

**APPENDIX 2  
ABERDEEN CITY COUNCIL  
2018/19 to 2023/24**

**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:-

	<b>Capital Expenditure</b>						
	<b>2017/18 £'000 Actual</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>	<b>2023/24 £'000 Estimate</b>
Non HRA	176,738	209,133	183,111	196,859	80,913	21,535	20,746
HRA	43,524	42,509	35,587	31,281	29,967	28,957	28,251

	<b>Ratio of Financing Costs to Net Revenue Stream</b>						
	<b>2017/18 Actual</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>	<b>2023/24 Estimate</b>
Non HRA	6.7%	4.9%	5.7%	6.3%	6.4%	6.5%	6.3%
HRA	19.2%	11.0%	12.3%	13.3%	13.5%	14.1%	14.3%

	<b>Capital Financing Requirement</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>2023/24</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	810,509	967,862	1,082,587	1,225,934	1,257,266	1,237,189	1,214,980
HRA	228,605	248,259	255,879	257,960	258,392	257,414	254,325
<b>Total</b>	<b>1,039,114</b>	<b>1,216,121</b>	<b>1,338,466</b>	<b>1,483,894</b>	<b>1,515,658</b>	<b>1,494,603</b>	<b>1,469,305</b>

	<b>Gross Borrowing</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>2023/24</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	869,978	1,050,574	1,176,312	1,323,961	1,359,560	1,342,193

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 2018/19, 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>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operational Boundary	1,230,243	1,352,588	1,498,016	1,529,779	1,508,725	1,483,427
10% Margin	123,024	135,259	149,802	152,978	150,872	148,343
<b>Total</b>	<b>1,353,267</b>	<b>1,487,847</b>	<b>1,647,818</b>	<b>1,682,757</b>	<b>1,659,597</b>	<b>1,631,770</b>

	<b>Operational Boundary for External Debt</b>					
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	1,074,065	1,199,803	1,347,453	1,383,051	1,365,684	1,344,895
Other Long Term Liabilities	156,177	152,784	150,563	146,728	143,040	138,531
<b>Total</b>	<b>1,230,242</b>	<b>1,352,587</b>	<b>1,498,016</b>	<b>1,529,779</b>	<b>1,508,724</b>	<b>1,483,426</b>