

**ABERDEEN CITY COUNCIL
2015/16 to 2020/21**

**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 three 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						
	2014/15 £'000 Actual	2015/16 £'000 Estimate	2016/17 £'000 Estimate	2017/18 £'000 Estimate	2018/19 £'000 Estimate	2019/20 £'000 Estimate	2020/21 £'000 Estimate
Non HRA	57,923	91,776	159,158	191,173	75,916	62,201	65,475
HRA	39,295	55,329	48,084	58,077	59,358	60,269	61,141

	Ratio of Financing Costs to Net Revenue Stream						
	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Non HRA	6.3%	6.3%	6.9%	7.2%	7.7%	8.1%	8.3%
HRA	15.7%	15.5%	16.8%	17.6%	18.5%	18.1%	17.5%

	Capital Financing Requirement						
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000 Actual	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate
Non HRA	486,619	497,292	518,278	601,115	624,002	621,493	619,965
HRA	228,997	254,703	272,714	299,451	325,760	350,796	374,372
Total	715,616	751,995	790,992	900,566	949,762	972,289	994,337

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 Head of Finance reports that the Council can meet this requirement in 2015/16, 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					
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Boundary	770,154	809,151	918,725	967,921	990,448	1,012,496
10% Margin	77,015	80,915	91,872	96,792	99,045	101,250
Total	847,169	890,066	1,010,597	1,064,713	1,098,493	1,113,746

	Operational Boundary for External Debt					
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	664,091	705,566	817,751	870,169	895,693	919,535
Other Long Term Liabilities	106,063	103,585	100,974	97,752	94,755	92,961
Total	770,154	809,151	918,725	967,921	990,448	1,012,496

The estimate of the incremental impact of capital investment decisions proposed in this report, over and above capital investment decisions that have previously been taken by the Council are:

(a) for Band D Council Tax

2016/17	2017/18	2018/19	2019/20	2020/21
£0	£0	£0	£0	£0

(b) for average weekly housing rents (assuming that increased capital investment is financed by way of cfc and borrowing)

2016/17	2017/18	2018/19	2019/20	2020/21
£1.01	£1.35	£0.15	£0	£0