

**APPENDIX 2  
ABERDEEN CITY COUNCIL  
2017/18 to 2022/23**

**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:-

	<b>Capital Expenditure</b>						
	<b>2016/17 £'000 Actual</b>	<b>2017/18 £'000 Estimate</b>	<b>2018/19 £'000 Estimate</b>	<b>2019/20 £'000 Estimate</b>	<b>2020/21 £'000 Estimate</b>	<b>2021/22 £'000 Estimate</b>	<b>2022/23 £'000 Estimate</b>
Non HRA	175,275	198,663	268,724	155,900	90,260	42,537	21,471
HRA	42,154	55,318	42,051	45,335	30,204	26,500	21,991

	<b>Ratio of Financing Costs to Net Revenue Stream</b>						
	<b>2016/17 Actual</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
Non HRA	5.7%	4.8%	7.4%	8.5%	9.1%	9.2%	9.2%
HRA	14.7%	17.2%	16.0%	17.0%	18.2%	18.1%	17.7%

	<b>Capital Financing Requirement</b>						
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Non HRA	578,193	713,745	912,923	1,010,136	1,031,118	1,000,014	969,093
HRA	272,091	298,705	312,866	327,757	326,379	319,391	305,886
<b>Total</b>	<b>850,284</b>	<b>1,012,450</b>	<b>1,225,789</b>	<b>1,337,893</b>	<b>1,357,497</b>	<b>1,319,405</b>	<b>1,274,979</b>

	<b>Gross Borrowing</b>						
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Borrowing	746,913	866,291	1,031,068	1,247,629	1,362,730	1,384,128	1,349,410

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 2017/18, 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>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operational Boundary	1,145,542	1,358,881	1,470,985	1,490,589	1,452,497	1,408,071
10% Margin	114,554	135,888	147,098	149,059	145,250	140,807
<b>Total</b>	<b>1,260,096</b>	<b>1,494,769</b>	<b>1,618,083</b>	<b>1,639,648</b>	<b>1,597,747</b>	<b>1,548,878</b>

	<b>Operational Boundary for External Debt</b>					
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	1,044,569	1,261,130	1,376,231	1,397,629	1,362,911	1,321,676
Other Long Term Liabilities	100,973	97,751	94,754	92,960	89,586	86,395
<b>Total</b>	<b>1,145,542</b>	<b>1,358,881</b>	<b>1,470,985</b>	<b>1,490,589</b>	<b>1,452,497</b>	<b>1,408,071</b>