

## APPENDIX 3

### FORECAST OF HRA CAPITAL RESOURCES AND EXPLANATION OF TERMS

Resource	2009/10	2010/11	2011/12	2012/13	Total
	£M	£M	£M	£M	£M
Supported Borrowing	1.496	1.496	0	0	2.992
Unsupported Borrowing	0.300	9.149	1.757	0.870	12.076
Useable capital receipts	0.400	0.700	1.770	0.870	3.740
Grants and contributions from third parties	3.955	3.086	0.595	0.110	7.746
Direct Revenue Financing	11.214	11.806	5.148	1.611	29.779
Major Repairs Allowance	15.061	10.394	13.017	13.197	51.669
Total	32.426	36.631	22.287	16.658	108.002

#### **Supported Borrowing**

Supported borrowing is where the Government funds the cost of borrowing through the Housing Revenue Account Subsidy Settlement.

#### **Unsupported Borrowing (prudential borrowing)**

Unsupported borrowing is where the Housing Revenue Account meets the full capital financing costs with no support from Government.

There is therefore no specific cash limit on borrowing but the key focus is on the ability to meet the capital financing costs from revenue budgets in the long term.

#### **Useable Capital Receipts**

Authorities are only able to use 25% of the proceeds from the sale of Council Houses and 50% from the sale of other Housing Revenue Account assets to finance capital expenditure in either the Housing Revenue Account or the General Fund Capital Programmes. However, it is possible to fully utilise the receipts from the sale of certain HRA assets (the principal exclusions being receipts from Right-to-Buy sales and Large Scale Voluntary Transfers) provided the receipts are used for “the provision of affordable housing”. The definition of “affordable housing” includes support to Registered Social Landlords and works to the Councils own stock to bring the dwellings up to decent homes standard (or higher standard). To utilise this facility it is

necessary for a resolution to be passed that sets the Council's expected spend on "affordable housing" for a given period before any sales take place. Such a resolution is included in the HRA budget report.

It should be noted that General Fund receipts can be used to finance the HRA Capital Programme and vice versa without any compensating adjustments being made to either the General Fund or the Housing Revenue Account. However, the interest receipted on the usable proportion of all capital receipts must be paid to the General Fund. Therefore, if Housing Revenue Account expenditure on capital schemes is financed from usable capital receipts, there is a cost to the General Fund because it will not receive interest on those capital receipts.

### **Grants and contributions from third parties**

Contributions are received from third parties in respect of capital expenditure incurred by the Council e.g. payments from leaseholders of sold Council flats in respect of any major works that have been carried out to their homes. In addition significant contributions are expected from the NDC and a CHP developer.

### **Direct Revenue Financing**

This is the contribution from the HRA revenue account to fund the capital programme.

### **Major Repairs Allowance**

The MRA is intended to represent the cost of maintaining the stock in its current condition and is an annual allowance set by DCLG as part of the annual HRA subsidy settlement.