Appendix D – Sources of Capital Funding

Capital Receipts

Capital Receipts come from the sale of Council's assets. If the disposal relates to HRA land or property, then a percentage of the sales receipt must be paid over to the Government. In most cases capital receipts can be made available to support the capital programme as a corporate resource, irrespective of which service area the asset previously belonged to. The main exception to this is any Right to Buy (RTB) receipts held under Section 11(6) agreements, which must be used for the specific purpose providing replacement affordable housing.

Government Grants

Capital grants from the Government can be split into two categories:

- *Non-ring fenced* - grant that can be utilised on any project, albeit for a specific purpose. This is now the vast majority of Government funding.

- *Ring-fenced* - resources which are ring fenced to particular projects and therefore have restricted uses, specified by the funder. Any grant receipt not used for the specified purposes must be returned.

Non-Government Contributions

Where there is a requirement to make an application to an external agency to receive external funding, and to commit Council resources as matched funding to any bid which is successful, a business case should first of all be presented to demonstrate how the project aligns to Council's priorities and how matched funding and any revenue consequences of the project can be managed within the context of the capital and revenue budget overall.

Revenue Contributions

Subject to affordability, an element of the revenue budget can be set aside to fund the Capital Programme (Direct Revenue Financing). This practice mainly relates to capital expenditure within the HRA which is funded from rental income via the Major Repairs Reserve.

Prudential Borrowing

The term Prudential Borrowing does not automatically lead to external borrowing as the Council may be able to use cash it holds in reserves and short-term investments. The Council will resource capital projects using prudential borrowing only where plans put forward are sustainable, affordable, and prudent. Full appraisal will take place to ensure that, wherever possible, sufficient revenue income or cost savings returns are generated to cover the cost of borrowing. Where it is considered that prudential borrowing is the most appropriate method of funding, but it requires additional revenue financing, those additional costs must be built into the revenue budget planning process before the project can be approved.