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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 16</b>
<b>DATE OF MEETING:</b>	<b>23rd JUNE 2011</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>CHIEF EXECUTIVE OFFICER</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>CHIEF FINANCE OFFICER KEVIN STACKHOUSE ( 01283 595811) <a href="mailto:kevin.stackhouse@south-derbys.gov.uk">kevin.stackhouse@south-derbys.gov.uk</a></b>	<b>DOC:</b> u/ks/capital/capital receipts/proceeds midland road and peniston rise
<b>SUBJECT:</b>	<b>USE OF PROCEEDS FROM SALE OF 35 MIDLAND ROAD AND LAND AT PENISTON RISE, MELBOURNE</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That options for the use or reinvestment of capital receipts as detailed in the report be considered.

## **2.0 Purpose of Report**

- 2.1 To consider the use of capital receipts generated in the last financial quarter. This is in accordance with an approved policy in the Council's Capital Investment Strategy.

## **3.0 Detail**

### **The Statutory Background**

- 3.1 Under National 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 Capital Pool. Any single sales of less than £10,000 in value are exempt.
- 3.2 The remaining 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 (general) schemes.
- 3.3 The sale proceeds from general land can be used totally at the discretion of the Council and are not subject to the national pooling arrangement.
- 3.4 The Council can avoid the pooling payment (or a proportion thereof) if it is used to provide:

- Low cost affordable housing, or
- The regeneration of unused, contaminated or derelict land.

- 3.5 This money can then be “retained” and along with the non-pooling amount, invested in appropriate projects in accordance with the broad definitions surrounding “housing or regeneration” as above.
- 3.6 However, if the pooling payment is to be avoided in whole or in part, it needs to be earmarked to a defined scheme or project already approved by the Council and agreed by the External Auditor. The proposed scheme must be included in a Council strategy, business plan or be a priority, etc.
- 3.7 Technically, once approved, the Council is required to set a Capital Allowance that reflects the estimated cost of a particular project or scheme. This can be reviewed and amended at anytime, subject to Council approval.

### **The Council’s Sheltered Housing Vision**

- 3.8 Currently, the only approved scheme relates to the Council’s Sheltered Housing Vision, to which resources under these regulations have previously been directed. The capital allowance as approved by the Committee in October 2006 is £2.15m, i.e. the Council can spend upto this amount on this project if it so wishes.
- 3.9 The vision, which was established back in 2003, has seen a series of works undertaken since then to improve accommodation standards and facilities in the Council’s sheltered housing stock.

### **Current Policy**

- 3.10 The Council’s Capital Investment Strategy includes a policy whereby a decision on utilisation of capital receipts, especially where there is a housing element, is made as they are generated. This is to ensure that a decision is taken on the most up-to-date information regarding Council priorities and budget pressures.
- 3.11 In particular, given some of the issues and changing circumstances associated with low cost affordable housing, it is considered that some flexibility is maintained within the policy on retained receipts.
- 3.12 Therefore, the Strategy allows a prudent approach. It allows the Council to maintain a balance between providing funds for housing and other general schemes, although this assumes that all other capital commitments and liabilities are funded.

### **Receipts Received in the Latest Financial Quarter**

- 3.13 Pooling payments are made to the Government every financial quarter (end of June, September, December and March). This picks up the relevant amounts subject to pooling received in that period.

## **Sale of 35 Midland Road, Swadlincote**

- 3.14 At its meeting on 29<sup>th</sup> April 2010, the Committee approved to sell this property and associated land to a locally based charitable organisation. This followed an options appraisal that had previously been considered and approved by the Housing and Community Services Committee.
- 3.15 The property is a homeless hostel and was sold as part of a wider strategic plan to increase the amount and quality of accommodation for vulnerable people.
- 3.16 Following Government consent to the Disposal under housing legislation and detailed negotiations, the sale was completed in early April 2011 and generated a capital receipt of £150,000. The independent valuation split this sum between buildings, £105,000 and land £45,000.
- 3.17 Therefore, the pooling payment would be as follows:
- Buildings – ( $£105,000 \times 75\%$ ) = £78,750
  - Land – ( $£45,000 \times 50\%$ ) = £22,500
  - **Total** = **£101,250**
- 3.18 This would leave £48,650 to be used at the discretion of the Council. To avoid the pooling payment altogether, then the whole of the £150,000 would need to be spent on the Sheltered Housing Vision.

## **Investment in Sheltered Housing**

- 3.19 The Council currently has an outstanding commitment of approximately £250,000 to complete in full all works. The Vision has been the subject of a number of progress reports since its creation late in 2003 and to date over £1m has been expended.
- 3.20 If the receipt of this sale were utilised key elements to the vision could be completed. This would include the provision of non-slip flooring in all bathrooms and kitchens, together with the installation of lever taps. In addition, progress into outstanding access issues could also be made.
- 3.21 In April 2010, the Committee noted the request in principle from the Housing and Community Service Committee to use the sale proceeds to complete the Vision. If this were approved it is considered that there is a real prospect of completing this longstanding project.
- 3.22 To date the Vision has delivered:
- The installation of user controlled efficient heating and provision of modern communal facilities at Pear Tree Court, Etwall,
  - The complete upgrade of the Careline/Telecare system, providing the Council's tenants with the most modern system available.

- The internal improvement of 92% of all sheltered properties, with lever handled taps and non-slip flooring.
- External improvements to sheltered schemes which affect those tenants with the greatest mobility issues.

3.23 Completing the works will help to ensure that a consistent standard of housing exists across all sheltered accommodation.

### **Further Option**

3.24 A proportion of the housing element could be reinvested into the Sheltered Housing Vision with the remainder used for general schemes. The amount available would be subject to the level of the pooling payment.

3.25 For example, if the Council wished to spend (say) £35,000 on general schemes the receipt would be divided as follows:

Amount retained for general schemes	£35,000
Pooling payment	£75,000
Amount remaining for Sheltered Housing (£150,000 – less amounts above)	£40,000

### **Granting of Easement at Peniston Rise, Melbourne**

3.26 This transaction was approved by the Committee on 13<sup>th</sup> January 2011. This involved converting an access license into a permanent right of way and granting easements to formalise utility and sewer connections within the Council's land to a local resident.

3.27 The transaction was completed on 26<sup>th</sup> April with a capital receipt of £50,000 being received by the Council. The land is housing and therefore subject to the pooling requirement at the rate of 50%, i.e. £25,000.

### **Aggregating the Receipts**

3.28 As with the receipt for Midland Road, the same options apply for this receipt. If both receipts are aggregated, this would give a total of £200,000, with a maximum of £126,750 subject to pooling. Reinvesting the total amount would all but complete the Sheltered Housing Vision.

### **Overall Situation Regarding Capital Investment**

3.29 Previous reports to the Committee had highlighted a projected shortfall in capital resources to meet outstanding commitments of approximately £1.5m over the next 5 years.

- 3.30 The Council has now received its share of the receipt from the sale of Bretby Crematorium totalling just over £3m. Clearly this will cover all commitments and provide some capital resources for investment in general schemes.

#### **4.0 Financial Implications**

- 4.1 As detailed in the report.

#### **5.0 Corporate Implications**

- 5.1 No direct legal, employment or other implications.

#### **6.0 Community Implications**

- 6.1 Reinvestment of these receipts would enable some of the Council's key investment priorities in accordance with the Corporate Plan to be delivered in the local community. For example, into Sustainable Development, if they were invested into the Sheltered Housing Vision.

#### **7.0 Background Papers**

- 7.1 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 – Sections 14 to 18.