
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 12
DATE OF MEETING:	15th FEBRUARY 2011	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/capital/capital receipts/proceeds from Coton Band Room
SUBJECT:	USE OF PROCEEDS FROM SALE OF FORMER BAND ROOM SITE, COTON	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

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.
- 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 up to this amount on this project if it so wishes.

Current Policy

- 3.9 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.
- 3.10 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.
- 3.11 Furthermore, as detailed in the Medium Term Financial Plan (MTFP), the Council is still facing a significant shortfall in capital funding from 2011/12 to meet its spending commitments.
- 3.12 Therefore, the Strategy allows a prudent approach in that the Council can maintain a balance between providing funds for housing and other general schemes.

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.
- 3.14 On 23rd December 2010, the Council received a capital receipt of **£152,000** from the sale of the former band room site and adjacent land in Coton. This land had previously been identified as “surplus to requirements” through the

Council's Disposal's Policy and approved by the Committee for sale at public auction.

- 3.15 Approval was granted for the sale some time ago. In the meantime, several issues have had to be overcome to gain outline planning permission for the site, in particular associated with the drainage of the site. Since 2006, approximately £13,000 has been spent on the site in terms of security, planning fees, flood risk assessments and the release of a covenant.
- 3.16 The site is part General Fund and part Housing on a 60/40 basis respectively. The Housing plot is restricted to single storey and has no road frontage and this affects that part of the valuation.
- 3.17 Consequently, 40%, (£60,800) is subject to pooling under the 50% rule, i.e. £30,400. This leaves £91,200 (60%) which can be used at the discretion of the Council. The Housing element is effectively then subject to 1 of 3 options.

Option 1

- 3.18 Reinvest this amount into non-housing (general) schemes. However, the pooling payment would apply, and only £30,400 would be available, with the same amount pooled.

Option 2

- 3.19 Reinvest this element of the receipt into approved low cost affordable housing or regeneration schemes, i.e. the Sheltered Housing Vision.
- 3.20 The Council currently has an outstanding commitment of approximately £320,000 to fulfil in full its Committee agreed Sheltered Housing Vision. 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.
- 3.21 The catalyst for the vision being created was a poor inspection report from the Audit Commission in 2001 into Sheltered Housing.
- 3.22 There is currently £35,000 remaining in the capital reserve already approved for use against the Sheltered Housing vision. Earlier in the year, the Committee approved a further £31,250 to be invested from the sale of land in Melbourne.
- 3.23 If the housing element of the sale of this site were combined with existing resources, 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.
- 3.24 Committee has already agreed in principle to the sale of another Housing asset, 35 Midland Road, to the P3 Charity to allow it to release grant monies for investment in that property (the homeless persons' hostel). If the proceeds of that sale are also utilised for the sheltered vision, there is the real prospect

of completing this longstanding project and financial commitment in the short to medium term.

3.25 To date the Council's Sheltered Housing 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 our 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.

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

Option 3

3.27 Reinvest a proportion of the housing element into the Sheltered Housing Vision and then utilise the remainder for general schemes. The amount available would be subject to the level of the pooling payment.

3.28 For example, if the Council wished to spend £20,000 on general schemes 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 (£60,800 less 2 * £20,000 above)	£20,800

Capital Commitments and Potential Shortfall in Financing

3.29 Potentially, up to £121,600 is available for general schemes (£91,200 + £30,400). Currently £1.5m over 5 years to 2015/16 is earmarked in General Fund Reserves to meet outstanding capital commitments (replacement vehicles and covenant repayments) if capital resources cannot be generated.

3.30 Directing this amount (£121,600) to those commitments would relieve some pressure on the overall General Fund Account by reducing the £1.5m required from reserves.

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.