

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet
AUTHOR/S: Chief Executive/Principal Accountant

14 September 2006

THE TREATMENT OF RECEIPTS FROM REPAID CAPITAL GRANTS AND LOANS

Purpose

1. To ask Members how they would like the receipts from repaid capital grants and loans to be used and make recommendations to Council.

Effect on Corporate Objectives

2. Quality, Accessible Services	Additional funds could be made available for conservation, renovation and disabled facilities work.
Village Life	Preserving, renovating and adapting buildings may enable a more diverse range of people to remain in villages
Sustainability	Historic building grants and renovation grants and loans help to preserve buildings thus reducing the need for new materials to be used.
Partnership	Some grants and loans are awarded in partnership with other organisations.

Background

3. A revised legislative framework for housing assistance, which came into force in July 2003, enabled the Council to provide loans for disabled works over and above the £25,000 mandatory grant limit and for loans for renovation work subject to a test of resources.
4. In June 2003 Cabinet considered a new housing improvement grant and loan policy and agreed to the introduction of zero interest loans for discretionary disabled facilities work and, following the receipt of additional information in October 2003, also agreed to zero interest loans for renovation work. These loans become a charge on the property and are repayable to the Council in the event of a sale or transfer.
5. In addition to the zero interest loans introduced in 2003, renovation grants made under the earlier legislation and historic building grants are both subject to a provision that some, or all, of the grant is repaid when a property is sold within a set number of years.
6. In the event of an historic building grant being repaid, the income received has (since prior to the 1974 reorganisation) been recycled to fund further historic building grants.
7. The demand for home improvement work is very difficult to predict with any degree of certainty and as a consequence in the past there have been years where there has been a significant under-spend and years where there has been a need for extra funding. In the current financial year, £50,000 has already been vired from another part of the approved capital programme in order to support additional expenditure on disabled facilities grants.

8. Earlier in this financial year, £11,300 was repaid in relation to a renovation grant made under the earlier legislation and officers have asked whether this money can be used to further increase the current year's budget for disabled facilities grants.
9. There does not at present appear to be an approved policy on this matter and Members are, therefore, requested to consider the use of funds received by the Authority from the repayment of capital grants and loans.

Considerations

10. At the moment, there are around 80 historic building grants with a value of approximately £250,000 that could potentially be repaid. However, repayment is only required when a property is sold within three years of the final grant payment being made. Whilst so far this year two grants have been repaid, normally, presumably as a consequence of the short timescale, very few grants fall to be reimbursed to the Council and in the last two financial years no income at all has been received from this source. It is, therefore, suggested that the existing practice of recycling recouped historic building grants to enable further such grants to be made is continued.
11. There are 18 renovation grants awarded under the old legislation with a value of around £300,000 that could still be recouped if a property is sold or transferred. The repayment condition only applies where a property is sold within five years of the final grant payment being made and the outstanding value will have reduced to zero by July 2010.
12. The renovation loans awarded after October 2003 are repayable in perpetuity and eight of these loans have so far been made with a total value of £78,000.
13. Thirteen discretionary disabled facilities loans (given in addition to the statutory maximum grant of £25,000) with a value of around £186,000 have been made to date and, again, these are a charge on the property with an obligation to repay on sale or transfer, in perpetuity.
14. The combined value of both types of loan made to date is over £260,000 and will, almost certainly, grow year on year. Whilst none of these loans have so far been recouped, in some years, substantial sums may fall to be repaid to the Council.
15. The use to which the Council can legally put any funds from repaid capital grants and loans will vary depending on the amount involved, with any repayments in excess of £10,000 being classified as capital receipts and only useable to fund capital expenditure. However, repayments below the £10,000 threshold (which can be used to fund revenue expenditure) are likely to form only a very small proportion of the overall reimbursements.

Options

16. The options under consideration for the treatment of the income from repaid grants and loans are that:
 - (i) it is all recycled to fund additional grant expenditure;
 - (ii) it is all retained to provide additional funding for revenue and/or capital in general; and
 - (iii) a combination of recycling and retention; with the suggestion that the income from recouped historic building grants is recycled (to enable additional historic building grants to be awarded) and the income from

disabled facilities loans and renovation grants and loans is made available, if required, to meet additional demand for these grants and loans in the year in which the reimbursement takes place. Any amounts outstanding at the end of the financial year could then be utilised to provide funding for expenditure in general.

Financial Implications

17. In the future substantial, though unpredictable, additional funding could become available. If this is totally reserved for similar grant and loan expenditure then there could be lost opportunity to fund needed expenditure on other areas within the capital programme. If income is received in a year where extra funding is required then it would seem preferable to use this rather than reduce another part of the capital programme in order to pay for grants.

Legal Implications

18. Repaid capital grants of over £10,000 are capital receipts and as such can only be used for capital purposes.

Staffing Implications

19. There do not appear to be any direct staffing implications.

Risk Management Implications

20. There do not appear to be any risk management implications.

Conclusions/Summary

21. Earlier this financial year a renovation grant was repaid to the Council when a property was sold. The 2006/07 budget for mandatory disabled facilities grants (£450,000) is already almost fully committed and officers have asked if this unexpected income could be used to support additional grant expenditure.
22. There does not appear to be a policy on the treatment of any income received from the repayment of capital grants and loans and Members have therefore been requested to consider the matter.
23. For the life of this Authority historic building grants have been recycled to enable further grants to be awarded. Because these grants are only repayable if a property is sold or transferred within three years of the final grant payment, there are very few such reimbursements. It is suggested, therefore, that the established treatment continues.
24. With regard to the repayment of discretionary disabled facilities loans and renovation grants and loans, because any loans awarded after the new regime came in to effect during 2003 are repayable in perpetuity, the amounts involved are potentially substantial. As a consequence, it does not seem appropriate to totally reserve such funds to the detriment of the Council's other projects. It is suggested, therefore, that, to avoid pressure on the rest of the capital programme, reimbursed grants and loans should be made available for any additional funding requirement for these grants and loans that may arise during the year and any amounts outstanding at the end of the year should be returned to balances.

Recommendations

25. Cabinet is asked to recommend to Council that:
- (a) the existing treatment of repaid historic building grants, whereby income from this source is returned to the historic building grant reserve for reuse, is ratified;
 - (b) income from the repayment disabled facilities loans and renovation grants and loans is made available to fund these grants and loans if, and only if, additional funds, over and above those in the budget, are needed in the year the repayment is received; and
 - (c) income from repaid discretionary disabled facilities loans and renovation grants and loans not required in the year, rather than being earmarked for any particular purpose, is returned to balances and thereby made available to support service expenditure in general in future years.

Background Papers: the following background papers were used in the preparation of this report:

Item 6 of the 5th June 2003 Cabinet Agenda – New Housing Improvement Grant Policy

Item 4 of the 30th October 2003 Cabinet Agenda – Housing Renovations Assistance

Statutory Instrument 2003 no 3146 – The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

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