
REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM: 12
DATE OF MEETING:	21st MARCH 2013	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF EXECUTIVE OFFICER	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) CHIEF FINANCE OFFICER Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/HRA business plan & self-financing/capital allowance low cost affordable housing
SUBJECT:	ADOPTING A CAPITAL ALLOWANCE FOR LOW COST AFFORDABLE HOUSING	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 That a Capital Allowance of £100,000 under Regulation 16 of the Local Authorities Capital Finance and Accounting Regulations (England) 2003 is approved.

2.0 Purpose of Report

2.1 To propose a capital limit that will enable the Council to retain the proceeds from the future disposal of housing land for reinvestment into low cost affordable housing.

3.0 Detail

3.1 The Council has adopted a strategy for delivering affordable housing. Under the HRA self-financing regime, greater opportunities are likely to arise to deliver more affordable housing in the form of New Build.

3.2 Recent financial monitoring reports to this Committee have highlighted that capital receipts are already starting to accrue from increasing council house sales. The Council is able to retain a much greater proportion of these receipts compared to the previous housing subsidy system, on condition that they are reinvested into New Build, within 3 years.

3.3 These receipts can account for no more than 30% of total expenditure; consequently, the Council will need to find resources (either internally or externally) to top up the retained amount.

Progressing Options

- 3.4 Following a report to the Housing and Community Services Committee in October 2012, a cross departmental internal working group have considered issues in order to deliver affordable housing. The Group are seeking to develop options to deliver more affordable housing in the area for rent at affordable and/or social levels.
- 3.5 In doing so, it is anticipated that there may also be opportunities to regenerate land, facilitate the development of outstanding S106 permissions, continue the promotion of exception sites in smaller communities, together with delivering homes for sale and private rent, etc. It is considered that a programme of New Build could also aid the local economy through contract and job opportunities.
- 3.6 Consequently, the working group have drawn up a development brief and have appointed external advisors, who will follow a case study approach to this brief taking account of the Council's local and unique circumstances. They will consider options and propose a solution for the Council to consider.
- 3.7 It is intended to report the findings of the advisors and the working group to the Committee in April 2013.

Sale of Housing Land

- 3.8 Under the self-financing framework, the Council is still required to pay over 50% from the sale of housing (HRA) land to the Government. However, Regulations 17 and 18 of the Capital Finance and Accounting Regulations (2003) allow for a greater amount (up to 100%) to be retained if it is reinvested into low cost affordable housing or the regeneration of unused or derelict land.
- 3.9 The definition of low cost affordable housing in the Regulations is broad but it does indicate the provision of new units. It is the responsibility of each authority to determine whether any projects or works fit the definition and this has to be agreed and signed off by the External Auditor.
- 3.10 The Council has previously used these provisions to deliver the Sheltered Housing Vision and the transfer of land to enable the building of the Oakland Village in Swadlincote.
- 3.11 Although the HRA has some land holdings, borrowing headroom and potentially additional resources in the HRA's general reserve, there will be pressure to top up the retained receipts generated from council house sales.
- 3.12 Therefore, it is important that any additional resources are identified and retained where possible. Except for one piece of land previously approved for disposal by the Committee in 2012/13, there are currently no other proposals to sell any other land holdings under the remit of the HRA, although the use of housing land is being considered as part of the options appraisal project.

3.13 However, it would be prudent to gain the flexibility at an early stage to retain any receipts and set them aside towards New Build schemes when they are identified.

Creation of a Capital Allowance

3.14 To satisfy accounting requirements associated with the retention of land receipts, the Council is required to set up a Capital Allowance under the Local Government Act 2003. This technically allows the retention of sums up to the amount of the allowance.

3.15 The allowance should reflect the best estimate of the level of investment associated with schemes and projects that will be delivered in accordance with Regulations 17 and 18. The allowance can be reviewed at any time to reflect a change in costs and circumstances, and it does not commit the Council to spend up to the approved level.

3.16 The difficulty at this stage is that the level of investment cannot be fully quantified and this will be considered as part of the options appraisal.

3.17 However, the Council has set out a clear intention for providing low cost affordable housing and has accordingly signed an agreement with the Government to provide New Build.

Potential Risks

3.18 The risks of committing to retaining receipts now are that they do get spent within 3-years and that the External Auditor does not ultimately approve specific schemes or projects against which the allowance is used. In these cases, the receipts would need to be paid over to the Government with interest added.

3.19 However, these risks are considered to be low. The Council is effectively committed to a certain amount of New Build through its agreement with the Government, which is allowing authorities to retain greater "right to buy" receipts for that purpose.

3.20 In addition, the Council is committed to the provision of affordable housing through its HRA Business Plan, etc. This is now being made more realistic with the drawing up of options and a delivery framework. Furthermore, as long as receipts that are retained under Regulation 17 are invested in the provision of low cost affordable housing, then the criteria will have been met.

3.21 Therefore, it is recommended that the Capital Allowance is originally set at £100,000 which is just in excess of the anticipated receipt from the approved disposal. As long as the £100,000 is eventually spent on affordable housing schemes, even it becomes a contribution to a wider project, then Regulation 17 should have been satisfied.

3.22 Following the options appraisal, it is anticipated that the Allowance will be increased to reflect costed proposals of specific schemes and the overall level of estimated investment.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

Local Authorities Capital Finance and Accounting Regulations (England) 2003

<http://www.legislation.gov.uk/uksi/2003/3146/contents/made>