

ABERDEEN CITY COUNCIL
2021/22 to 2026/27

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 to be set for the Council:

	Capital Expenditure						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Non HRA	77,668	151,738	271,793	118,603	107,829	94,748	52,766
HRA	57,106	94,933	182,473	123,442	79,525	80,911	45,431

	Ratio of Financing Costs to Net Revenue Stream						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Non HRA	4.5%	6.6%	9.0%	10.3%	10.8%	11.3%	11.6%
HRA	5.5%	6.5%	10.2%	11.0%	11.5%	11.7%	11.6%

	Capital Financing Requirement						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Non HRA	1,082,543	1,184,158	1,344,376	1,389,103	1,449,120	1,497,638	1,509,680
HRA	270,636	316,711	445,262	540,288	590,819	648,749	675,316
Total	1,353,179	1,500,869	1,789,638	1,929,391	2,039,939	2,146,387	2,184,996

	Gross Borrowing						
	2020/21 £'000 Actual	2021/22 £'000 Estimate	2022/23 £'000 Estimate	2023/24 £'000 Estimate	2024/25 £'000 Estimate	2025/26 £'000 Estimate	2026/27 £'000 Estimate
Borrowing	1,154,186	1,160,695	1,313,483	1,607,276	1,752,898	1,868,333	1,978,173

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 2020/21, 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					
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Operational Boundary	1,537,471	1,826,240	1,965,993	2,076,541	2,182,989	2,221,598
10% Margin	153,747	182,624	196,599	207,654	218,299	222,160
Total	1,691,218	2,008,864	2,162,592	2,284,195	2,401,288	2,443,758

	Operational Boundary for External Debt					
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Borrowing	1,349,764	1,643,557	1,789,179	1,904,614	2,014,454	2,059,303
Other Long-Term Liabilities	187,707	182,683	176,814	171,927	168,535	162,295
Total	1,537,471	1,826,240	1,965,993	2,076,541	2,182,989	2,221,598