

Introduction by the Deputy Chief Executive

General Fund Revenue Estimate

Introduction

This document provides Members with details of budgeted expenditure and income for those General Fund services that will be operated by the Council during the 2016/17 financial year.

The Council agreed the budget and set its Council Tax for the 2016/17 financial year at its meeting on 24th February and agreed there would be no change in the Council Tax for North Warwickshire Borough Council. The process that led to this decision is set out below, together with an analysis of the funding streams provided to the Council from Central Government to enable it to provide the wide range of services on offer to the people of the Borough.

Financial Strategy 2016/17

In September 2015, the Executive Board approved the Financial Strategy for the Council for the period 2016/2020. The Strategy assumed a 1.95% increase in Council Tax and an 11.3% decrease in external funding. On this basis the strategy then set out the level of savings that would need to be identified over the forthcoming years to enable the Council to continue to provide an effective level of services within a robust budget. Limited unavoidable growth was included within the strategy.

For 2016/17 the level of savings required totalled £535,000 with further savings of £475,000 in 2017/18, £350,000 in 2018/19 and £350,000 in 2019/20.

The actual level of savings achieved through the reduction in expenditure budgets or the identification of additional income was just below the target for 2016/17, totalling £516,380. These reductions are summarised below.

| Service Area | £'000 2016/17 Onwards |
|---|--------------------------------------|
| Resources Board – Central Budgets | 44,850 |
| Community and Environment Board | 108,000 |
| Resources Board | 82,090 |
| Planning and Development Board | 11,450 |
| Corporate | 242,000 |
| Sub total 2016-17 | 488,390 |
| Community and Environment Board full year effect in 17-18 | 27,990 |
| Overall Total | 516,380 |

The savings identified and included within the 2016/17 revenue estimates are set out on page 7.

Growth totalling £221,540 was included in the 2016/17 budget and this is set out on page 8.

The General Fund Budget Requirement

The Council's overall General Fund Budget Requirement for 2016/17 totals £8,240,480, which includes both Service Budgets and other Financing Adjustments. This amount is £94,290 (1.1%) lower in cash terms, than the amount set for 2015/16. The reasons for the movement in the overall requirement are set out in the table below.

| | | £,000 |
|------|--|--------------|
| | Budget Requirement 2015/16 | 8,335 |
| Add | Cost of Inflation | 433 |
| | Decrease in Income | 433 |
| | Increase in Contingencies | 117 |
| Less | Impact of Service Changes (inc. those on Benefits) | 801 |
| | Increase in Grants Received (inc. those on Benefits) | 172 |
| | Increase in Interest on Investments | 80 |
| | Increase in the Use of Balances | 25 |
| | Budget Requirement 2016/17 | 8,240 |
| | | |

Council Tax, Government Funding and New Homes Bonus

Central government provides funding to local authorities for their General Fund activities through the Settlement Funding Assessment system. The government decides on the funding to be allocated to Local Government on a national basis, and then allocates this funding between authorities using a formula calculation which takes into account individual authorities' tax raising abilities.

The funding allocated for this Council shows a 15.5% reduction in 2016/17 from the previous year, with a further 15.2% reduction indicated in 2017/18. Figures for 2018/19 and 2019/20 are not yet known, although further reductions to national control totals have been discussed and are expected. Our latest projections have assumed further reductions of 9.5% in 2018/19 and 12% in 2019/20.

In 2016/17, local authorities can retain a proportion of the business rates they collect for the year. The Secretary of State announced a baseline funding level of £1.759 million for North Warwickshire in the 2016/17 Finance Settlement. As we are required to pay a business rate tariff of £14.649 million in 2016/17, we need our local share of business rates to come to £16.408 million, in order to achieve this level of funding. In addition to this we expect to retain an additional £350,000 in business rates growth in the year.

If the business rates in our area fall due to business closures or rating appeals, we may not achieve our baseline funding level. This would impact on our financial forecasts, reducing the level of balances we hold. The operation of a national safety net system would provide provision when the Authority's baseline funding fell by 7.5%. If additional business rates are collected, we are required to pay a levy of 50% of the additional rates to the government, and a further 10% to Warwickshire County Council. We would retain the remaining 40%.

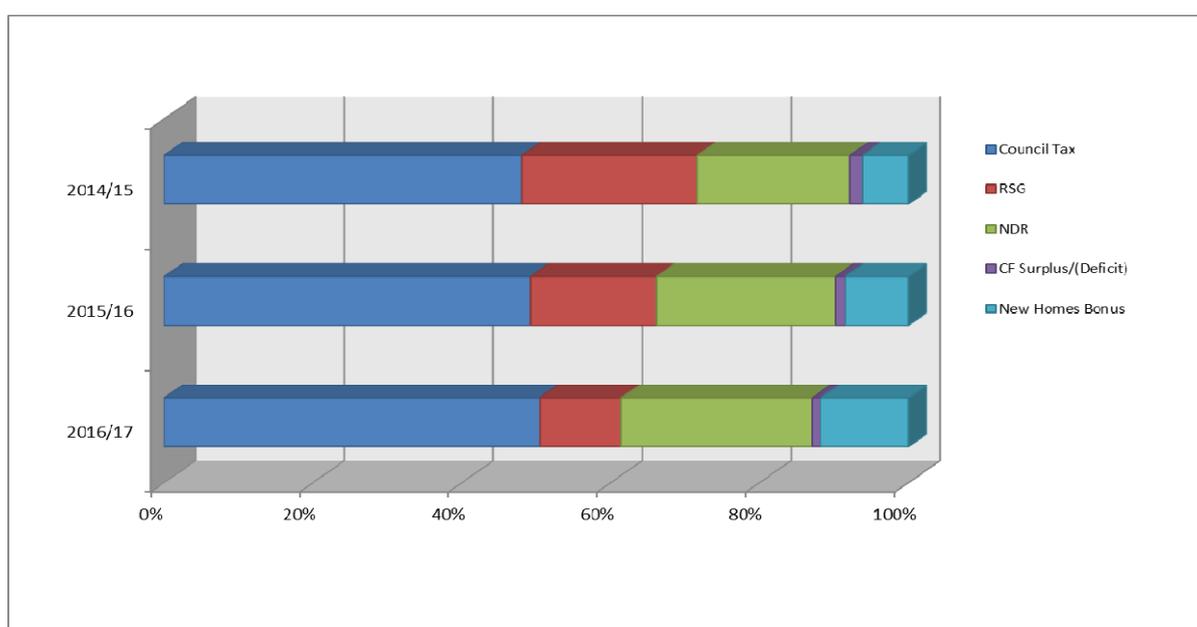
The Council is a member of the Coventry and Warwickshire Business Rates Pool. This Local Pool agreed a safety net provision at a 5% loss of baseline funding, which would benefit the Council in the event that business rates fall. If business rates increase, the Pool will have a lower levy rate than the Council, of around 17%, allowing the Pool to keep more of the increase.

The setting of the Council Tax takes into account the spending requirements of the boards, reduced by investment income, financing adjustments and expected contributions from balances to arrive at the Borough Requirement. This is then further reduced by external funding and any surplus on the collection fund to arrive at the Council Tax requirement for the Borough.

North Warwickshire Borough Council Tax for 2016/17 has remained at 2011/12 levels. However, there has been an increase in the number of properties paying Council Tax over 2015/16 so an additional £66,690 will be collected in 2016/17.

The New Homes Bonus expected for 2016/17 is £268,540 higher than in 2015/16. This revised figure has been used as a base for projecting grant income for the rest of the strategy period, following a review of the new build identified in the Core Strategy. The Government's intention to reduce the New Homes Bonus is also reflected in the strategy.

The diagram below shows the proportion that each funding source makes to the overall requirement of the Council over the last three years and highlights the difficulty in forecasting Government support on a year by year basis.



The Council Tax set by Warwickshire County Council for 2016/17 increased from 2015/16 levels by 3.99% (including a 2% increase for Social Care) and Warwickshire Police Authority for 2016/17 increased from 2015/16 levels by 1.99%. These increases, taken with increases in the Parish Precepts have resulted in an overall average Council Tax increase of 3.19%. The average council tax by band for North Warwickshire Residents is set out below.

| Band | A | B | C | D | E | F | G | H |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Warwickshire CC | 832.68 | 971.46 | 1,110.24 | 1,249.02 | 1,526.58 | 1,804.14 | 2,081.70 | 2,498.04 |
| Warwickshire Police | 127.99 | 149.32 | 170.65 | 191.98 | 234.64 | 277.30 | 319.97 | 383.96 |
| North Warwickshire | 138.20 | 161.23 | 184.27 | 207.30 | 253.37 | 299.43 | 345.50 | 414.60 |
| Parishes (Average) | 30.35 | 35.41 | 40.46 | 45.52 | 55.63 | 65.75 | 75.87 | 91.04 |
| Total | 1,129.22 | 1,317.42 | 1,505.62 | 1,693.82 | 2,070.22 | 2,446.62 | 2,823.04 | 3,387.64 |

Further detail is given on pages 5 and 6.

Council Balances

The Council's Financial Strategy is based upon maintaining a minimum level of General Fund balances of £1.39 million over the medium-term, and growth, savings and service budget requirements are all determined taking this factor into account. The use of balances included in the agreed financial strategy have, subsequently been revised to take account of changes made in the 2016/17 budget estimates. These amounts are set out below.

Revised Budget Strategy

| | 2015/16 Revised £000 | 2016/17 Estimate £000 | 2017/18 Estimate £000 | 2018/19 Estimate £000 | 2019/20 Estimate £000 |
|--|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Board Requirements | 9,384 | 9,516 | 9,999 | 10,232 | 10,543 |
| Growth | 5 | 222 | - | - | - |
| Grant payments to Parish Councils | 83 | 71 | 63 | 51 | 45 |
| Investment Income | (150) | (180) | (160) | (200) | (220) |
| Financing Adjustment | (821) | (888) | (887) | (880) | (752) |
| Revenue Contribution to Capital Spending | 119 | 119 | 119 | 119 | 119 |
| External Funding | (3,396) | (3,008) | (2,604) | (2,390) | (2,146) |
| New Homes Bonus | (703) | (972) | (920) | (614) | (589) |
| CT Support Transitional Grant | - | (21) | (21) | - | - |
| CT Freeze Grant | (45) | - | - | - | - |
| Collection Fund Surplus | (109) | (91) | (92) | (96) | (100) |
| Net Expenditure | 4,367 | 4,768 | 5,497 | 6,222 | 6,900 |
| Council Tax | (4,081) | (4,148) | (4,270) | (4,398) | (4,529) |
| Use of Balances | 286 | 620 | 1,227 | 1,824 | 2,371 |
| Savings Required 2017/18 | - | - | (730) | (730) | (730) |
| Savings Required 2018/19 | - | - | - | (500) | (500) |
| Savings Required 2019/20 | - | - | - | - | (500) |
| Adjusted Use of Balances | 286 | 620 | 497 | 594 | 641 |
| Level of Balances | 4,003 | 3,383 | 2,886 | 2,292 | 1,651 |

The Council Tax 2016/17

| Expenditure Requirements | £ | £ |
|--|----------------|----------------------|
| North Warwickshire Borough Council Precept | | 8,240,380.00 |
| Parish Council Precepts | | 910,828.85 |
| | | 9,151,208.85 |
| Less: | | |
| Revenue Support Grant & NDR Distribution | (3,007,590.00) | |
| New Homes Bonus | (972,200.00) | |
| Transitional Grant | (21,000.00) | |
| Collection Fund surplus | (91,870.00) | (4,092,660.00) |
| Net Borough Council Requirement | | 5,058,548.85 |
| Warwickshire County Council Precept | | 24,990,754.37 |
| Warwickshire Police Authority Precept | | 3,841,187.00 |
| Total Council Tax Requirement | | 33,890,490.22 |

| The Council tax for 2016/17 | £ | £ |
|---|---------------|-----------------|
| Effective Tax Base for Whole Area (number of Band D equivalent properties) | 20,008.29 | |
| Warwickshire County Council Requirement Requirement divided by Tax Base = | 24,990,754.37 | 1,249.02 |
| Warwickshire Police Authority Requirement Requirement divided by Tax Base = | 3,841,187.00 | 191.98 |
| North Warwickshire Borough Council Requirement Requirement divided by Tax Base = | 4,147,720.00 | 207.30 |
| Parish Requirement (average) Requirement divided by Tax Base = | 910,828.85 | 45.52 |
| Total Average Band D Council Tax | | 1,693.82 |

The Council Tax 2016/17

| Column No <u>Parish Councils</u> | 1 <u>Parish Precept</u> | 2 <u>Tax Base (Band D)</u> | 3 <u>Parish Precept per Band D</u> | 4 <u>Add Borough Precept Band D</u> | 5 <u>Add County Precept Band D</u> | 6 <u>Add Police Precept Band D</u> | 7 <u>Council Tax Band D Cols 3+4+5+6</u> |
|-------------------------------------|--------------------------------|-----------------------------------|---|--|---|---|---|
| Ansley | 21,000.00 | 591.36 | 35.51 | 207.30 | 1,249.0 2 | 191.98 | 1,683.81 |
| Arley | 25,327.00 | 840.66 | 30.13 | 207.30 | 1,249.0 2 | 191.98 | 1,678.43 |
| Astley | 1,218.00 | 65.71 | 18.54 | 207.30 | 1,249.0 2 | 191.98 | 1,666.84 |
| Atherstone | 134,691.00 | 2,623.02 | 51.35 | 207.30 | 1,249.0 2 | 191.98 | 1,699.65 |
| Austrey | 10,400.00 | 384.75 | 27.03 | 207.30 | 1,249.0 2 | 191.98 | 1,675.33 |
| Baddesley Ensor | 47,700.00 | 497.31 | 95.92 | 207.30 | 1,249.0 2 | 191.98 | 1,744.22 |
| Baxterley | 10,769.00 | 122.67 | 87.79 | 207.30 | 1,249.0 2 | 191.98 | 1,736.09 |
| Bentley/Merevale | 724.00 | 49.49 | 14.63 | 207.30 | 1,249.0 2 | 191.98 | 1,662.93 |
| Caldecote | - | 74.09 | - | 207.30 | 1,249.0 2 | 191.98 | 1,648.30 |
| Coleshill | 230,129.29 | 2,351.36 | 97.87 | 207.30 | 1,249.0 2 | 191.98 | 1,746.17 |
| Corley | 15,000.00 | 300.83 | 49.86 | 207.30 | 1,249.0 2 | 191.98 | 1,698.16 |
| Curdworth | 26,000.00 | 480.17 | 54.15 | 207.30 | 1,249.0 2 | 191.98 | 1,702.45 |
| Dordon | 23,460.00 | 829.22 | 28.29 | 207.30 | 1,249.0 2 | 191.98 | 1,676.59 |
| Fillongley | 13,987.00 | 636.42 | 21.98 | 207.30 | 1,249.0 2 | 191.98 | 1,670.28 |
| Great Packington | - | 54.23 | - | 207.30 | 1,249.0 2 | 191.98 | 1,648.30 |
| Grendon | 16,941.00 | 544.40 | 31.12 | 207.30 | 1,249.0 2 | 191.98 | 1,679.42 |
| Hartshill | 90,217.00 | 1,040.09 | 86.74 | 207.30 | 1,249.0 2 | 191.98 | 1,735.04 |
| Kingsbury | 29,375.00 | 2,352.77 | 12.49 | 207.30 | 1,249.0 2 | 191.98 | 1,660.79 |
| Lea Marston | 8,588.00 | 138.12 | 62.18 | 207.30 | 1,249.0 2 | 191.98 | 1,710.48 |
| Little Packington | - | 20.82 | - | 207.30 | 1,249.0 2 | 191.98 | 1,648.30 |
| Mancetter | 21,701.00 | 628.36 | 34.54 | 207.30 | 1,249.0 2 | 191.98 | 1,682.84 |
| Maxstoke | 4,853.00 | 115.08 | 42.17 | 207.30 | 1,249.0 2 | 191.98 | 1,690.47 |
| Middleton | 11,870.00 | 305.49 | 38.86 | 207.30 | 1,249.0 2 | 191.98 | 1,687.16 |
| Nether Whitacre | 10,640.00 | 465.02 | 22.88 | 207.30 | 1,249.0 2 | 191.98 | 1,671.18 |
| Newton Regis/Seckington | 9,513.00 | 220.14 | 43.21 | 207.30 | 1,249.0 2 | 191.98 | 1,691.51 |
| Over Whitacre | 2,500.00 | 183.79 | 13.60 | 207.30 | 1,249.0 2 | 191.98 | 1,661.90 |
| Polesworth | 66,755.56 | 2,427.41 | 27.50 | 207.30 | 1,249.0 2 | 191.98 | 1,675.80 |
| Shustoke | 9,996.00 | 199.71 | 50.05 | 207.30 | 1,249.0 | 191.98 | 1,698.35 |

| | | | | | | | |
|-----------------------------------|-------------------|------------------|--------------|---------------|-----------------|---------------|-----------------|
| Shuttington | 4,667.00 | 149.70 | 31.18 | 207.30 | 1,249.02 | 191.98 | 1,679.48 |
| Water Orton | 61,082.00 | 1,252.77 | 48.76 | 207.30 | 1,249.02 | 191.98 | 1,697.06 |
| Wishaw | 1,725.00 | 63.33 | 27.24 | 207.30 | 1,249.02 | 191.98 | 1,675.54 |
| Totals | <u>910,828.85</u> | <u>20,008.29</u> | | | | | |
| Average Band D Council Tax | | | 45.52 | 207.30 | 1,249.02 | 191.98 | 1,693.82 |

SAVINGS/ADDITIONAL INCOME INCLUDED IN 2016/17 FIGURES

| Board | Description | 2016/17 £ |
|--------------|---|----------------------|
| C & E | Removal of annual contribution to Play Area Replacement | 46,760 |
| C & E | Delete Local Community Projects Fund | 8,750 |
| C & E | Efficiencies at Coleshill Leisure Centre | 19,550 |
| C & E | Extension of swimming lessons - Atherstone Leisure Complex | 25,860 |
| C & E | Grounds Maintenance - saving from £25,730 additional recharge HRA) | 7,080 |
| P & D | Reduced contribution to the Building Control Partnership | 11,450 |
| Resources | Concessionary Fares - Taxi Vouchers | 16,240 |
| Resources | Reduce the use of a chauffeur service for the Mayor | 5,000 |
| Resources | Limit expenditure on Mayoral activity | 5,000 |
| Resources | Change in Members pension entitlement | 1,170 |
| Resources | Introduction of administration fee on Disabled Facilities grants | 25,000 |
| Resources | Closure of public conveniences at Water Orton, Coleshill and Polesworth - part year | 29,680 |
| Resources | Telephone tariff reductions | 5,000 |
| Resources | IT Hardware and software reductions | 5,000 |
| Resources | Reduced telephones and mobile phone charges | 860 |
| Resources | Reduced HR subscriptions | 400 |
| Resources | Divisional salary savings - Finance & HR | 12,120 |
| Resources | Increase vacancy factor | 70,000 |
| Resources | Saving from flexible retirements | 21,470 |
| Resources | Reduction in the contingency budget | 22,000 |
| Resources | Additional Business Rates | 100,000 |
| Resources | Transfer from Reimbursement Reserve | 50,000 |
| | | |
| | Sub total 2016/17 | 488,390 |
| | | |
| Resources | Closure of public conveniences - full year effect in 17-18 | 27,990 |
| | | |
| | OVERALL TOTAL | 516,380 |

GROWTH INCLUDED IN 2016/17 FIGURES

| Board | Description | 2016/17 £ |
|-----------|--|----------------|
| | | |
| All | Introduction of the living wage | 16,560 |
| All | Increase in insurance premium tax | 7,560 |
| C & E | Additional haulage costs on Recycling | 62,420 |
| C & E | Leisure and Community Development External Review | 40,000 |
| C & E | Her Majesty's Birthday Occasion | 20,000 |
| C & E | Women's International Cycle Race | 10,000 |
| P & D | Professional fees to cover costs of planning challenge - St Modwen | 15,000 |
| Resources | Delivery of broadband services | 50,000 |
| | | |
| | OVERALL TOTAL | 221,540 |

GENERAL FUND REVENUE ESTIMATES

YEAR ENDING 31 MARCH 2017

GRAND SUMMARY

GENERAL FUND REQUIREMENTS

| Board | 2015/2016 Original Estimate | 2016/2017 Original Estimate |
|--|--|--|
| | £ | £ |
| Community and Environment | 5,041,760.00 | 5,283,330.00 |
| Executive | 584,670.00 | 580,330.00 |
| Planning and Development | 311,880.00 | 241,930.00 |
| Licensing | (1,750.00) | (4,320.00) |
| Resources | 3,638,550.00 | 3,460,460.00 |
| Contingencies | 58,990.00 | 176,710.00 |
| Requirements of Boards | 9,634,100.00 | 9,738,440.00 |
| Interest on Investments | (100,000.00) | (180,000.00) |
| Financing Adjustment | (807,720.00) | (888,010.00) |
| Revenue Contributions to Capital Expenditure | 119,000.00 | 119,000.00 |
| Use of Balances | (594,090.00) | (619,570.00) |
| Grant Payments to Parish Councils (CTS) | 83,480.00 | 70,620.00 |
| Revenue Support Grant | (1,401,920.00) | (898,920.00) |
| Transitional Grant | - | (21,100.00) |
| Business Rates | (16,272,360.00) | (16,407,970.00) |
| Business Rates - Tariff | 14,528,230.00 | 14,649,300.00 |
| Additional Business Rates | (250,000.00) | (350,000.00) |
| New Homes Bonus | (703,660.00) | (972,200.00) |
| Special Grant | (45,000.00) | - |
| Surplus/(Deficit) on Collection Fund | (109,040.00) | (91,870.00) |
| Council Tax Requirement (NWBC) | 4,081,020.00 | 4,147,720.00 |
| Special Items - Parish Precepts | 881,423.10 | 910,828.85 |
| Council Tax Requirement (NWBC and Parishes) | 4,962,443.10 | 5,058,548.85 |

Introduction by the Deputy Chief Executive

Housing Revenue Account Budget

Introduction

The Council is required, by law, to operate a separate Housing Revenue Account (HRA) to record all of the costs and income related to the management of its housing stock and other related assets such as shops, garages and land. The HRA has to be self-financing and cannot budget for an overall loss.

As of 1st April 2016 the Council will own 2,651 houses, giving a decrease of 41 properties from 1st April 2015. The expectation is that 35 properties will be sold under the Right to Buy Scheme and 6 properties will be demolished in Lister Road Atherstone.

Revenue expenditure and income

The Council spends money on the strategic and operational management of its housing stock, insurance, tenant work and sheltered accommodation. It also spends money on day-to-day repairs and maintenance of its properties, and for 2016/17 it is estimated that the HRA will contribute £3.066 million to the Housing Repairs Fund. This type of expenditure is separate from that included in the Council's Capital Programme, designed to maintain the Housing Stock at the decent homes standard.

30 year HRA Business Plan

As management of the housing stock is a long term requirement, a business plan has been put together for 30 years, although expenditure in particular is difficult to predict so far in advance. This has been updated as part of the estimates process.

The expected position on the Housing Revenue Account at the end of the 30 years is a surplus of £45 million. This is after funding capital expenditure of £166 million, with in excess of £21 million of that funding set aside for new build schemes or other improvement schemes. Borrowing of £56 million will also have been repaid.

Surpluses can be used on the provision of new housing or increasing the standard of maintenance on the existing stock. However, the expected surplus of £45 million after 30 years is not excessive, given the possible impact of the 2 following changes in legislation:

- The Housing and Planning Bill 2015 sets out legislation relating to the sale of vacant high value void properties and mandatory rent levels for high income social tenants which is not yet included in these figures.
- The Bill proposes that an annual estimate will be made of the market value of each authority's interest in any high value housing that is likely to become vacant during the year. Based on those estimates a levy will be required from each Local Authority Housing Revenue Account to pay for the Government's Right to Buy Scheme for Housing Associations. The amount of the levy for this Council is not yet known but could be in the range of £1-3 million per annum.
- The pay to stay scheme for high income tenants will not be in place before April 2017 and government policy is still to be established. However the additional rent collected by charging a market rent over current rent levels will be paid over to the Treasury. It is expected that this scheme will also be dealt with through the application of a levy, using an estimate of the additional rent which could be collected.

Income

The major source of income for the Housing Revenue Account is through rents received from tenants. The 2016/17 estimate for housing rent income is £11.609 million, a decrease in income on the revised budget for 2015/16 of £207,380, due to the 1% reduction in rent levels required by the government.

The CLG have changed government rent setting policy and now require all social rents to be decreased by 1% per annum in each of the next four years. Adherence to the revised policy will mean that properties will no longer reach their target rents. The governments suggested way for local councils to achieve target rents is to increase the rent of each property to its target rent when the property becomes vacant.

The figures included are based on the 1% reduction required by the CLG. This gives an average rent decrease of £0.86 per week (1%), although individual rent changes will vary from decreases of £0.70 to £1.16 per week in 2016/17.

The impact of the new rent policy has been built into the 30 year Business Plan.

The Council also receives income from other sources including rent income from the letting of shops and garages and from service charges from former tenants who have bought 125-year leases on their properties.

The Council makes service charges to tenants who benefit from a window cleaning service and the cleaning of communal areas in blocks of flats. The charge for window cleaning ranges from ££0.54 to £1.28 per week for 2016/17. The charge for communal cleaning is £1.87 per week for 2016/17.

The Council also generates investment income from the various reserves and funds it holds, and the HRA is paid a proportion of this income.

HRA Balances

The following section sets out the HRA budget for 2016/17, and shows that the forecast levels of expenditure incurred and income received during the year are anticipated to result in a surplus of £374,760.

The HRA is expected to generate a surplus in 2016/17, as well as in each year between 2017/18 and 2019/20. The figures below set out the expected impact on the Housing Revenue Fund over this period.

| | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| HRA Expenditure | 11,743 | 11,759 | 11,845 | 11,941 | 11,398 |
| Total Expenditure | 11,743 | 11,759 | 11,845 | 11,941 | 11,398 |
| Income | 12,314 | 12,134 | 11,965 | 12,038 | 11,796 |
| Total Income | 12,314 | 12,134 | 11,965 | 12,038 | 11,796 |
| Balances (surplus)/Deficit | (571) | (375) | (120) | (97) | (397) |
| Balance at 31 March | (2,549) | (2,924) | (3,044) | (3,141) | (3,538) |

Introduction by the Deputy Chief Executive

Capital Programme 2016/17 to 2018/19

Introduction

The Council owns and maintains a wide range of assets from Council Houses, Civic Buildings, Leisure Centres to Vehicles, Land and Computer Systems. In order to ensure that services continue to be provided in the most effective and appropriate manner for the people of North Warwickshire, the Council has to spend money on enhancing the existing assets that it owns, replacing those assets that have run past their economic usefulness and to acquire new assets.

However, when planning service requirements, the Council tries to look at not only what is required for the forthcoming year, but also for the subsequent two years and therefore sets a Three Year Capital Programme. This also enables the Council to determine the best way that the limited capital resources that are available can be used to meet the demands placed upon it in terms of Capital Investment.

The Council is permitted to borrow to fund capital expenditure, but no longer receives government support for any new borrowing. The Council has the ability to undertake unsupported borrowing and have forecast the use of this in order to fund the purchase of new vehicles from the vehicle renewal scheme.

The Council is able to fund housing capital spending from the revenue generated through the Housing 30 Year Business Plan.

Other sources of finance are required to enable the Council to fund the Capital Programme and we will continue to be dependent on the use of capital receipts from the sale of Council houses and land, together with external sources, notably Disabled Facility Grants for private sector housing.

The General Fund and the Housing Revenue Account will make annual contributions to the financing of capital expenditure. In addition to this, included within the General Fund projections are specific capital schemes which are funded from earmarked reserve contributions.

The forecast level of capital resources available to the Council over the next three financial years is £25.344 million as set out in the table below.

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 |
|---|------------------|------------------|------------------|
| Resources Brought Forward | 8,539 | | |
| Disabled Facilities Grant | 296 | 296 | 296 |
| Capital Receipts from Council House Sales | 1,397 | 1,394 | 1,390 |
| Revenue Contributions – General Fund | 119 | 119 | 119 |
| Revenue Contributions – HRA | 2,961 | 3,324 | 3,245 |
| Borrowing | 215 | 162 | 159 |
| New Build Fund | 652 | 463 | - |
| Use of Earmarked Reserves | 66 | 66 | 66 |
| Total | 14,245 | 5,824 | 5,275 |

There are a number of capital schemes that are expected to be undertaken over future years, but which have not yet been included within the Councils Capital Programme, as the costs associated with these schemes have yet to be fully determined or the method of delivering these improvements has not been decided. For example, improvements to the Memorial Hall, implementation of the Green Space Strategy and refurbishment of the

industrial units may all impact on the capital resources required. In addition, as the table on the previous page shows, there remains a reliance on asset sales for funding the planned programme. In this instance there are Right To Buy Council House sales included within the resources total which have a degree of risk associated with them.

Taking these points into account, it is prudent to leave some resources unallocated to ensure that these areas can be addressed in the future. Over the 3 years, it is expected that a balance of £6.31m will be retained by 2018/19.

Formulating the Capital Programme

The capital schemes included in the approved capital programme have all been assessed against a range of criteria to ensure that the investment of the Council's capital resources is directed effectively to meet the Council's 6 Priorities.

Due to the shortage of resources, the other key issues are meeting statutory requirements and ensuring effective service delivery. The budget has been allocated to ensure that public buildings meet Equalities legislation, that electrical enhancements are carried out on council buildings to meet Health and Safety legislation, that computer and leisure equipment is replaced that will allow the Council to carry on providing its services to the same level and that some investment in the Borough Care programme is ongoing.

The Capital Programme for 2016/17 includes a number of schemes that were included in the 2015/16 Programme. This is generally because there is a continuous programme of works required, such as the Decent Homes Standard works, computer equipment replacement and electrical enhancements.

Future revenue implications that may arise from each of the schemes have been identified and are reflected in the General Fund revenue budgets. Additional revenue costs arising from the Capital Programme in relation to the loss of investment income are estimated to be £2,802 in 2016/17. This will stay at £2,813 in 2017/18 and decrease to £2,375 for 2018/19. There will be additional costs from the loan repayments for the Vehicle Renewal Scheme which is expected to be £215,100 in 2016/17, £161,680 in 2017/18 and £159,030 in 2018/19.

The figures included within the Capital Programme for 2016/17 do not include any slippage and therefore the approved programme is likely to be subject to revision early in the new financial year. This is because, by their very nature, capital projects sometimes overrun or do not progress as quickly as had been anticipated. Projects falling into this category will require resources included within the 2015/16 Capital Programme to be carried forward into the 2016/17 programme and Members will receive a report on this once the exact level of slippage has been established.

The Prudential Code

The Council needs to consider not only the affordability of its Capital Investment plans, but also prudence, sustainability, value for money, asset management planning, practicality and service objectives.

To demonstrate this, the Council has set a range of Prudential Indicators, which will be used to support capital investment decision-making, and to demonstrate that plans are affordable in both the short and long-term. There is a requirement for net borrowing in the medium-term to be for capital purposes only. Members approved the Prudential Indicators for the Council at the meeting of full council held on 24th February 2016. The indicators approved at that meeting are set out in summary overleaf.

Councils are free to borrow, but within levels which are affordable, sustainable and prudent. In summary any decision the Council takes in respect of additional borrowing has to be taken with reference to the impact on Council Tax and Housing Rent payers.

