

**ABERDEEN CITY COUNCIL**  
**2023/24 to 2028/29**

**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:

	<b>Capital Expenditure</b>						
	<b>2022/23</b> <b>£'000</b> <b>Actual</b>	<b>2023/24</b> <b>£'000</b> <b>Estimate</b>	<b>2024/25</b> <b>£'000</b> <b>Estimate</b>	<b>2025/26</b> <b>£'000</b> <b>Estimate</b>	<b>2026/27</b> <b>£'000</b> <b>Estimate</b>	<b>2027/28</b> <b>£'000</b> <b>Estimate</b>	<b>2028/29</b> <b>£'000</b> <b>Estimate</b>
Gen Fund	128,126	122,899	236,515	191,294	141,572	98,988	81,883
HRA	114,447	109,694	123,050	119,592	97,780	72,752	74,105

	<b>Ratio of Financing Costs to Net Revenue Stream</b>						
	<b>2022/23</b> <b>Actual</b>	<b>2023/24</b> <b>Estimate</b>	<b>2024/25</b> <b>Estimate</b>	<b>2025/26</b> <b>Estimate</b>	<b>2026/27</b> <b>Estimate</b>	<b>2027/28</b> <b>Estimate</b>	<b>2028/29</b> <b>Estimate</b>
Gen Fund	6.9%	9.8%	10.9%	12.3%	13.6%	14.7%	15.4%
HRA	10.7%	15.3%	18.8%	22.5%	28.1%	31.4%	37.9%

	<b>Capital Financing Requirement</b>						
	<b>2022/23</b> <b>£'000</b> <b>Actual</b>	<b>2023/24</b> <b>£'000</b> <b>Estimate</b>	<b>2024/25</b> <b>£'000</b> <b>Estimate</b>	<b>2025/26</b> <b>£'000</b> <b>Estimate</b>	<b>2026/27</b> <b>£'000</b> <b>Estimate</b>	<b>2027/28</b> <b>£'000</b> <b>Estimate</b>	<b>2028/29</b> <b>£'000</b> <b>Estimate</b>
Gen Fund	1,258,748	1,269,916	1,427,963	1,565,566	1,650,129	1,692,573	1,721,553
HRA	366,911	443,337	536,370	629,320	716,701	782,972	851,936
<b>Total</b>	<b>1,625,659</b>	<b>1,713,253</b>	<b>1,964,333</b>	<b>2,194,886</b>	<b>2,366,830</b>	<b>2,475,545</b>	<b>2,573,489</b>

	<b>Gross Borrowing</b>						
	<b>2022/23</b> <b>£'000</b> <b>Actual</b>	<b>2023/24</b> <b>£'000</b> <b>Estimate</b>	<b>2024/25</b> <b>£'000</b> <b>Estimate</b>	<b>2025/26</b> <b>£'000</b> <b>Estimate</b>	<b>2026/27</b> <b>£'000</b> <b>Estimate</b>	<b>2027/28</b> <b>£'000</b> <b>Estimate</b>	<b>2028/29</b> <b>£'000</b> <b>Estimate</b>
Borrowing	1,481,780	1,538,341	1,794,162	2,027,956	2,205,985	2,321,309	2,426,135

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 2023/24, 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>2023/24</b> <b>£'000</b>	<b>2024/25</b> <b>£'000</b>	<b>2025/26</b> <b>£'000</b>	<b>2026/27</b> <b>£'000</b>	<b>2027/28</b> <b>£'000</b>	<b>2028/29</b> <b>£'000</b>
Operational Boundary	1,715,492	1,966,572	2,197,125	2,369,069	2,477,784	2,575,728
10% Margin	171,549	196,657	219,713	236,907	247,778	257,573
<b>Total</b>	<b>1,887,041</b>	<b>2,163,229</b>	<b>2,416,838</b>	<b>2,605,976</b>	<b>2,725,562</b>	<b>2,833,301</b>

	<b>Operational Boundary for External Debt</b>					
	<b>2023/24</b> <b>£'000</b>	<b>2024/25</b> <b>£'000</b>	<b>2025/26</b> <b>£'000</b>	<b>2026/27</b> <b>£'000</b>	<b>2027/28</b> <b>£'000</b>	<b>2028/29</b> <b>£'000</b>
Borrowing	1,538,341	1,794,162	2,027,956	2,205,985	2,321,309	2,426,135
Other Long-Term Liabilities	177,151	172,410	169,169	163,084	156,475	149,593
<b>Total</b>	<b>1,715,492</b>	<b>1,966,572</b>	<b>2,197,125</b>	<b>2,369,069</b>	<b>2,477,784</b>	<b>2,575,728</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.

