

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	9 February 2012
DIRECTOR	Stewart Carruth
TITLE OF REPORT	2012/13 to 2014/15 Prudential Indicators
REPORT NUMBER:	CG12/016

1. PURPOSE OF REPORT

To provide elected members with information in relation to the Prudential Code indicators that are required to be set for the financial years 2012/13 to 2014/15 as required by Part 7 of the Local Government in Scotland Act.

2. RECOMMENDATION(S)

It is recommended that Council:-

- a) Considers the information contained within this report and sets the Prudential indicators for the financial years 2012/13 to 2014/15, based on the approved budgets set to date per Appendix 1 of this report; and
- b) Instructs the Head of Finance to monitor the indicators and report back to Council on the position with regard to the Indicators where appropriate.

3. FINANCIAL IMPLICATIONS

The indicators cover the Council's revenue and capital budgets to ensure affordability and prudence. Since April 2004, Council's have been required by regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government (Scotland) Act 2003. Thus, in undertaking external borrowing the Council must pay cognisance to the key objectives of the Prudential Code which are to ensure that the Council's capital programmes are affordable, prudent and sustainable.

4. OTHER IMPLICATIONS

Failure to invest adequately in the Council's asset base may lead to the Council failing to comply with current health and safety requirements. If the continuation of close budgetary control is not exercised and maintained the Council may operate out with the capital control mechanisms laid down by the Scottish Government in relation to the Prudential Code for the 2012/13 Capital Programmes.

5. BACKGROUND/MAIN ISSUES

5.1 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.

5.2 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.

Prudential Code - Objectives

5.3 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.

Capital Programme

5.4 In setting the indicators cognisance should be paid to the level of capital investment for both the housing and non-housing capital programmes that the Council wishes to embark upon. It is important that all capital investment decisions are consistent with the requirements of Council policy, local strategy, asset management planning, Vibrant, Dynamic and Forward Looking and Service plans.

Affordability and Sustainability

5.5 The Council must consider the affordability of its capital programme for all years. The Code also requires the Council to have regard for wider management processes (option appraisal, asset management planning, strategic planning and achievability) in accordance with professional good practice.

5.6 The fundamental objective in the consideration of the affordability of the Council's capital programme is to ensure that the total capital

investment of the authority remains within sustainable limits, and in particular to consider the impact on the “bottom line”. That is, affordability is determined by a judgement about acceptable levels on the level of housing rents or council tax.

Prudence

- 5.7 In order to ensure the Council is operating its capital programme prudently, it is a requirement of the Code that over the medium term net borrowing will only be for a capital purpose. That is, the Council 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 financial years 2010/11 to 2014/15. This is a key indicator of prudence.

Treasury Management

- 5.8 It is also a requirement of the Code that treasury management is carried out in accordance with good professional practice. The Code requires the Council to comply with the CIPFA Code of Practice for Treasury Management in the Public Services. This Council does comply with this Code of Practice.
- 5.9 The Council is also required under the Code to set Treasury management indicators as part of its Treasury Management policy. These indicators and the Council’s Treasury Management policy are reported to the Finance and Resources Committee.

Conclusion

- 5.10 In conclusion the Council are requested to set Prudential Indicators that are affordable and sustainable as shown in Appendix 1 of this report. Further, the primary focus of the indicators is to ensure that the level of capital investment is also achievable.
- 5.11 However, any such capital investment decisions must comply with the requirements of Council policy, local strategy, asset management planning and Service plans.
- 5.12 That is, where capital investment assists in achieving these objectives it allows the Council to undertake a level of investment to proceed providing the Council can finance it within prudent and affordable limits.

6. IMPACT

This report aims to provide meaningful financial information to elected members to enable effective decision making. The report relates to the corporate objectives to provide adequate capital investment in the

Council's infrastructure and asset base as well as the revenue setting process.

7. BACKGROUND PAPERS

Non Housing Capital Programme;
Housing Capital Programme;
General Fund Revenue Budget;
Housing Revenue Account Budget.

8. REPORT AUTHOR DETAILS

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