

**APPENDIX 2 - ADMINISTRATION
ABERDEEN CITY COUNCIL
2019/20 to 2024/25**

**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						
	2018/19 £'000 Actual	2019/20 £'000 Estimate	2020/21 £'000 Estimate	2021/22 £'000 Estimate	2022/23 £'000 Estimate	2023/24 £'000 Estimate	2024/25 £'000 Estimate
Non HRA	182,713	188,772	185,928	155,825	35,250	24,159	22,872
HRA	39,118	46,760	62,150	63,892	54,350	39,019	31,926

	Ratio of Financing Costs to Net Revenue Stream						
	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non HRA	6.0%	6.9%	7.6%	9.1%	10.0%	9.9%	9.7%
HRA	7.7%	8.4%	9.6%	11.8%	14.7%	16.1%	17.0%

Capital Financing Requirement							
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Non HRA	983,598	1,113,106	1,199,590	1,308,526	1,303,509	1,285,509	1,269,341
HRA	245,899	264,508	284,518	312,501	339,747	353,639	360,797
Total	1,229,497	1,377,614	1,484,108	1,621,027	1,643,256	1,639,148	1,630,138

Gross Borrowing							
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Borrowing	1,019,685	1,169,392	1,322,135	1,432,076	1,574,093	1,601,346	1,603,107

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 2019/20, 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						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Boundary	1,543,555	1,650,049	1,786,968	1,809,197	1,805,089	1,796,079
10% Margin	154,355	165,005	178,697	180,920	180,509	179,608
Total	1,697,910	1,815,054	1,965,665	1,990,117	1,985,598	1,975,687

Operational Boundary for External Debt						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	1,347,302	1,457,243	1,599,260	1,626,513	1,628,274	1,624,151
Other Long Term Liabilities	196,253	192,806	187,708	182,684	176,815	171,928
Total	1,543,555	1,650,049	1,786,968	1,809,197	1,805,089	1,796,079