



AGENDA ITEM: 6(g)

CABINET: 16 June 2015

Report of: Assistant Director Housing and Regeneration

Relevant Managing Director: Managing Director (Transformation)

Relevant Portfolio Holder: Councillor J Patterson

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SUBJECT: USING ONE FOR ONE CAPITAL RECEIPTS

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To seek member direction on use of the retained one for one Capital receipts.

2.0 RECOMMENDATION

2.1 That the Assistant Director Housing and Regeneration be given delegated authority in consultation with the Housing Portfolio Holder, to maximise the use of the one for one retained capital receipts by using available Council resources, and/or external funds from RSL's or other investors as outlined in option 3.

3.0 BACKGROUND

3.1 As part of the Department for Communities and Local Government's (DCLG) package of measures to incentivise the take up of the Right to Buy (RTB) scheme, including increased discount levels, proposed reduction of qualifying period from 5 years to 3 years and advisor and mortgage support to promote RTB, it also confirmed that Councils would be able to retain part of the capital receipts from each RTB sale for a defined time period.

- 3.2 The intention was to provide new resources to deliver affordable social housing to offset the RTB sales. These capital receipts are ring fenced to deliver additional social housing only. This could be achieved by:
- The Council, or a Registered Social Landlord (RSL) building new homes for rent
 - The Council or a RSL purchasing existing homes for rent

The provision of homes does not necessarily need to be in the Council's administrative area. If the money was used by a RSL, the Council would negotiate nomination rights so that local residents would benefit.

- 3.3 The scheme has been described as 1-4-1 replacement but to access the funds there are a number of conditions. Firstly, that the Council has an agreement in place with the DCLG for 1-4-1 replacements. This Council has applied and been granted permission in 2012. Secondly, that to access the funds the Council must fund, from other sources, 70% of the total for any project. Thirdly, the Council cannot use this funding stream for projects that already have Homes and Community Agency (HCA) grant funding. Finally, any Council land that is provided to deliver a scheme would not count as part of the 70% contribution.
- 3.4 The calculation of the level of capital receipts is related to RTB sales by quarter. Each quarterly tranche is available to access for a period of up to 3 years. If unused after this period, any balance is refunded to the Treasury with an additional payment of 4% above base rate. The reason for the 3 year period is to accelerate the delivery of additional social housing. The calculation itself is a complex financial formula as designed by DCLG.

4.0 OPTIONS FOR USING THE 141 CAPITAL RECEIPT

- 4.1 Capital funds can be used for new build construction or purchase for rent on the assumption that the Council would wish to return as little as possible of the returned receipts to the Treasury, therefore following are options are available:

Option 1

That the Council utilise any available Council resources for example, from the Business Plan to match fund the 70% contribution to access the one for one receipts.

Option 2

That the Council seeks RSL support to provide the 70% match funding in schemes not using HCA grant funding. (The homes would be owned by the RSL).

Option 3

That we develop a programme of schemes to maximise the use of the retained receipts using available, Council resources, external funds from RSL's or other investors.

5.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 5.1 The table attached at Appendix A details the available retained receipts that can be utilised by the Council up to September 2017.
- 5.2 Currently, £99,000 has been allocated to the Council funded element of the Firbeck New Build Scheme. This required £231,000 of Housing Revenue Account (HRA) match funding i.e. 70% of the required contribution.
- 5.3 In total, the retained receipts fund total at 31st March 2014 is £321,000. This would require a total of £749,000 of match funding. This element of the retained receipt fund would also need to be spent by December 2016.
- 5.4 Additionally £138,000 of 141 receipts are available from 2014/15. This will require an additional £322,000 of match funding.
- 5.5 In summary therefore, £459,000 is available for one for one receipts requiring total match funding £1,071,000 and schemes would all need to be delivered by September 2017 to avoid return of the funds to the Treasury.
- 5.6 Equally important is the fact that any 141 receipts returned to the Treasury would require interest to be paid currently at 4% above the base rate.
- 5.7 In terms of available capital fund, the affordable housing capital programme of £151,000 of uncommitted funds that would allow us to use all our retained receipts up to December 2016.
- 5.8 Funding could also be made available from general capital receipts or from the HRA.

6.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The development of additional social housing will support objectives in the Council's Housing Strategy 2014 – 19 specifically objectives 1 and 5.

7.0 RISK ASSESSMENT

- 7.1 The primary risk is not maximising the retained receipts so that funding would be returned back to the Treasury.
 - 7.2 Additionally there is a risk of not securing match funding or being able to commit funds within the defined time period before it is reclaimed by the Treasury.
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Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix A - Summary of Retained Capital Receipts

Appendix B – Minute of Landlord Services Committee (Cabinet Working Group) held on 11 June 2015 (to follow)