

Report for Resolution

Report to Executive
23 July 2008

Report of Head of Finance

Subject Capital Allowances

Item
Urgent
item

Purpose

To seek approval of Capital Allowances enabling Housing Capital Receipts to be recycled for the purposes of regeneration and affordable housing.

Recommendations

- To approve the Capital Allowance set out for 2008/09;
- To approve the Capital Allowances extinguished for previous financial years

Financial Consequences

The financial consequences of this report are that the Council will retain 100% of qualifying receipts to support the Housing Capital Programme, rather than 50% being “pooled” and paid over to central government.

Risk Assessment

There is no risk attached to the approval of the recommendations.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners” and the service plan priority of maximising the effective use of resources

Executive Member: Councillor Waters - Corporate Resources and Governance

Ward: n/a

Contact Officers

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Background Documents

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

Report

Introduction

1. The Capital Allowance is the mechanism through which local authorities can recycle non-Right To Buy Capital Receipts, i.e., sales of housing land and buildings other than to secure tenants, for specified purposes, which are:
 - i) Certain costs of facilitating disposal which are:
 - a) obtaining planning permission for the development of the land, or taking any other steps required to facilitate such development
 - b) preparing the land for development
 - c) acquiring an interest, easement, servitude or right in or over the land or adjoining land; or
 - d) obtaining the release of a restrictive covenant affecting the land
 - ii) Certain costs which the Authority has incurred or has resolved to incur on the provision of affordable housing and regeneration projects which are:
 - a) constructing or improving dwellings, or providing dwellings by the conversion of a building or a part of a building
 - b) making a gift of land (this is where the authority transfers an interest in land and either no consideration falls to be given for the transfer or the value of the consideration that falls to be given for the transfer is less than the price that the interest transferred would realise at the date of the valuation if sold by the authority on the open market
 - c) paying a contribution, grant, or subsidy under any power conferred on the authority under any enactment or
 - d) giving consideration for any benefit that the authority has received, or will receive by virtue of the project
2. Provision of affordable housing is defined by Statutory Instrument to mean the provision of dwellings to meet the housing needs, as identified by the local authority, of persons on low incomes, whether provided by the authority or a registered social landlord.
3. Regeneration projects is defined by Statutory Instrument to mean the carrying out of works to bring into effective use within the Authority's area any land or building that is vacant, unused, under-used, ineffectively used, contaminated or derelict.
4. The approval by the Council of the Capital Allowance avoids these receipts being "pooled", or paid over to central government.
5. The Capital Allowance is increased by amounts resolved by the Council to be spent on the qualifying purposes, and decreased ("extinguished") by the amount of capital receipts received and applied to fund qualifying expenditure.

Capital Allowances 2004/05 to 2007/08

6. For years up to and including 2005/06, the Department for Communities and Local Government has finalised pooling of housing capital receipts based upon audited claims submitted by the Council which included the following sums extinguishing Capital Allowance:

2004/05 £1,550,896.00

2005/06 £5,549,348.10

7. For 2006/07, a claim has been submitted and audited, and confirmation is awaited from the Department for Communities and Local Government that they have finalised pooling of housing capital receipts which include the following sums extinguishing Capital Allowance:

2006/07 £6,337,562.33

8. For 2007/08, a claim has been submitted and is awaiting audit, which will be followed by confirmation from the Department for Communities and Local Government that they have finalised pooling of housing capital receipts which include the following sums extinguishing Capital Allowance:

2007/08 £2,186,811.00

9. These sums represent the Capital Allowance used ("extinguished") in each year.

Capital Allowances 2008/09

10. The Capital Allowance for 2008/09 is calculated, based upon amounts that the Council through the approval of the Housing Capital Programme 2008/09 has already resolved to spend on regeneration and affordable housing, as follows:

Brought forward from 2007/08	£3,946,000	Planned non-HRA Housing Capital expenditure in 2007/08 slipped into 2008/09
Planned non-HRA Housing Capital expenditure 2008/09	£5,155,000	As per approved Capital Programme 2008/09
Total Capital Allowance	£9,101,000	

11. It is currently anticipated that £8,924,000 of the Capital Allowance will be extinguished (by applying non-RTB Capital Receipts) during the course of the financial year. Any shortfall in receipts during this year will be reflected by carrying forward the un-extinguished Capital Allowance into the next financial year.