

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	10 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Credit Rating Annual Review
REPORT NUMBER	CORS/26/028
EXECUTIVE DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	1.1.12

1. PURPOSE OF REPORT

- 1.1 To provide an overview of the recent credit rating annual review and report the outcome of the review.

2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Note the outcome of the annual review was affirmation of the A2 rating, and an economic outlook of 'stable'.

3. CURRENT SITUATION

- 3.1 During 2016/17, Aberdeen City Council became the first local authority in Scotland to be awarded a credit rating and subsequently secure funding towards its capital investment programme, by issuing bonds of £370 million on the London Stock Exchange (LSE).
- 3.2 The credit rating must be maintained over the term of the bonds with the credit rating agency conducting a review at least once every twelve months.
- 3.3 At its meeting on 14 December 2016, Council considered a report "Bond Financing Strategy – Implications for the Council" which provided details on the implications of the award of a credit rating by Moody's Investor Services. The report can be viewed using the following link (item 15):
- <http://councilcommittees/ieListDocuments.aspx?CId=122&MId=3897&Ver=4>
- 3.4 A credit rating, from a recognised credit rating agency, had to be secured to enable the Council to issue bonds. In determining a credit rating, the agency considered the strength of the institutional framework within which a Scottish local authority operates as well as considering the performance of the economy within which the local authority operates.
- 3.5 In addition, the Council was required to submit detailed financial information to the ratings agency in order to demonstrate its stewardship, including annual

accounts; past, present and future budgetary information and analysis including the main income streams; capital programmes and major projects; analysis of past and projected future reserves and balances; treasury management policy and strategy; credit metrics; and 35 year projected income statement, cashflow statement and balance sheet.

Annual Review Process

- 3.6 Since October 2017 there have been annual reviews of the Council's credit rating, as per the table below.

Annual Review	Opinion Issued	Credit Rating	Rating Outlook	Movement/Rationale
2017	20 Nov 2017	Aa3	Stable	None
2018	22 Nov 2018	Aa3	Stable	None
2019	20 Dec 2019	Aa3	Negative	in line with recent UK downgrade
2020	18 Jan 2021	A1	Stable	in line with recent UK downgrade
2021	28 Jan 2022	A1	Stable	None
2022	10 Feb 2023	A1	Negative	in line with recent UK downgrade
2023	01 Nov 2023	A2	Stable	In line with recent LA sector downgrade
2024	18 Oct 2024	A2	Stable	None
2025	09 Oct 2025	A2	Stable	None

The annual review outcomes are reported to the Committee at the next available meeting following the review.

- 3.7 As advised in previous reports, the Economic Policy Panel (EPP) was established to produce an annual economic report which, as independent validation of economic policy and performance, would provide a robust economic analysis to Moody's from 2018 onwards.
- 3.8 The review meeting with Moody's and the Councils Finance Chief Officer on 26th August 2025 focussed on providing information on the past, current and future financial position, treasury and debt management, governance, risks around RAAC remediation as highlighted by Moody's as their main areas of interest.

Annual Review Outcome

- 3.9 On 09 October 2025, Moody's issued their credit opinion, A2 with a stable outlook. This was unchanged and as in previous reviews, this is two notches below the UK's rating (Aa3) on Moody's scale. The full published credit opinion is included in Appendix 1 and can be summarised as follows:
- The credit profile reflects a strong institutional framework, a strong track record of operating performance and a wealthy local economy

- It also reflects a high likelihood that the UK government (Aa3 stable) intervene in the event of acute liquidity stress
- The credit opinion highlights those factors which could lead to a future upgrade or downgrade, with these including changes in financial performance or a material increase in debt levels. In addition, a downgrade in the sovereign rating, a change in the relationship between Scotland and the UK or a dilution of the regulatory or institutional framework for Scottish Local Authorities could exert downward pressure on the rating

Future Annual Reviews

- 3.10 As previously mentioned, the credit rating must be maintained over the period of the bonds. This means a formal review of this nature will take place annually. We expect each review will have a strong focus on the current and projected financial position of the Council and therefore continued strong financial governance and reporting is imperative to support the maintenance of the current level credit rating.

4. FINANCIAL IMPLICATIONS

- 4.1 Whilst there are no direct financial implications arising from the recommendations of this report, it is important to note that the bond issuance places a financial commitment on the Council until 2054. The first principal bond repayment was made in August 2019, with the next principal repayment due in February 2026.
- 4.2 In addition, financial stability and strong financial management are key elements to maintaining a credit rating throughout the period of the bonds.

5. LEGAL IMPLICATIONS

- 5.1 There is a specific requirement within the bond documentation that a credit rating be maintained throughout the period of the bonds.
- 5.2 While the Council's bonds are trading on the LSE, the Council is required to comply with the UK Market Abuse Regulation, the Disclosure and Transparency Rules, the Listing Rules and ongoing obligations as set out in the LSE 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?
Compliance/Reputational	<p>Failure to adhere to the relevant legislation, rules and regulations may result in the Financial Conduct Authority (FCA) seeking to investigate the governance arrangements in place to comply with the LSE requirements. This could be on a corporate and/or individual basis and represents both a legal and reputational risk.</p> <p>Council employees and councillors have access to an array of information which may be confidential and/or inside information in terms of the relevant legislation, rules and regulations that come with being an LSE listed organisation.</p> <p>It is important that all employees and councillors understand the implications of being a listed organisation and having a credit rating and the specific requirements this puts on them.</p>	These risks are mitigated through monitoring of key governance programmes by the Council and by a programme of training in place.	L	Yes
Financial	The Council must endeavour to maintain a suitable credit rating. Should the credit rating fall the liquidity of the bonds in the secondary market will drop. If	These risks are mitigated by having robust governance processes in place which ensures the Council can react and act promptly to	L	Yes

	<p>concerned, bondholders may call a meeting which would analyse the Council's financial position and the Council are obliged to respond honestly to all questions.</p> <p>Further if the credit rating falls such that it is three notches below the UK sovereign rating, the bondholders can request repayment of the bonds.</p> <p>In addition, if the credit rating falls then the Council's ability to obtain other financial products in marketplace may become more expensive and/or difficult to access. This is due to the perceived risk in investing in a lower credit rated body.</p>	<p>address issues arising. The Council monitors the key work programmes identified to ensure these risks are mitigated as far as possible.</p>		
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8. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Aberdeen City Council Policy Statement TECA, including digestion plant	The proposals within this report support the continued delivery of The Event Complex Aberdeen - Policy Statement 2.
Aberdeen City Local Outcome Improvement Plan	
There is no impact in terms of the LOIP	

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Jonathan Belford, Chief Officer Finance on 20 th January 2026.
Data Protection Impact Assessment	Not Required

10. BACKGROUND PAPERS

10.1 Bond Financing Strategy – Implications for the Council (Council 14/12/16)

11. APPENDICES

Appendix 1 – Moody's Credit Opinion (09 October 2025)

12. REPORT AUTHOR CONTACT DETAILS

Name	Lesley Fullerton
Title	Finance Operations Manager
Email Address	lfullerton@aberdeencity.gov.uk
Tel	01224 067157