2-year agreement for non-teaching staff is a 4% increase for 2025/26 effective from 1 April 2025, and a 3.5% increase for 2026/27 from 1 April 2026. This was implemented in August 2025 payroll.

With the pay award for non-teaching staff having been agreed at 4% for 2025/26 this is greater than the Council 2025/26 budget assumption of 3%. The cost of the additional 1% will be met by additional funding from Scottish Government. A share of this additional funding will be allocated to the IJB to meet the costs that they will face in 2025/26.

The commitment from Scottish Government is that this will be recurring for Local Government funding from 2026/27 onwards, but Councils will have to fund 3% of the 3.5% pay rise for 2026/27. For the Council this means that the Medium Term Financial Strategy assumption on pay was revised up for 2026/27 as this had originally been set at 2%.

#### Essential Spend:

The Council has been operating in an environment of restricting discretionary spend for many 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 were 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 2026 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 continues to 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 follows:-

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

- Higher than budgeted spend on external fostering and out of authority placements, spend continues to increase due to contract uplifts and increased number of placements.
- Looking at demand, 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 Homeless 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 at risk of experiencing a significant cost pressure on repairs & maintenance.

For Education, the service is managing a continuing 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 were 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.

- 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:

- 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 Materials Recycling Facility (MRF) are now reflected in forecasts, and with the new MRF now being recommissioned the additional costs being met are due to reduce and end in the coming months. There is also an expectation that income from selling recyclates will return.
- Energy from Waste (EfW) – Current contract dispute ongoing, the full impact of this is currently unknown, forecasts have been amended where possible.
- Fleet utilisation may not reduce, the fleet replacement programme with new technology could see vehicle maintenance costs increase rather than decrease.
- Roads are forecasting a significant overspend based on last year's activity and will be monitored closely through the year. The costs relating to the bad weather in January 2026 will be reported in the Quarter 4 Financial Performance Report.

3. The main area of pressure within Corporate Services is:

- Protective Services will be unable to achieve income targets.
- Digital & Technology contract costs continue to increase

4. The main areas of financial risk within Integrated Joint Board (IJB) services are:

- 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, and meeting current care criteria levels, exceeds the financial capacity.

The Council approved an additional sum of £4.2m for 2025/26 financial year, with NHS Grampian committed to £6.7m. This meant that the IJB was able to reduce the value and volume of savings that it was going to have to achieve to balance the 2025/26 budget.

A programme of savings for 2025/26 was therefore put in place by the IJB (£14.3m) and these must be achieved for the IJB to reach a balanced budget position at 31 March 2026. Indications are that this will be achieved.

Any overspend at the end of the 2025/26 financial year would mean the Council (and NHS Grampian) will have to fund a portion of any deficit. Action continues to be taken to ensure only necessary expenditure is undertaken, and that savings are being made where possible.

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 in recent years 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 budget sits within Miscellaneous Services and is regularly reviewed.

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 below budget.

Other corporate contingencies, for pay and for inflation on contracts have been reviewed, which has offered opportunities for savings. Further work will be undertaken on these provisions to align costs and the availability of recurring budgets.

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.£4 m for the year. This provides ongoing resilience against emerging risks such as winter maintenance and a possible deficit for the IJB for 2025/26. 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.

As mentioned above if the £4m is not required then it will be used to fund the buy-out payment that is an extra cost for 2025/26, at present this is possible, see point 13 below.

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, the Board is slightly over budget as at Quarter 3 2025/26.
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, in total £13.6m.

11. Council Tax income is forecast to be on budget for 2025/26 based on collection levels in 2024/25.
12. Use of Reserves. The Council approved in its 2025/26 budget that a sum of £3.124 m will be used from the annual Service Concession flexibility transaction and other earmarked General Fund reserves to fund the budget.
13. The first buyout payment to staff for the move the 35 hour working week was made in July 2025, this has been partly funded by an overall underspend at Quarter 3, the remainder has caused a deficit of £4 m which will be funded from contingencies as agreed at Finance and Resources on 7 May 2025.

### **Housing Revenue Account**

14. The HRA budget in 2025/26 is forecasting a small underspend, however there continues to be several areas of pressure. There is a potential risk that there will be a further overspend in repairs and maintenance from the cost of materials, voids, and staff costs than is currently anticipated, this is currently being offset by an reduction in management and admin costs.

A review of the repairs and maintenance spend in 2025/26 Quarter 2 indicated that if spend continued at the current rate there would be a potential overspend of £10m. A review of all spend has been undertaken to establish if there was revenue spend which could be capitalised. This review indicates to date, from the billed and the current work in progress, there is potentially £7m of spend which can be capitalised, therefore this provides reassurance that at this stage of the financial year there will be the potential to capitalise revenue work.

### **Earmarked Reserves**

As at 1 April 2025 the Council held c.£84m 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 2025/26 progressing the digital programme of transformation.

The other significant earmarked reserves to draw attention to at this time are the Refugee / Resettlement Funding (£16.644 m) to support the work and activities we deliver for through the dispersal and resettlement schemes; and the Joint Venture (ASV) Revaluation Surplus (£15.173m), 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 (£4.528m), which is underpinned by legislation. Expenditure in 2025/26 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 (£4.855m) is for general support to Council services, income shortfalls and historically education services, and may be called upon to support the additional funding needed by the IJB to balance the financial position for 2025/26.

## 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 2025/26.
- 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 lasting impact of recent high inflation levels 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 at the end of Quarter 3, the Council has positive cashflow for services, and 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 a risk of financial support being required for the Aberdeen City IJB means there will be a level of uncertainty as to the final year end position, and the Council will therefore remain on essential spending only status, so there will be no further money to fund anything further.

The Housing Revenue Account is expected to be on budget, and expenditure will require the approved use of reserves to balance the HRA account. Higher costs are being experienced due to the cost of repairs and maintenance, staff costs, and voids, and work is being carried out to mitigate this.

These positions are captured in the tables set out below.

## General Fund Financial Reporting Summary 2025/2026 - Quarter 3

| As at 31 December 2025                                 | Budget           | Outturn                | Variance from Budget |              | Notes |
|--|------------------|------------------------|----------------------|--------------|-------|
|  | 2025/2026        | 2025/2026<br>Quarter 3 | £'000                | %            |       |
| Families & Communities                                 | 357,641          | 362,887                | 5,246                | 1.5          | 1     |
| City Regeneration & Environment                        | 37,337           | 42,189                 | 4,853                | 13.0         | 2     |
| Corporate Services                                     | 49,310           | 49,268                 | (42)                 | (0.1)        | 3     |
| Integrated Joint Board                                 | 141,700          | 141,700                | 0                    | 2.5          | 4     |
| <b>Total Functions Budget</b>                          | <b>585,988</b>   | <b>596,044</b>         | <b>10,056</b>        | <b>2.3</b>   |       |
| Miscellaneous Services                                 | 73,079           | 70,750                 | (2,329)              | (3.2)        | 5     |
| Contingencies  | 11,289           | 7,508                  | (3,781)              | (33.5)       | 6     |
| Council Expenses                                       | 1,812            | 1,816                  | 4                    | 0.2          | 7     |
| Joint Boards   | 2,043            | 2,093                  | 50                   | 2.5          | 8     |
| <b>Total Corporate Budgets</b>                         | <b>88,223</b>    | <b>82,167</b>          | <b>(6,055)</b>       | <b>(6.9)</b> |       |
| Non Domestic Rates                                     | (200,361)        | (200,361)              | 0                    | 0.0          | 9     |
| General Revenue Grant                                  | (316,086)        | (316,086)              | (1)                  | 0.0          | 10    |
| <b>Government Support</b>                              | <b>(516,447)</b> | <b>(516,448)</b>       | <b>(1)</b>           | <b>0.0</b>   |       |
| Council Tax  | (154,640)        | (154,640)              | 0                    | 0.0          | 11    |
| <b>Local Taxation</b>                                  | <b>(154,640)</b> | <b>(154,640)</b>       | <b>0</b>             | <b>0.0</b>   |       |
| Contribution from Reserves                             | (3,124)          | (3,124)                | 0                    | 0.0          | 12    |
| <b>Contribution from Reserves</b>                      | <b>(3,124)</b>   | <b>(3,124)</b>         | <b>0</b>             | <b>0.0</b>   |       |
| <b>Deficit/(Surplus)</b>                               | <b>0</b>         | <b>4,000</b>           | <b>4,000</b>         | <b>0.0</b>   |       |
| 35 hour week financing solution (use of contingencies) | 0                | (4,000)                | (4,000)              | 0.0          | 13    |
| <b>Deficit/(Surplus) after 35 hr wk financing</b>      | <b>0</b>         | <b>(0)</b>             | <b>(0)</b>           | <b>0.0</b>   |       |

## Housing Revenue Account Summary 2025/2026 - Quarter 3

|                   |     |     |      |     |    |
|-------------------|-----|-----|------|-----|----|
| Deficit/(Surplus) | 792 | 759 | (33) | (4) | 13 |
|-------------------|-----|-----|------|-----|----|

## General Fund Capital Programme

| As at Period 9 2025/26                                     | 2025/26                  |                              |                                  |                         |                             |                  |                          |
|--|--------------------------|------------------------------|----------------------------------|-------------------------|-----------------------------|------------------|--------------------------|
|  | Original Approved Budget | Adjustments & Carry Forwards | Reprofiling of Capital Programme | Revised Budget for Year | Actual Expenditure for Year | Forecast Outturn | Actual v Budget Variance |
|  | £'000                    | £'000                        | £'000                            | £'000                   | £'000                       | £'000            | £'000                    |
| AECC Programme Board                                       | 2,853                    | (106)                        | 0                                | 2,747                   | 33                          | 2,747            | (2,714)                  |
| Asset Management Programme Board                           | 63,711                   | 19,395                       | (25,107)                         | 57,999                  | 20,392                      | 52,799           | (37,607)                 |
| Asset Management Programme Board Rolling Programmes        | 27,604                   | 1,518                        | 1,761                            | 30,883                  | 19,050                      | 32,832           | (11,833)                 |
| City Centre Programme Board                                | 84,668                   | 13,527                       | (8,000)                          | 90,195                  | 37,149                      | 71,311           | (53,046)                 |
| Energy & Climate Programme Board                           | 14,510                   | 12,494                       | (4,376)                          | 22,628                  | 6,322                       | 23,202           | (16,306)                 |
| Housing and Communities Programme Board                    | 4,329                    | (39)                         | (1,700)                          | 2,590                   | 1,391                       | 2,345            | (1,199)                  |
| Housing and Communities Programme Board Rolling Programmes | 650                      | 111                          | 0                                | 761                     | 415                         | 761              | (346)                    |
| Transportation Programme Board                             | 13,040                   | 3,915                        | (3,440)                          | 13,515                  | 1,699                       | 13,239           | (11,816)                 |
| Transportation Programme Board Rolling Programmes          | 1,000                    | 0                            | 0                                | 1,000                   | 750                         | 1,000            | (250)                    |
| Strategic Asset & Capital Plan Board                       | 19,148                   | (549)                        | (4,520)                          | 14,079                  | 3,740                       | 9,911            | (10,339)                 |
| Strategic Asset & Capital Plan Board Rolling Programmes    | 3,450                    | (1,048)                      | 0                                | 2,402                   | 1,916                       | 2,402            | (486)                    |
| Developer Obligation Projects & Asset Disposals            | 0                        | 0                            | 0                                | 0                       | 232                         | 0                | 232                      |
| <b>Total Expenditure</b>                                   | <b>234,963</b>           | <b>49,217</b>                | <b>(45,382)</b>                  | <b>238,798</b>          | <b>93,089</b>               | <b>212,549</b>   | <b>(145,710)</b>         |
| <b>Capital Funding:</b>                                    |                          |                              |                                  |                         |                             |                  |                          |
| Income for Specific Projects                               | (18,387)                 | (30,872)                     | 20,269                           | (28,990)                | (12,273)                    | (39,461)         | 16,718                   |
| Developer Contributions                                    | 0                        | 0                            | 0                                | 0                       | (215)                       | 0                | (215)                    |
| Capital Grant  | (21,047)                 | (3,635)                      | 0                                | (24,682)                | (15,295)                    | (21,047)         | 9,387                    |
| Other Income e.g. Borrowing                                | (195,529)                | (14,710)                     | 25,113                           | (185,126)               | (65,306)                    | (152,041)        | 119,820                  |
| <b>Total Income</b>  | <b>(234,963)</b>         | <b>(49,217)</b>              | <b>45,382</b>                    | <b>(238,798)</b>        | <b>(93,089)</b>             | <b>(212,549)</b> | <b>145,710</b>           |
|  | 0                        | 0                            | 0                                | 0                       | 0                           | (0)              | 0                        |

The Capital Programme was approved as part of the 2025/26 budget, 5 March 2025. Following a review of actual expenditure for 2024/25, the plans for each of the projects included in the programme have been reviewed and carry forward amounts for each have been calculated to ensure delivery of full project as appropriate. In addition, and in light of the lower than expected spending experienced in 2024/25, the project spend was reprofiled for some of the project budgets in Quarter 1.

Forecasting of outturns will be subject to continued scrutiny and remains challenging given the wide range of factors continuing to affect construction supply chains, whether that's inflation, availability of workforce, availability of products and goods, plant and equipment. The forecast outturns do represent a point in time and they will be subject to change as the financial year progresses and additional information becomes available.

Expenditure for Quarter 3 2025/26 includes continued construction works related to the New Schools programme. The Boulevard section of the City Centre Masterplan is now being progressed.

## Housing Capital Programme

Spend continues to be low in Quarter 3 on areas such as kitchens, bathrooms and windows due to low tenant engagement, this will be worked on in the coming months. Community Plan and Local Outcome Improvement Plan is showing a high level of spend to date due to the level of buy backs of former council houses in the system and disabled adaptations.

A review has been undertaken in the areas where spend is low or high the assumption at Quarter 3 is that there will be an under spend of £4.8m. In Quarter 3 £4.4m of revenue spend was capitalised, a further review will be undertaken at year end.

| Housing Capital Programmes                        | Approved Budget | Expenditure to date | Forecast Expenditure | Variance from Revised Budget |
|---|-----------------|---------------------|----------------------|------------------------------|
| <b>As at 31 December 25</b>                       | <b>£'000</b>    | <b>£'000</b>        | <b>£'000</b>         | <b>£'000</b>                 |
| Compliant with the tolerable standard             | 8,744           | 6,166               | 8,744                | 0                            |
| Free from Serious Disrepair                       | 26,427          | 9,563               | 19,927               | (6,500)                      |
| Energy Efficient                                  | 11,588          | 3,842               | 10,088               | (1,500)                      |
| Modern Facilities & Services                      | 20,619          | 10,229              | 15,619               | (5,000)                      |
| Healthy, Safe and Secure                          | 5,393           | 2,819               | 5,793                | 400                          |
|   |                 |                     |                      |                              |
| <i>Non Scottish Housing Quality Standards</i>     |                 |                     |                      |                              |
| Community Plan and Local Outcome Improvement Plan | 4,230           | 5,013               | 6,340                | 2,110                        |
| Service Expenditure                               | 8,954           | 368                 | 4,954                | (4,000)                      |
| 2000 New Homes Programme                          | 50,868          | 31,942              | 50,868               | 0                            |
|   |                 |                     |                      |                              |
| less 11% slippage                                 | (9,634)         | -                   | 0                    | 9,634                        |
| <b>Net Programme</b>                              | <b>127,189</b>  | <b>69,943</b>       | <b>122,333</b>       | <b>(4,856)</b>               |

| Capital Funding                       |                  |                 |                  |              |
|---------------------------------------|------------------|-----------------|------------------|--------------|
| Borrowing                             | (122,189)        | (67,980)        | (104,754)        | 17,435       |
| Other Income - Grants Affordable Home | (5,000)          | (1,963)         | (17,579)         | (12,579)     |
| Capital Funded from Current Revenue   | 0                | 0               | 0                | 0            |
| <b>Total</b>                          | <b>(127,189)</b> | <b>(69,943)</b> | <b>(122,333)</b> | <b>4,856</b> |

## Prudential Indicators

### The Prudential Code For Capital Finance in Local Authorities – 2023/24 to 2029/30

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<br>£'000<br>Actual | 2024/25<br>£'000<br>Actual | 2025/26<br>£'000<br>Estimate | 2026/27<br>£'000<br>Estimate | 2027/28<br>£'000<br>Estimate | 2028/29<br>£'000<br>Estimate | 2029/30<br>£'000<br>Estimate |  |
| Gen Fund<br>HRA | 112,343<br>119,903         | 143,893<br>115,079         | 212,549<br>122,333           | 268,215<br>75,015            | 126,131<br>79,266            | 83,079<br>119,385            | 63,578<br>173,898            |  |

|                 | Ratio of Financing Costs to Net Revenue Stream |                   |                     |                     |                     |                     |                     |  |
|-----------------|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
|                 | 2023/24<br>Actual                              | 2024/25<br>Actual | 2025/26<br>Estimate | 2026/27<br>Estimate | 2027/28<br>Estimate | 2028/29<br>Estimate | 2029/30<br>Estimate |  |
| Gen Fund<br>HRA | 8.2%<br>15.9%                                  | 7.3%<br>17.6%     | 9.1%<br>21.7%       | 10.3%<br>22.3%      | 11.3%<br>22.7%      | 12.1%<br>22.6%      | 12.2%<br>21.9%      |  |

| <b>Capital Financing Requirement</b> |                                     |                                     |                                       |                                       |                                       |                                       |                                       |
|--------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|                                      | <b>2023/24<br/>£'000<br/>Actual</b> | <b>2024/25<br/>£'000<br/>Actual</b> | <b>2025/26<br/>£'000<br/>Estimate</b> | <b>2026/27<br/>£'000<br/>Estimate</b> | <b>2027/28<br/>£'000<br/>Estimate</b> | <b>2028/29<br/>£'000<br/>Estimate</b> | <b>2029/30<br/>£'000<br/>Estimate</b> |
| Gen Fund                             | 1,249,775                           | 1,328,825                           | 1,465,371                             | 1,680,494                             | 1,775,843                             | 1,790,296                             | 1,799,825                             |
| HRA                                  | 454,531                             | 553,880                             | 654,125                               | 717,912                               | 782,769                               | 886,037                               | 1,042,500                             |
| <b>Total</b>                         | <b>1,704,306</b>                    | <b>1,882,705</b>                    | <b>2,119,496</b>                      | <b>2,398,406</b>                      | <b>2,538,612</b>                      | <b>2,676,333</b>                      | <b>2,842,325</b>                      |

| <b>Gross Borrowing</b> |                                     |                                     |                                       |                                       |                                       |                                       |                                       |
|------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|                        | <b>2023/24<br/>£'000<br/>Actual</b> | <b>2024/25<br/>£'000<br/>Actual</b> | <b>2025/26<br/>£'000<br/>Estimate</b> | <b>2026/27<br/>£'000<br/>Estimate</b> | <b>2027/28<br/>£'000<br/>Estimate</b> | <b>2028/29<br/>£'000<br/>Estimate</b> | <b>2029/30<br/>£'000<br/>Estimate</b> |
| Borrowing              | 1,564,185                           | 1,747,194                           | 1,985,872                             | 2,270,867                             | 2,417,682                             | 2,562,285                             | 2,735,233                             |

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 2025/26, 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.

| <b>Authorised Limit for External Debt</b> |                          |                          |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>2024/25<br/>£'000</b> | <b>2025/26<br/>£'000</b> | <b>2026/27<br/>£'000</b> | <b>2027/28<br/>£'000</b> | <b>2028/29<br/>£'000</b> | <b>2029/30<br/>£'000</b> |
| Operational Boundary                      | 1,919,735                | 2,156,526                | 2,435,436                | 2,575,642                | 2,713,363                | 2,879,429                |
| 10% Margin                                | 191,973                  | 215,653                  | 243,544                  | 257,564                  | 271,336                  | 287,943                  |
| <b>Total</b>                              | <b>2,111,708</b>         | <b>2,372,178</b>         | <b>2,678,979</b>         | <b>2,833,206</b>         | <b>2,984,699</b>         | <b>3,167,371</b>         |

| <b>Operational Boundary for External Debt</b> |                          |                          |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>2024/25<br/>£'000</b> | <b>2025/26<br/>£'000</b> | <b>2026/27<br/>£'000</b> | <b>2027/28<br/>£'000</b> | <b>2028/29<br/>£'000</b> | <b>2029/30<br/>£'000</b> |
| Borrowing                                     | 1,747,194                | 1,985,872                | 2,270,867                | 2,417,682                | 2,562,285                | 2,735,233                |
| Other Long-Term Liabilities                   | 172,541                  | 170,654                  | 164,569                  | 157,960                  | 151,078                  | 144,196                  |
| <b>Total</b>                                  | <b>1,919,735</b>         | <b>2,156,526</b>         | <b>2,435,436</b>         | <b>2,575,642</b>         | <b>2,713,363</b>         | <b>2,879,429</b>         |

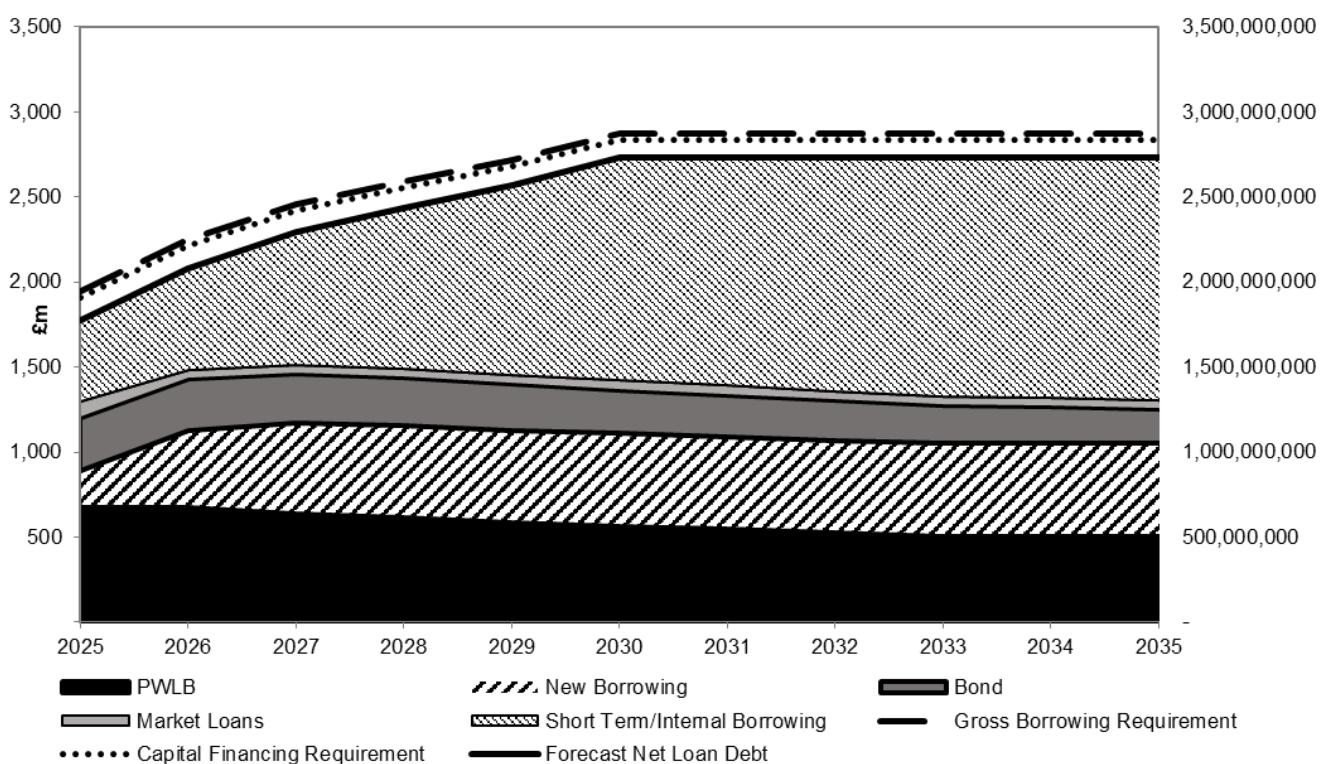
The latest version of the Prudential Code for Capital Finance in Local Authorities introduced a new indicator – the Ratio of Net Income from Commercial and Service Investments to Net Revenue Stream.

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 December 2025                     | Full Year<br>Budget<br>2025/26 | Forecast<br>Expenditure | Variance from<br>Budget |
|--|--------------------------------|-------------------------|-------------------------|
|  | £'000                          | £'000                   | £'000                   |
| Recurring Expenditure                      | 5,223                          | 5,223                   | 0                       |
| Recurring Income                           | (5,370)                        | (5,370)                 | 0                       |
| <b>Budget after Recurring Items</b>        | <b>(147)</b>                   | <b>(147)</b>            | <b>0</b>                |
| Non Recurring Expenditure                  | 147                            | 182                     | 35                      |
| Non Recurring Income                       | 0                              | 0                       | 0                       |
| <b>Net (Income)/Expenditure</b>            | <b>0</b>                       | <b>35</b>               | <b>35</b>               |
|  |                                |                         |                         |
| <b>Cash balances as at 1 April 2025</b>    | <b>(44,607)</b>                | <b>(44,607)</b>         |                         |
| Net Expenditure from Income & Expenditure  | 0                              | 35                      | 35                      |
| Investment Revaluation (Increase)/Decrease | 0                              | (844)                   | (844)                   |
| Net Capital Receipt                        | 0                              | 0                       | 0                       |
| <b>Cash Balances as at 31 March 2026</b>   | <b>(44,607)</b>                | <b>(45,416)</b>         | <b>(809)</b>            |

## Notes

- Operationally the Common Good is forecast to be over budget by £35k as at 31 December 2025.
- This is due to the costs of Aberdeen Football Club Scottish Cup victory parade which had not been allocated a specific budget at the start of the year.
- 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 31 December 2025 the value of the investments was £24.284 m, an increase in the quarter of £0.069m. 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 the medium term.
- Income levels expect to be maintained and the budgeted income achieved.