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ADDITIONAL CIRCULATION



To: Councillor Houghton, Convener; Councillor Laing, Vice Convener; and Councillors Grant, Boulton, Cooke, McLellan, MacKenzie, Alex Nicoll and Yuill.

Town House,
ABERDEEN 31 January 2022

CITY GROWTH AND RESOURCES COMMITTEE

The undernoted item is circulated in connection with the meeting of the **CITY GROWTH AND RESOURCES COMMITTEE** to be held here in the Town House on **THURSDAY, 3 FEBRUARY 2022 at 2.00pm**. This is a hybrid meeting and Members may also attend remotely.

Members of the press and public are not permitted to enter the Town House at this time. The meeting will be webcast and a live stream can be viewed on the Council's website. <https://aberdeen.public-i.tv/core/portal/home>

FRASER BELL
CHIEF OFFICER - GOVERNANCE

BUSINESS

9.2 Credit Rating Annual Review - RES/22/043 (Pages 3 - 18)

Should you require any further information about this agenda, please contact Mark Masson, email mmasson@aberdeencity.gov.uk, or telephone 01224 522989

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ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	3 February 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Credit Rating Annual Review
REPORT NUMBER	RES/22/043
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Neil Stewart
TERMS OF REFERENCE	1.1.11

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 A1 rating, with an economic outlook of 'stable', in line with the recent changes to the UK's rating.

3. BACKGROUND

- 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

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 timing of the 2021 credit rating annual review was therefore dependent on the publication of the EPP’s annual report and as such, with the Panel’s report available, the review meeting was set for 14 December 2021.
- 3.9 The meeting focussed on providing information on the past, current and future financial position, treasury and debt management, governance, EU exit and Covid-19 implications as highlighted by Moody’s as their main areas of interest. The EPP’s report was shared with Moody’s and they were given the opportunity to ask questions on this.

Annual Review Outcome

- 3.10 On 28 January 2022, Moody’s issued their credit opinion, A1 with a stable outlook. This was unchanged and as in previous reviews, is one notch 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:
- 3.11 The credit profile reflects a strong institutional framework, a strong track record of operating performance and a wealthy local economy.
- 3.12 It also reflects a high likelihood that the UK government (Aa3 stable) intervene in the event of acute liquidity stress.

- 3.13 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

- 3.14 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 2022.
- 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 Market Abuse Regulations, the Disclosure and Transparency Rules, the Listing Rules and ongoing obligations as set out in the LSE Admission and Disclosure Standards.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Compliance/ Reputational	Failure to adhere to the relevant legislation, rules and regulations may result in the Financial Conduct Authority (FCA) seeking to investigate the governance	L	These risks are mitigated through monitoring of key governance programmes by the Council and by a programme of training in place.

	<p>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>		
Financial	<p>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 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>	L	<p>These risks are mitigated by having robust governance processes in place which ensures the Council can react and act promptly to address issues arising. The Council monitors the key work programmes identified to ensure these risks are mitigated as far as possible.</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>		
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7. OUTCOMES

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

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not Required
Data Protection Impact Assessment	Not Required

9. BACKGROUND PAPERS

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

10. APPENDICES

Appendix 1 – Moody’s Credit Opinion (28 January 2022)

11. REPORT AUTHOR CONTACT DETAILS

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CREDIT OPINION

28 January 2022

Update

✓ Rate this Research

RATINGS

Aberdeen City Council

Domicile	Aberdeen, United Kingdom
Long Term Rating	A1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Aberdeen City Council (United Kingdom)

Update to credit analysis

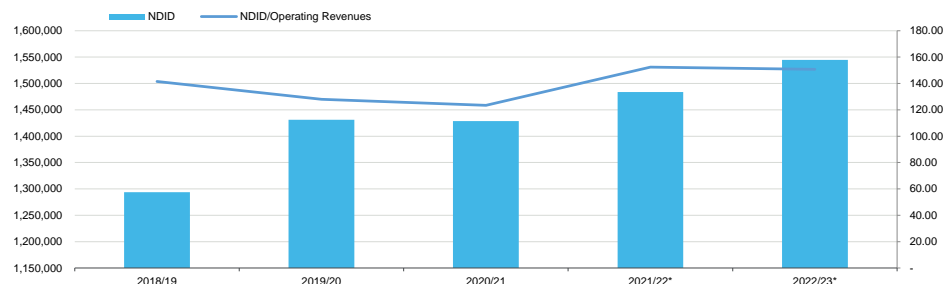
Summary

The credit profile of [Aberdeen City Council](#) (Aberdeen, A1 stable) reflects a strong institutional framework, a strong track record of operating performance, a wealthy local economy balanced by a high debt burden to finance their capital programme and project risk from The Event Complex Aberdeen (TECA) development. The credit profile also reflects a high likelihood that the government of the [United Kingdom](#) (UK, Aa3 stable) would intervene in the event of acute liquidity stress.

Exhibit 1

Aberdeen's debt level was stable in fiscal year ended 31 March 2021 but is expected to increase, though at a modest rate as borrowing increases

Net Direct and Indirect Debt (£000s), Net Direct and Indirect Debt as % of operating revenues



* denotes a projection based on Aberdeen's medium term financial plan.

Source: Issuer, Moody's Investor Services

Credit strengths

- » Strong institutional framework for Scottish local authorities
- » Wealthy local economy, with some concentration in oil and gas industries
- » Decent financial performance but significant medium term pressures

Credit challenges

- » Debt has increased in size and complexity in recent years
- » Implementation of ambitious savings programme to reduce projected operating deficits
- » Exposure to key project risks associated with the development of The Event Complex Aberdeen (TECA)

Rating outlook

Aberdeen's stable outlook reflects the stable outlook on the UK sovereign in addition to our view that rated UK local authorities have sufficient budgetary buffers, in the form of usable reserves and budgetary flexibility, to be able to offset the medium term credit impacts of the coronavirus pandemic.

Factors that could lead to an upgrade

A significant reduction in debt levels, a reduction of the risks associated with its capital programme and a strengthening of its reserves balance could exert positive pressure on the rating. An upgrade of the UK sovereign rating would also put upward pressure on the rating.

Factors that could lead to a downgrade

Factors that could lead to a downgrade include a failure to realise projected revenues from its capital programme, worsening financial performance or a significant increase in debt levels. In addition, a downgrade of the sovereign rating, a change in the relationship between Scotland and the UK or a dilution of the regulatory and institutional framework for Scottish local authorities could also exert downward pressure on the rating.

Key indicators

Exhibit 2

	2017/18	2018/19	2019/20	2020/21	2021/22F	2022/23F
Net Direct and Indirect Debt / Operating Revenue (%)	125.7	141.6	128.1	123.4	148.2	142.9
Interest Payments / Operating Revenue (%)	5.1	5.5	4.8	3.9	4.9	4.8
Gross Operating Balance / Operating Revenue (%)	(2.4)	(0.9)	0.1	3.3	0	0
Capital Financial Surplus (Requirement) / Total Revenue (%)	(15.0)	(13.3)	(14.2)	0.3	(19.3)	(16.7)
Intergovernmental Transfers / Operating Revenue (%)	47.6	48.9	50.1	49.5	47.8	48.7
Short-Term Direct Debt / Direct Debt (%)	7.3	15.6	14.8	16.6	14.6	14.4
GDP per capita as % of National Average [1]	148.3	148.3	145.4	145.4	145.4	145.4
Usable Reserves / Operating Revenue (%)	7.3	6.4	5.4	8.6	12.9	16.5

[1] Gross value-added figures for Aberdeen and Aberdeenshire as a percentage of the UK average (source: Office for National Statistics, "ONS").

Source: Issuer, Moody's Investors Service

Detailed credit considerations

Aberdeen's credit profile reflects (1) a Baseline Credit Assessment (BCA) of a3, and (2) a high likelihood of extraordinary support from the UK government in the event that the entity faced acute liquidity stress.

Baseline credit assessment

Strong institutional framework for Scottish local authorities

In Scotland, the responsibility for local government funding is devolved, with the Scottish government being allocated a block grant from the UK sovereign, which currently amounts to some 85% of the total budget. The Scottish government then allocates a block grant to Scottish LAs in the form of a general revenue grant, non-domestic rates income (business rates) and a general capital grant, this represents around 50% of Aberdeen's gross budget. This also means that Aberdeen is less exposed to business closures than LAs in England - as non-domestic rates income acts as a balancing figure within its grant calculation and will scale up and down depending on its grant allocation. This insulates Aberdeen to some extent from an economic downturn. As in England, Scottish LAs' main sources of non-block grant revenue are council taxes, fees, charges, trading and investment income. Similar to English LAs, Scottish LAs have to prepare an annual balanced budget and any failure to meet this requirement means the government must be notified by the designated financial officer (Section 95 officer) at the council.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Aberdeen's internal governance and scrutiny is strong, supported by recent assessments from the Accounts Commission. The financial planning process includes a strategic review, underpinned by a medium-term financial plan, a corporate risk register and monitoring of the financial position (which is reported quarterly to the City Growth and Resources Committee). Similar to other LAs, Aberdeen manages a number of partnerships with other public bodies to deliver its social mandate. In addition to this, Aberdeen holds shares in a number of entities and subsidiaries to support the delivery of its objectives. All are financed by Aberdeen, so their funding and savings plans are considered in Aberdeen's medium-term financial plan. None have any debt on their balance sheets.

Wealthy local economy, with some concentration in oil and gas industries

Aberdeen is located in the north east of Scotland, with a population of over 212,000. Aberdeen is wealthy compared with the rest of the UK and Scotland. Gross value added per capita in Aberdeen City and Aberdeenshire was £49,088 in 2019, or 145% of the UK average. The city has a highly skilled labour force, with approximately 55% of working age people having qualifications at NVQ4 and above compared with the Scottish and UK averages of 45.3% and 40.3% respectively.

The oil and gas sector remains the primary driver of employment in Aberdeen's economy through direct employment on offshore rigs and indirectly through the supply chain. An analysis by Scottish government estimates that the energy sector as a whole represents around 36,000 of the Aberdeen region's employment (11% of the total). The energy sector also plays an outsized role in the GVA generated by Aberdeen, with GVA/per head of employment at £160,000 within the energy sector compared with £60,000 for life sciences and financial and business services.

The oil price has seen significant increases during 2021/22 from \$50 per barrel in January 2021 reaching a high of \$79 per barrel in January 2022. This is a credit positive for Aberdeen, given its concentration in the sector. However, significant concentration to this sector introduces volatility to the city's economic performance. Aberdeen's climate change plan, which aims to meet the net carbon zero target by 2045, includes extensive investment in clean energy infrastructure. Development of renewable energy infrastructure such as wind farms and hydrogen buses will require significant investment but will help steer the city towards the net zero target and introduce some diversification in the city's energy sector. In addition, as an export-led economy, Aberdeen is particularly exposed to Brexit. The trade deal agreed at the end of 2020 limits some of the uncertainty for the oil and gas sector, however we expect some disruption to continue as the sector transitions to the new arrangements.

While the results of the Brexit referendum initially brought renewed impetus to the arguments for a second Scottish Independence referendum, we view this as currently having little bearing on the strong ties between the UK government, the Scottish government and in turn the Scottish LA sector.

Decent track record of financial performance, but significant pressures over the medium term

Aberdeen generated a £0.9 million budget surplus in FY2021, resulting in a gross operating balance (GOB) of 3.3%, up from 0.1% in FY2020. In line with other local authorities, the significant improvement in the operating performance in 2020/21 was largely driven by a 93% increase in government grants and transfers to help the council address the impact of the pandemic. In general, its budgetary performance and budgetary control is strong, however over the medium term, it faces operating pressures as increasing demand together with pay and price inflation will drive costs up at a faster rate than the council can expect to raise income. The city has forecast a £12.8 million operational deficit for FY2022, which will be matched by earmarked reserves to arrive at a balanced budget.

Reflecting the improved operating performance in FY2021, the level of useable reserves increased from £59 million in FY2020 to £99 million in FY2021. However, non-earmarked General Fund reserves are relatively small at £26.8 million, equivalent to 1.5% of operating revenue. Furthermore, reserve balances are expected to reduce over the medium term, to reflect usage of the capital fund, with government grants and contributions expected to return to historic levels whilst earmarked reserves are used to offset budget gaps.

The Housing Revenue Account (HRA), similar to that in England, is ring fenced and primarily funded through rental income. Aberdeen currently has around 22,500 council houses, which are covered by a 30-year HRA business plan. As is the case in England, in Scotland, the HRA cannot subsidise the general fund or vice versa (Housing (Scotland) Act 1987). We consider the consolidated position of the council - including the HRA revenue and debt which adds around £200 million of debt.

Debt has increased in level and complexity in recent years

Aberdeen issued a £370 million index-linked bond in November 2016, maturing in 2054. The bond was intended to support the development of its ambitious capital programme, in particular, financing TECA. The bond is index-linked on the capital repayments - this increases the council's inflation-related risk as a limited proportion of Aberdeen's revenue is index-linked and raises the risk of a potential mismatch between revenue and indexation on the capital.

Aberdeen's debt level slightly moderated to 123% of gross operating revenues during the fiscal year ended 31 March 2021. This was due to lower long-term borrowing, as capital spending plans were delayed by COVID restrictions. Aberdeen's debt includes direct debt of £1 billion, £130 million in PPP liabilities and £57 million of finance leases. Its direct debt is predominantly split between borrowing from the Public Works Loan Board (PWLB, a statutory body of the UK government) (40%), the bond issuance and premium (30%) and the remainder in market debt and temporary loans. There is no use of derivatives, although it continues to have some legacy Lender Option Borrower Option (LOBO) loans, however these are all at fixed rates. As capital spending resumes, borrowing is expected to increase, pushing up the debt level at a modest rate over the medium term.

Aberdeen's treasury policy is straightforward, reflecting the uncomplicated debt and treasury arrangements. The investment policy is risk averse, with an approved counterparty list with the highest-rated entities maintained and adhered to, investments are currently held and planned to be held in highly rated money market funds. [Clydesdale Bank plc \(LT Bank Deposits, Baa1 stable\)](#) is responsible for day-to-day banking facilities and offers an overdraft facility of £1.5 million.

Aberdeen also has a number of other existing indirect obligations, the largest of these being the pensions fund, which is showing an actuarial deficit of £118 million. A recovery plan has been agreed with the trustee to address the unfunded position. Aberdeen is involved in two Public Private Partnerships (PPP). These include a 30-year PPP contract for the construction, maintenance and operation of 10 schools. The scheme came into operation between May 2009 and April 2011. The other PPP is for another school, Lochside, which came into operation in August 2018 and is for 28 years. The liability value of the PPPs at FY2021 was £130 million. Aberdeen also has a finance lease for the commercial development at Marischal Square in Aberdeen City Centre which completed in November 2017, for a duration of 35 years. This consists of a hotel, retail and office premises. The discounted present value of the minimum lease payments is £57 million, and this has been consolidated into Aberdeen's net debt and indirect debt. Aberdeen City Council will be liable for the annual rental stream from the asset and carries the revenue risk should the project not be successful. Contingency amounts from the deal are available in the first few years of the development, to protect the council against a shortfall in rental income as rental agreements are signed with tenants.

Key project risk associated with TECA

TECA is the cornerstone of Aberdeen's capital programme. The project comprises a 12,500 capacity seated/standing arena, exhibition and conference centre, two hotels, car parking facilities and an energy centre and anaerobic digestion plant. Construction started in July 2016 and is now operational as of summer 2019. The total gross construction cost was £425 million.

The project is intended to bolster Aberdeen's ability to compete globally with other cities in the energy sector, as well as support the diversification of Aberdeen's economy through leisure and business tourism. We view the TECA development and Aberdeen's borrowing to finance it as demonstrating the council's higher risk appetite than a typical local authority, although the project is intended to boost Aberdeen's long-term economic performance.

TECA is operated by ASM Global which has considerable experience running other major event and conference venues in the UK and globally, and hotel franchise agreements with RBH Hospitality Management, under the [Hilton Hotels Corporation](#) (unrated) and [Marriott International, Inc \(Baa3 negative\)](#) brands. Construction risk is now materially lower, as the majority of the programme is now complete, including the energy centre.

However, Aberdeen remains exposed to significant revenue risk in the operations phase. The coronavirus pandemic has effectively closed the venue for the majority of 2020 and 2021, although both of the hotels on the site were operational for part of the year. Though activity has been interrupted by COVID restrictions over the last two years and presently, there are 120 large events planned for 2022. The ambition is to have an additional 4.5 million visitors, resulting in a £63 million net GVA to the Scottish economy. Over the medium

to long term (2022-2028), the lingering impacts of pandemic on the events and conference industry may result in a shift in demand for TECA's services, resulting in the local authority having to reconsider the focus of the site.

Extraordinary support considerations

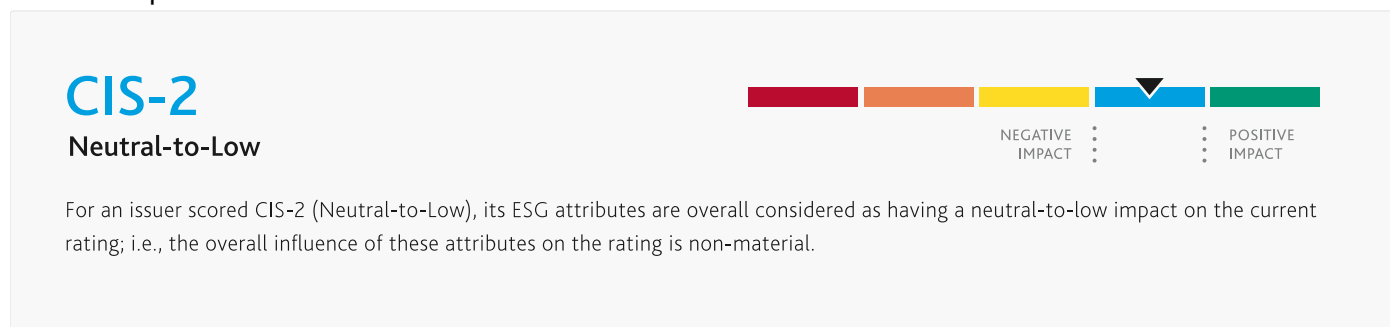
We consider Aberdeen to have a high likelihood of extraordinary support from the UK government, reflecting our assessment of the reputation risk to the state were a local government's financing to fail within such a tightly designed and monitored system, in addition to the Public Works Loan Board's stated intention to act as a lender of last resort.

ESG considerations

ABERDEEN CITY COUNCIL's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3

ESG Credit Impact Score

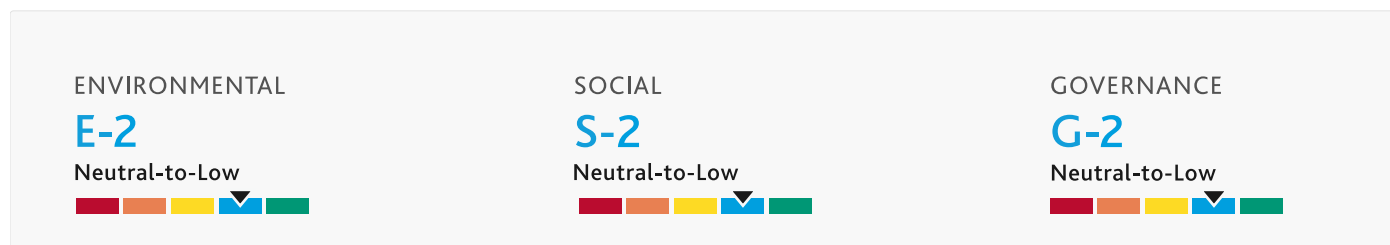


Source: Moody's Investors Service

Aberdeen's ESG Credit Impact Score is neutral to low (**CIS-2**), reflecting neutral to low exposure to environmental, social and governance risks.

Exhibit 4

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Its overall E issuer profile score is neutral to low (**E-2**), reflecting low exposure to environmental risks across all categories, except for moderately negative exposure to carbon transition risks given the significant dependence of the city on the oil and gas sector and Scotland's net zero targets, which will require the city to invest and adapt to the transition over time.

Social

We assess its S issuer profile score as neutral to low (**S-2**) reflecting low exposure to social risks across most categories. One exception is in relation to housing where we assess Aberdeen to have a moderately negative exposure to risk due to housing shortages and affordability issues in the city. A shortfall in affordable housing directly affects local authorities due to their statutory responsibility to provide housing for residents – this leads to additional expenditure pressures.

Governance

We assess its G issuer profile score as neutral to low (**G-2**) reflecting its strong track record of budgetary management, high levels of transparency and a strong institutional structure and neutral to low risk from policy credibility and effectiveness. Aberdeen has increased its debt levels and revenue risk in recent years due to investments in key projects including a new conference and exhibition centre development (TECA) and town centre mixed use development, both of which have been predominantly closed through the coronavirus pandemic and will likely take an extended period for revenues to recover. Aberdeen – as the owner of both sites – is ultimately liable for all revenue losses on these projects, although they represent a relatively small proportion of their net budget.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The assigned BCA of a3 is in line with the scorecard-indicated BCA. The matrix-generated BCA of a3 reflects (1) an Idiosyncratic Risk score of 4 (presented below) on a scale of 1 to 9, where 1 represents the strongest relative credit quality and 9 the weakest; and (2) a Systemic Risk score of Aa3, as reflected by the sovereign bond rating for the UK.

For details about our rating approach, please refer to our Regional and Local Governments rating methodology, published 16 January 2018.

Exhibit 5
31 March 2021 5

Baseline Credit Assessment	Score	Value	Sub-factor Weighting	Sub- factor Total	Factor Weighting	Total
Scorecard						
Factor 1: Economic Fundamentals						
Economic strength [1]	1	145.80	70%	2.2	20%	0.44
Economic volatility	5		30%			
Factor 2: Institutional Framework						
Legislative background	1		50%	3.0	20%	0.60
Financial flexibility	5		50%			
Factor 3: Financial Performance and Debt Profile						
Gross operating balance / operating revenues (%)	7	1.82	12.50%	4.0	30%	1.20
Interest payments / operating revenues (%)	7	4.39	12.50%			
Liquidity	1		25%			
Net direct and indirect debt / operating revenues (%)	7	123.41	25%			
Short-term direct debt / total direct debt (%)	3	16.63	25%			
Factor 4: Governance and Management						
Risk controls and financial management	1			5.0	30%	1.50
Investment and debt management	5					
Transparency and disclosure	1					
Idiosyncratic Risk Assessment						3.74 (4)
Systemic Risk Assessment						Aa3
Suggested BCA						a3

Source: Issuer, Moody's Investors Service

Ratings

Exhibit 6

<u>Category</u>	<u>Moody's Rating</u>
ABERDEEN CITY COUNCIL	
Outlook	Stable
Issuer Rating - Dom Curr	A1
Senior Unsecured - Dom Curr	A1

Source: Moody's Investors Service

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