



**AGENDA ITEM: 7(f)**

**CABINET: 14 June 2016**

**COUNCIL: 20 July 2016**

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**Report of: Director of Housing and Inclusion**

**Relevant Portfolio Holder: Councillor J. Patterson**

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**SUBJECT: ONE FOR ONE CAPITAL RECEIPTS**

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Wards affected: Borough wide

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To seek approval on use of one for one retained capital receipts to deliver affordable new housing that would remove the need to return capital monies to the Government.

## **2.0 RECOMMENDATIONS TO CABINET**

- 2.1 That the financial implications of utilising the retained one for one capital receipts outlined in section 6 of this report be noted.
- 2.2 That the Director of Housing and Inclusion, in consultation with the Housing Portfolio Holder, identify a site for development within the Borough and seek all necessary planning approvals as required to deliver additional affordable homes.

## **3.0 RECOMMENDATIONS TO COUNCIL**

- 3.1 That the £1.19 million favourable budget variance achieved on the HRA Capital Programme for 2015-16 be allocated to match £510,000 of retained capital receipts to provide affordable homes in the Borough.
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## **4.0 BACKGROUND**

4.1 The Department for Communities and Local Government's (DCLG) package of measures to improve the take up of the Right to Buy (RTB) scheme allowed Councils to retain part of the capital receipts from each RTB sale for a defined time period. The capital receipts are ring fenced to deliver new social housing only. The scheme was called one for one retained capital receipts [1-4-1]. However in essence the formula to access the retained capital receipt is based on the Council making a 70% contribution to secure a 30% contribution from retained receipts. For example for a £100,000 allocation the Council would need to provide £70,000 to access the £30,000 element of retained capital receipts.

4.2 Members will recall that in June 2015 Cabinet considered a report on the use of 1-4-1 capital receipts and agreed:

*“That authority be delegated to the Assistant Director Housing and Regeneration 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 RSLs or other investors as outlined in option 3 in the report.”*

4.3 Option 3 stated 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 CURRENT POSITION**

5.1 Whilst £98,000 of retained capital receipts were utilised for the Firbeck new build development this required a contribution from the Housing Revenue Account of £225,000. The amount is limited by the constraints of the funding rules related to borrowing. The funding was limited due to topping up the scheme development to add additional units to the Homes and Communities Agency funded element.

5.2 We have explored with our Registered Social Landlord [RSL] development partners the potential to access the retained 1-4-1 capital receipts but they do not wish to pursue this option at this stage. This is primarily because if they use other public funding from the Homes and Communities Agency they cannot use the retained receipts. Additionally as Members will be aware the financial climate has changed significantly for RSL's which has restricted their ability to deliver the scale of development programmes into the future and utilise their own funding streams. We will continue to explore options as they occur with our development partners

5.3 The introduction of the 1% rent reduction up to 2020 has impacted on the HRA Business Plan and means that less investment can now be made in the housing stock than previously anticipated. This has restricted our ability to provide contributory funding to access the retained receipts. However the HRA can provide funds, if Members so wish, to ensure that we minimise any capital funds that have to be returned to the Government and support the delivery of new homes in the Borough. This will however mean that there is less funding available for other priority areas.

- 5.4 The retained receipts scheme is time limited. In essence if retained receipts are not used within the specified three year timeframe from when they were generated they will be required to be repaid back to Her Majesty's Treasury with interest added at the rate of 4.5% (0.5% base rate plus 4%) per annum since the receipt was received.
- 5.5 There are emerging options such as acquiring affordable rental property from RSL's and a prospective option has recently arisen which could provide 5 additional affordable homes.
- 5.6 Officers will continue to explore any financial flexibilities to maximise the use of the retained receipts and minimise any potential to return funds to the Government. Officers will continue to analyse the benefits of these options to ensure that any retained capital receipts are maximised.

## **6.0 FINANCIAL AND RESOURCE IMPLICATIONS**

- 6.1 Work on closing down the accounts for 2015/16 has now been finalised and there has been a favourable budget variance of £1,190,000 delivered on the HRA capital programme. These monies can be used to access up to £510,000 of retained receipts, to provide a total scheme budget of £1,700,000.
- 6.2 The retained capital receipts scheme runs for 3 years from the date of the Council receiving the receipt. If it is not committed during this time it must be returned to Her Majesty's Treasury along with the additional interest charge. Up to December 2015 total retained receipts of £558,000 have been generated. Allowing for the timing of these receipts, and the expenditure that has already taken place on the Firbeck revival project, retained receipts would need to start being repaid to the Government from September 2016 if they have not been spent. The relevant Government Department has been contacted to see whether the rules could be relaxed and extended in exchange for a firm commitment to deliver new homes. Depending on the response that is received there may then be a need to adjust the budget figures, taking into account estimates of future 1-4-1 receipts that may be generated.
- 6.3 Providing Council funding will allow us to utilise the retained receipts and this size of financial package could deliver approximately 13 affordable homes.

## **7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

- 7.1 There are no significant sustainability impacts associated with this report

## **8.0 RISK ASSESSMENT**

- 8.1 The retained capital receipt funding may have to be returned by the defined timescale as part of the agreement with DCLG unless it is used along with the interest addition.
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## **Appendix**

Minute of the Landlord Services Committee (Cabinet Working Group) held on 8 June 2016 – *to follow*

### **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**

This project is at an early stage of development and an Equality Impact Assessment will be drawn up if required once more details are available.