

Eden District Council

Executive

10 January 2012

Council

9 February 2012

Funding the Capital Programme and Affordable Housing

Reporting Officer: Director of Finance

Responsible Portfolios: Resources and Leader

1 Purpose of the Report

- 1.1 The purpose of this report is to consider how to fund the corporate priority of facilitating the provision of affordable housing whilst adequately funding the Council's Capital Programme.

2 Recommendation

Subject to Council confirmation it is recommended that:

1. any New Homes Bonus (NHB) received over that committed by the Resources Plan is allocated to a fund to support affordable housing; and
2. when any land is committed to an affordable housing scheme, the estimated market value of the land is transferred from the affordable housing fund to support the Capital Programme.

3 Supporting Affordable Housing

- 3.1 At Council on 1 December 2011, a Housing Board was set up. The main aim of the Board is to progress corporate priority H1, which is the facilitation of affordable housing. This report looks at the funding of affordable housing and how to best use the Council's land holding.

3.2 Funding Affordable Housing

An up-to-date projection has been made of the NHB over the period of the Medium Term Financial Plan (MTFP) (2012-16). The Resources Plan (Council, 29 September 2011) confirmed that NHB (which is an un-ringfenced cash grant) was not to be used for general purposes, but for specific priorities. An initial commitment was made to special projects arising out of Management of Succession (£300,000: £100,000 per annum from 2012-13 to 2014-15) and an annual contribution of £100,000 to the Community Fund. A decision on how to use any further grant was left until later.

The projection of grant and current expenditure allocations are summarised below:

	2011-13	2013-14	2014-15	2015-16
	£'000	£'000	£'000	£'000
NHB	323	377	563	714
Allocated to Expenditure	200	200	200	100
Unallocated NHB	123	177	363	614

See Appendix for basis of calculation.

The total of unallocated NHB from 2011-16 is £1,277,000. It is proposed that this is allocated to affordable housing. It should be noted that this cannot be committed to expenditure until the actual grant is confirmed each year by the Department for Communities and Local Government: this is in February, prior to the financial year in which the grant is paid.

3.3 Using Council Land for Affordable Housing Schemes

One effective way of facilitating affordable housing schemes is to make Council land available, possibly at below market rates. Whilst the Council does not have a large holding of land suitable for housing developments, its sites may be useful in enabling schemes to progress.

The estimated receipt from the Council's land holding of £500,000 is currently allocated to fund the Capital Programme. It is proposed that if any of the land is used for affordable housing purposes, the market value of the land is transferred from the affordable housing fund to support the Capital Programme.

- 3.4 At its meeting on 1 December 2011 the Council agreed (report CE20/11) that a number of its sites are potentially suitable for affordable housing. This excluded two pieces of land held by the Council (at Langwathby and Dufton) that are prime housing sites. It is considered that best value for money would be secured if these were sold on the open market at the appropriate time.

4 The Capital Programme

4.1 Draft Programme

- 4.1.1 The report to the Executive on the draft Capital Programme (6 December 2011, report F87/11) shows a total programme is £4,306,000. Available funding is £3,300,000, giving an over commitment of £1,006,000.

- 4.1.2 The programme is dominated by housing, which accounts for £3,244,000. The only other elements of any size are:

- Eden Business Park: £275,000 - finishing road on Phase 1 and feasibility study for Phase 2;
- Penrith Regeneration: £200,000 - capital element of money for Vitality of Penrith;
- PNS: £240,000 - fees for specialists.

4.1.3 The housing element is made up of:

- single capital pot (SCP): £698,000 - this is a carry-forward funded by SCP grant received under a previous funding regime. Once spent (and most (£500,000) is committed to the Penrith New Squares scheme), this is gone;
- discretionary renovation grants £1,362,000 - these fund a number of types of grants, the main ones being:
 - ▷ empty property grants
 - ▷ decent homes assistance
 - ▷ energy efficiency grants
- mandatory renovation grants: £1,184,000 - these are disabled facilities grants (DFGs). The Government gives an annual grant for DFGs. This is currently £158,000. The funding assumes that we get this grant in each year of the programme (5 x £158,000 = £790,000). Historically, councils had to match every 60p of grant with 40p of their own funding. Whilst this is no longer the case, the Council still uses this to arrive at the total budget for DFGs, ie £250,000 per annum.

Nationally, demand for DFGs is rising as the population ages. Whilst Eden's position is perhaps not as acute as some other councils (Carlisle describes DFGs as their major financial issue), it is clear that funding DFGs will be a growing issue. To date, the Council has tried to 'manage' award of grants in line with its budget. However, it can only do this to a certain degree, given the mandatory nature of the grants.

4.1.4 The available funding is based on 'certain' funding as follows:

	£'000	
Usable Capital receipts	1,619	Receipts in hand, ie cash banked
Revenue Contribution	75	Use of Revenue Balance in hand
Government grant for DFGs	790	Assumes current grant level will continue
Capital grants	118	Three schemes where applications were successfully made, viz, recycling, Greenside Mines and the Play Programme
Housing Single Capital Pot	<u>698</u>	Balance brought forward from previous scheme
	<u>3,300</u>	

4.1.5 The gap between the programme of £4,306,000 and available resources of £3,300,000 of £1,006,000 is the over-commitment. However, as long as there has been an over-commitment, the Council has been able to assume it is covered by likely asset sales in the medium-term, viz, the remaining plots on Eden Business Park and 'general' sales of £100,000 per annum for five years.

4.1.6 If this funding did not to actually materialise, and no alternative funding was available, the impact would most likely be on the non-committed discretionary area of renovation grants (ex DFGs). These total £960,000 (£235,000 x 4) 2012-16. The 'general' receipts arise largely from saleable land (see paragraph 3.3 above).

4.2 Funding the Capital Programme

4.2.1 The Medium Term

In the medium term the current programme is broadly fundable as long as:

- there aren't any significant new calls on the programme. Presumably, new calls will be restricted to essential items, such as the recent new scheme for Sandgate car park repairs;
- any re-direction of surplus land from 'general' receipts into affordable housing is adjusted for by the mechanism set out in section 3 above.

4.2.2 The Longer Term

In the longer term it may be useful to think what sort of Capital Programme we realistically can fund. The Council has historically had a large non-Housing Revenue Account Capital Programme for a small district council. This has been funded through Council house sales, both before and after the Large Scale Voluntary Transfer (LSVT). So, for example, the Capital Programme was £18.9m in 1996-2001 and £15.5m in 2002-7. Compare this to our current programme of £4.2m. It is hard to see the Council being able to afford any major capital schemes in the near future on its own.

4.2.3 Funding Options

Grants - Apart from DFGs, where Government funding will hopefully continue, grant funding is likely to be restricted to small specific schemes, eg Greenside Mines remediation study.

Capital receipts - as noted above, these are the remaining Eden Business Park plots and 'general' sales. Both are earmarked to fund the current over-commitment. It is also worth noting that we are still getting a share of Eden Housing Association Right to Buys. The Council received £97,000 in 2010-11, £88,000 in 2009-10, but none in 2008-09.

Loans - these obviously come with a revenue cost. The only borrowing the Council has undertaken since going debt-free was for Bluebell Lane car park extension, where the scheme generated income to offset the costs.

Revenue - as capital can be funded out of revenue, balances are a source of potential funding; eg, they were used to fund a £75,000 capital budget for Eden Business Park Phase 2 feasibility.

The Council is currently progressing two projects (the Magistrates' Court site and the Town Hall extension) where the funding will come from revenue reserves. Clearly, the Council's revenue reserves are finite and the scope for any further funding on this scale will be limited.

4.3 **Future Programme**

4.3.1 In the foreseeable future, it is unlikely that the Council will, again, be using its Capital Programme for a major enhancement of service provision, such as occurred when the swimming pool was converted into a leisure centre. However, as the Council seeks to achieve its refreshed Corporate Plan there will, inevitably, be calls upon the Capital Programme, eg affordable housing, moving to one site (the funding options will be a key piece of the business case for this scheme). As with any call for new money when resources are very tight, this will require some difficult choices.

4.3.2 The proposals in section 3 address funding for affordable housing.

5 **Policy Framework**

5.1 The Council has four corporate priorities which are:

Affordable Housing
Quality Environment
Economic Vitality
Quality Council

Council, on 29 September 2011, agreed strategic actions to achieve these priorities.

6. **Implications**

6.1 **Legal**

6.1.1 There are no legal implications.

6.2 **Financial**

6.2.1 Council's stated priorities, as set out in its refreshed Corporate Plan.

6.2.2 The financial implications are set out in sections 3 and 4.

6.3 **Equality and Diversity**

6.3.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equality Act 2010 and related statutes.

6.3.2 There are no implications.

6.4 **Environmental**

6.4.1 The Council has to have due regard to conserving bio-diversity under the Natural Environment and Rural Communities Act 2006.

6.4.2 There are no implications.

6.5 Crime and Disorder

6.5.1 Under the Crime and Disorder Act 1998 the Council has to have regard to the need to reduce crime and disorder in exercising any of its functions.

6.5.2 There are no implications.

6.6 Children

6.6.1 Under the Children's Act 2004 the Council has to have regard to the need to safeguard and promote the welfare of children in the exercise of any of its functions.

6.6.2 There are no implications.

6.7 Risk Management

6.7.1 Risk Management is a process whereby attempts are made to identify, actively control and reduce risk to protect the Council. This covers not only the traditional areas of insurable risk but also the organisational risk that the council faces in undertaking all its activities.

6.7.2 This report seeks to mitigate two risks:

- the Capital Programme is left unfunded as land sales are used for affordable housing rather than being sold as capital receipts; and
- the priority area of affordable housing is not properly funded.

7. Conclusion

7.1 Projected NHB over the period 2012-16 gives the opportunity to protect the Capital Programme funding from land sales and to create a funding source for affordable housing.

D J Rawsthorn
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Governance Checks:

Checked by, or on behalf of, the Chief Finance Officer	✓
Checked by, or on behalf of, the Monitoring Officer	✓

Background Papers:

NHB projection
Draft Capital Programme

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Calculation of New Homes Bonus

A council receives a cash grant each year (and in the following five years) based on the number of new homes built and the change in long term empty properties (in the period November to the preceding October) plus an additional payment for affordable homes built (in the twelve month period a year back).

The NHB has been calculated as follows:

Grant 2011-12 to 2016-17:	107	new homes built	} Actual grant
	-44	increase in empties	}
		(affordables not in calculation)	
Grant 2012-13 to 2017-18:	161	new homes built	} Provisional grant
	4	decrease in empties	}
	26	affordable homes	}
Grant 2013-14 to 2018-19:	100	new homes built	} Estimate
	0	decrease in empties	}
	71	affordable homes	}
Grant 2014-15 to 2019-20:	160	new homes built	} Estimate
	0	decrease in empties	}
	56	affordable homes	}
Grant 2015-16 to 2020-21:	130	new homes built	} Estimate
	0	decrease in empties	}
	50	affordable homes	}

For every Band D equivalent (new homes and change in empties) the grant is £1,439. For every affordable home there is a bonus of £350. In two tier areas of the total grant 80% comes to the district council and 20% to the county council.