

ABERDEEN CITY COUNCIL
2020/21 to 2025/26

THE PRUDENTIAL CODE
For Capital Finance in Local Authorities

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 are set for the Council:-

	Capital Expenditure						
	2019/20 £'000 Actual	2020/21 £'000 Estimate	2021/22 £'000 Estimate	2022/23 £'000 Estimate	2023/24 £'000 Estimate	2024/25 £'000 Estimate	2025/26 £'000 Estimate
Non HRA	157,910	103,501	196,666	124,910	54,396	27,897	22,765
HRA	51,958	54,709	147,884	151,939	96,714	74,406	47,762

	Ratio of Financing Costs to Net Revenue Stream						
	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Non HRA	6.3%	6.0%	7.4%	8.9%	9.6%	9.8%	9.9%
HRA	7.4%	6.8%	7.6%	12.0%	15.3%	16.0%	15.5%

	Capital Financing Requirement						
	2019/20 £'000 Actual	2020/21 £'000 Estimate	2021/22 £'000 Estimate	2022/23 £'000 Estimate	2023/24 £'000 Estimate	2024/25 £'000 Estimate	2025/26 £'000 Estimate
Non HRA	1,081,850	1,129,907	1,229,531	1,314,033	1,330,095	1,322,110	1,312,518
HRA	270,462	268,260	383,931	496,629	541,585	553,575	559,813
Total	1,352,312	1,398,167	1,613,462	1,810,662	1,871,680	1,875,685	1,872,331

	Gross Borrowing						
	2019/20 £'000 Actual	2020/21 £'000 Estimate	2021/22 £'000 Estimate	2022/23 £'000 Estimate	2023/24 £'000 Estimate	2024/25 £'000 Estimate	2025/26 £'000 Estimate
Borrowing	1,124,107	1,251,029	1,300,331	1,520,724	1,722,948	1,789,835	1,798,727

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 2021/22, 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.

	Authorised Limit for External Debt					
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Operational Boundary	1,519,259	1,734,554	1,931,754	1,992,772	1,996,777	1,993,423
10% Margin	151,926	173,455	193,175	199,277	199,678	199,342
Total	1,671,185	1,908,009	2,124,929	2,192,049	2,196,455	2,192,765

	Operational Boundary for External Debt					
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Borrowing	1,326,454	1,546,847	1,749,071	1,815,958	1,824,850	1,824,888
Other Long-Term Liabilities	192,805	187,707	182,683	176,814	171,927	168,535
Total	1,519,259	1,734,554	1,931,754	1,992,772	1,996,777	1,993,423