
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 12
DATE OF MEETING:	10th SEPTEMBER 2009	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/capital/capital receipts/proceeds from Melbourne High Street
SUBJECT:	REINVESTMENT OF PROCEEDS FROM SALE OF HOUSING LAND	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the reinvestment of housing capital receipts as detailed in the report be considered.

2.0 Purpose of Report

- 2.1 To table for consideration, the re-investment of housing related 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 housing pool. Any single sale less than £10,000 in value is exempt.
- 3.2 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 (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 decides that the corresponding amount 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.
- 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.

Current Policy

- 3.9 When reviewing the Council’s Capital Investment Strategy in October 2007, the Committee approved a policy whereby a decision on utilisation of housing capital receipts would be made as they were generated. This was to ensure that a decision could be taken on the most up-to-date information regarding council priorities.
- 3.10 In particular, given some of the issues and changing circumstances associated with low cost affordable housing, it was considered that some flexibility was maintained within the policy on retained receipts.
- 3.11 Furthermore, the Council was (and still is) potentially facing a shortfall in capital funding over the next 5-years to meet all of its spending commitments. There is currently no substantial capital programme of works beyond this financial year (2009/10).
- 3.12 Therefore, it was considered prudent that the Council maintained some balance between providing funds for housing and other general schemes that would meet its priorities in the Corporate Plan – a flexible policy would allow this.
- 3.13 In addition, the Committee requested that the Housing and Community Services Committee to review and develop a policy on affordable housing, including options for delivery and to report back on the financial implications for the Council. This was to ensure that any other possible schemes were in place pending future receipts.
- 3.14 The Housing and Community Services Committee subsequently considered a report in November 2007. They approved a strategy and broad framework for

areas where resources could be utilised for low cost affordable housing/regeneration and these were:

- Continuation of the Sheltered Housing Vision
- Rural Affordable Housing
- Eradication of Fuel Poverty in Council accommodation
- Regeneration of Contaminated Land

3.15 To-date, no further definitive schemes under this strategy have been submitted or agreed with the Council's External Auditor.

Receipts Received in the Last Financial Quarter

3.16 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.

3.17 On 21st July 2009, the Council received a capital receipt of £72,000 from the sale land in Melbourne. This land had previously been identified as "surplus to requirements" through the Council's Disposal's Policy and approved by the Committee in October 2007 for sale at public auction.

3.18 The time delay from Committee approval to eventual disposal was due to two issues that needed to be resolved. Firstly, following an enquiry from a neighbouring landowner, the Council investigated whether better consideration could be obtained from a joint sale. Secondly, outline planning permission then had to be obtained to ensure that the land could be used for residential development.

3.19 The Council's initial reserve price was £45,000 and after much interest at auction, £72,000 was the final price paid. Consequently, the amount subject to pooling under the 50% rule (as the asset was classed as housing land) is £36,000.

Options

Option 1

3.20 Reinvest the proceeds into non-housing (general) schemes. Alternatively, given the projected deficit in overall capital resources as previously reported, the proceeds are just "banked" and held pending the financing of this deficit in the future.

3.21 Clearly however, the pooling payment would apply, and only £36,000 would be available.

Option 2

3.22 Reinvest the entire receipt into approved low cost affordable housing or regeneration schemes. As highlighted earlier, the only approved scheme currently available is the Sheltered Housing Vision.

3.23 To-date, approximately £1.2m has been invested in associated works from retained receipts since 2005/06, to deliver 2 phased work programmes.

3.24 The 1st phase provided new boilers at 2 sheltered complexes, together with the total replacement of the Careline/Telecare system. The 2nd phase started to deliver significant physical improvements.

3.25 It is estimated that around £320,000 is still required to complete all works in the planned programme, which mainly consist of:

- Upgrading internals such as taps and safety flooring
- External improvements – mainly to pavements.

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

Option 3

3.27 Reinvest a proportion into the Sheltered Housing Vision and then utilise the remainder for general schemes or to fund the projected capital deficit, the amount available subject to the level of pooling payment.

3.28 For example, if the Council wished to spend £20,000 on a general scheme, the receipt would be divided as follows:

Amount retained for general schemes	£20,000
Pooling payment (effectively 50% of the retained amount)	£20,000
Amount remaining for Sheltered Housing (£72,000 less 2 * £20,000 above)	£32,000

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 As detailed in the report.

6.0 Community Implications

6.1 The 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.

7.0 Background Papers

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