

**CAPITAL PROGRAMME 2016/17**1. Summary of Proposals

The following table sets out the 2016/17 capital submissions considered by each spending committee and shows the proposed methods of financing.

|                                       |                  |
|---------------------------------------|------------------|
| <u>Submissions 2016/17</u>            | <u>£</u>         |
| Housing Revenue Account (HRA)         | 3,918,603        |
| Policy, Finance and Development       | 643,740          |
| Service Delivery                      | <u>1,761,421</u> |
|                                       | <u>6,323,764</u> |
| <br><u>Financing 2016/17</u>          | <br><u>£</u>     |
| Unsupported Borrowing (paragraph 2.1) | 4,019,433        |
| Major Repairs Reserve (paragraph 2.2) | 1,214,000        |
| Government Grants (paragraph 2.3)     | 177,000          |
| Capital Receipts (paragraph 2.4)      | 60,000           |
| Earmarked Reserves (paragraph 2.5)    | 354,694          |
| Revenue Contribution                  | 494,000          |
| Grants and Contributions              | <u>4,637</u>     |
|                                       | <u>6,323,764</u> |

The capital submissions have been prioritised against Capital Programme Assessment Criteria.

2. Capital Controls and Resources2.1 Prudential Guidelines

The principle behind the Prudential Guidelines is that local authorities are free to borrow what they need to finance the capital programme so long as it is within the limits expressed by certain indicators and that the revenue effect of the cost of borrowing is affordable in future years. Some of this borrowing may be “supported” in that allowance is made for the revenue implications within the Revenue Support Grant (RSG).

There is no support for borrowing within the 2016/17 RSG settlement. Consequently, the total borrowing required to finance the 2016/17 capital programme is unsupported but considered affordable.

## 2.2 Major Repairs Reserve

Under the Housing self-financing arrangements contributions to the Major Repairs Reserve (MRR) now have to come directly from the revenue income collected within the Housing Revenue Account (HRA) that the Council will now be able to retain. There are no funds remaining in the MRR other than that budgeted for in year. The HRA Business Plan allows for the level of contribution to the Major Repairs Reserve required in order that housing stock can be maintained according to the capital programme.

## 2.3 Other Capital Grants and Contributions

In 2016/17 resources from capital grants included a contribution of £177,000 towards the cost of Disabled Facilities Grants.

## 2.4 Capital Receipts

The proportion of capital receipts that may be used to finance capital expenditure in 2016/17 is generally as follows:

|                |      |   |
|----------------|------|---|
| Housing        | 25%  | (Based on RTB numbers included in DCLG Business Plan) |
| Other Services | 100% |   |

Additionally, once HM Treasury and the Council have taken their appropriate share of the sale proceeds any amount left over can be retained by the Council to use to fund replacement affordable housing. The increase in Right to Buy (RTB) discounts initially saw an increase in RTB enquiries and sales, however this has declined again over the last twelve months.

It is forecast that the Council will have received around £63,000 of receipts from RTB which they will be required to spend on new housing by 31 March 2018. Under the "1-4-1" replacement housing agreement between the Council and the Government these receipts can only fund up to 30% of the cost of this housing. Therefore, a further £147,000 will need to be found either from the Council's own funds or through an outside partner. The Council has already purchased one property in 2015/16 which contributes towards this commitment.

The capital programme assumes usage of £60,000 of capital receipts for 2016/17.

## 2.5 Balances and Movements on Capital Reserves

Full details of the balances and movements on the capital reserves can be found at Appendix 5.