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| REPORT TO: | FINANCE AND MANAGEMENT COMMITTEE | AGENDA ITEM: 11 |
| DATE OF MEETING: | 19th OCTOBER 2006 | CATEGORY: RECOMMENDED |
| REPORT FROM: | DIRECTOR OF CORPORATE SERVICES | OPEN |
| MEMBERS' CONTACT POINT: | KEVIN STACKHOUSE (595811) | DOC: u/ks/capital/capital strategy covering report 06 |
| SUBJECT: | A REVIEW OF THE COUNCIL'S CAPITAL INVESTMENT STRATEGY 2006 to 2009 | REF: |
| WARD(S) AFFECTED: | ALL | TERMS OF REFERENCE: FM 08 |

1.0 Recommendations

- 1.1 That the Council's updated Capital Investment Strategy 2006 to 2009 is approved.
- 1.2 That a Capital Allowance of £2.15m is set up to provide Low Cost Affordable Housing.
- 1.3 That subject to operating within the capital allowance, reinvestment of "retained" capital receipts is made in approved schemes to provide affordable housing, subject to the resources being generated.

2.0 Purpose of Report

- 2.1 To demonstrate a good use of its resources, it is considered best practice that the Council reviews its capital investment strategy on a regular basis and at least once a year. The Council aims to do this prior to the annual budget round, which for 2007/08 is now commencing.
- 2.2 The strategy sets out the specific ways in which capital investment will help deliver the Council's priorities and how this investment will be financed. It has been updated to reflect the priorities of the Council as set out in the new Corporate Plan 2006-2009 as approved in June 2006.
- 2.3 In addition, the report proposes a policy on the use of retained capital receipts from the disposal of certain housing assets, i.e. for investment in providing low cost affordable housing.

3.0 Executive Summary

- 3.1 Capital investment is a key factor to enable the delivery of the Council's priorities and ultimately its overall vision for the District. Therefore, it is important that capital investment, including the identification of resources to deliver it, is planned and managed carefully. This strategy is intended to do that.

3.2 The following areas are covered:

- A definition of capital.
- An outline of how investment is planned and managed.
- A profile of the District, the Council and its priorities.
- The resources available to the Council for capital investment.
- Targeted areas for investment and the funding strategy.
- A risk assessment.

Time Frame

- 3.3 The strategy has a medium-term time frame to fit in with the Council's corporate and service planning framework. Clearly, the strategy may develop in response to new financial opportunities/risks and new policy directions.
- 3.4 Therefore, the strategy is reviewed on a regular basis and at least annually. It is updated where necessary.

4.0 Detail

- 4.1 The detailed strategy is appended to this covering report.

Pooling of Capital Receipts and Low Cost Affordable Housing

- 4.2 An issue that is not explicitly covered in the strategy is the use of certain capital receipts and their use in providing low cost affordable housing.
- 4.3 This is an issue that has come to the fore recently with identifying resources for the Council's Sheltered Housing Vision along with some fairly significant disposal of housing assets. This issue is dealt with in some detail below.

The Statutory Background

- 4.4 Under the Government's capital accounting regulations, 75% of any proceeds from the sale of housing buildings (including council houses) and 50% of any proceeds from the sale of housing land (this includes granting easements and rights of way) is payable to the national housing pool. Any single sale less than £10,000 in value are exempt.
- 4.5 The other 25% or 50% respectively remains with the Council for investment in other capital projects at the discretion of the Council. This can include either housing or non-housing schemes.
- 4.6 The Council can avoid the pooling payment if it resolves through the appropriate Committee, that the corresponding amount is reinvested directly into providing "low cost affordable housing." This money can be "**retained**" but should be spent within 3-years of being received on an approved scheme.
- 4.7 In addition, there is no exemption for receipts from the sale of council houses, 75% is pooled in any case.

Definition of Low Cost Affordable Housing

- 4.8 There is no prescriptive definition of this. It is left to each Council to determine through its local Housing Strategy what constitutes affordable housing. Some

research suggests that it is ultimately about providing affordable housing for low-income groups, single parents, etc.

- 4.9 However, the Government's "Sustainable Communities" paper published in 2003, also speaks about affordable housing embracing other potentially vulnerable groups such as the elderly. In addition, it refers to helping people stay in existing homes, i.e. not just about providing new accommodation.
- 4.10 Ultimately, it is down to each Council who wishes to retain any pooling amounts locally to agree this with their External Auditor. They must be satisfied that the Council has a suitable scheme planned, costed, approved by the Council, which constitutes affordable housing and which is agreed by the Auditor.

The Council's Sheltered Housing Vision

- 4.11 The Council adopted this in 2003 to upgrade and modernise its sheltered housing stock. The cost of delivering this in total is estimated at £2.15m and includes replacement heating systems, access improvements and a new Lifeline system.
- 4.12 So far, resources of approximately £887,250 (subject to pooling) have been identified and approved by the Council, from the sale of the former sheltered schemes at Small Thorn Place and Bass's Crescent, to help meet this vision.
- 4.13 Work to-date includes a new heating system at an existing scheme, and plans are in place to replace the Lifeline system subject to confirmation of resources.

The Accounting Treatment of the Receipt

- 4.14 As stated above, some of the proceeds of this receipt would normally be subject to Pooling. Out of the £887,250 (split between land and buildings) approximately £300,000 is subject to pooling.
- 4.15 However, the Council's Auditors, as part of their recent final accounts work, have agreed the Sheltered Housing Vision as an affordable housing scheme in accordance with the guidelines. Therefore, the £300,000 will not be pooled, meaning the full proceeds can be re-invested into the vision as approved.

Future Housing Receipts

- 4.16 The Council can now decide whether to reinvest the retained amount of future receipts from housing disposals (excluding council houses) into the Sheltered Housing Vision. Clearly, if this option were not approved, then the Council would lose these resources to the national pool.
- 4.17 The Council adopted a Disposals Policy in February 2006 and has begun to identify assets surplus to requirements. The following table shows housing disposals that have taken place since February, together with those that are imminent.

| Analysis of Housing Disposals | Gross Receipt £ | Amount Pooled £ | Not Pooled £ |
|---|----------------------------|----------------------------|-------------------------|
| Receipts actually received to-date | | | |
| • Rights of Way Granted | 44,000 | 16,500 | 27,500 |
| • Sale of Garden Land | 1,500 | 0 | 1,500 |
| Disposals approved subject to Auction (Dec 06) | | | |
| • 2 land sites approved by Council * | 130,000 | 48,750 | 81,250 |
| • 3 garage sites approved by Council * | 230,000 | 115,000 | 115,000 |
| Other sites (4) where proposals for approval are imminent ** | 250,000 | 125,000 | 125,000 |

* Current valuation - subject to sale achieved at Auction

** Current valuation - subject to Committee approval and Auction

4.18 The above table provides at this stage, a good indication of resources likely to be generated over the next 6 months or so. Other disposal cases are currently at various stages of progression. These will continue to be reported to Committee when full proposals in accordance with the Disposals Policy are complete.

4.19 The table essentially shows the amounts subject to pooling. These can be retained if the Council approve that they are reinvested in low cost affordable housing, which at this stage, is the Sheltered Housing Vision.

Resources available for the Sheltered Housing Vision

4.20 To satisfy the Capital Finance and Accounting Regulations 2003, the Committee are required to approve the setting up of a capital allowance and that the retained part of housing capital receipts is reinvested into the Vision.

4.21 The capital allowance represents the latest estimate of delivering the full Vision. (i.e. £2.15m). Assuming a total investment of £2.15m is required with £887,250 already identified, approximately £1.26m is available from retained amounts in the future for Sheltered Housing (subject to disposals).

Other Schemes

4.22 The capital allowance reduces as the Council spends money against it. However, it can also be increased at anytime in the future should the Council properly identify and approve other affordable housing schemes in accordance with the regulations. Schemes could be either public or private sector.

4.23 The Council would then need to determine which receipts are reinvested into which schemes. However, until any other schemes are identified and approved, the retained proportion should be redirected to Sheltered Housing otherwise it will need to be pooled.

Using the Non-Pooled Amount

4.24 The Council's current policy is to reserve all capital receipts as they are generated in a single capital pot. They are then reinvested in housing and

general schemes subject to the Council's approved evaluation framework for new capital investment.

- 4.25 Therefore, any other resources for low cost affordable housing (over and above the retained amount) would need to be generated through the "bidding" process unless the Council approved otherwise.

5.0 Financial Implications

- 5.1 No direct implications with formulating and updating the strategy.

6.0 Corporate Implications

- 6.1 The way in which the Council plans and manages capital investment can have a direct bearing on another of the Council's main resources, i.e. its staff. The Council's People Strategy recognises this through its framework for workforce planning, training and development, etc.

7.0 Community Implications

- 7.1 A key theme of this strategy is contributing to the vision and priorities of the Council, which are largely formulated after consultation with the local community and other stakeholders.
- 7.2 These then form the Council's Corporate Plan and represented in other major strategies such as Housing, Crime and Disorder, etc.

To view the annexe/s double click the icon/s below



"11 Review
Investment Strategy