

ABERDEEN CITY COUNCIL
2024/25 to 2030/31

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						
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Gen Fund	143,893	162,368	229,759	176,669	143,767	127,881	88,728
HRA	115,079	122,333	126,829	71,365	93,052	98,593	118,714

	Ratio of Financing Costs to Net Revenue Stream						
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Gen Fund	7.3%	9.5%	9.6%	9.9%	10.2%	10.8%	11.3%
HRA	17.6%	21.7%	22.5%	21.2%	21.0%	21.0%	18.9%

	Capital Financing Requirement						
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Gen Fund	1,328,694	1,439,961	1,611,522	1,735,514	1,832,529	1,912,889	1,953,828
HRA	553,879	654,409	760,113	816,775	888,545	953,762	1,030,725
Total	1,882,573	2,094,370	2,371,635	2,552,289	2,721,074	2,866,651	2,984,553

APPENDIX 3

	Gross Borrowing						
	2024/25 £'000 Actual	2025/26 £'000 Estimate	2026/27 £'000 Estimate	2027/28 £'000 Estimate	2028/29 £'000 Estimate	2029/30 £'000 Estimate	2030/31 £'000 Estimate
Borrowing	1,747,194	1,962,232	2,245,583	2,432,845	2,608,513	2,761,046	2,884,188

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 2024/25, 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					
	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Operational Boundary	2,131,401	2,408,667	2,589,320	2,758,106	2,903,682	3,021,584
10% Margin	213,140	240,867	258,932	275,811	290,368	302,158
Total	2,344,541	2,649,534	2,848,252	3,033,917	3,194,050	3,323,742

	Operational Boundary for External Debt					
	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Borrowing	1,962,232	2,245,583	2,432,845	2,608,513	2,761,046	2,884,188
Other Long-Term Liabilities	169,169	163,084	156,475	149,593	142,637	137,396
Total	2,131,401	2,408,667	2,589,320	2,758,106	2,903,682	3,021,584

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.

APPENDIX 3

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.

