

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO HEALTH AND HOUSING COMMITTEE

INFORMATION

Agenda Item No

meeting date: 21 JANUARY 2010
 title: RIBBLE VALLEY HOMES - CAPITAL EXPENDITURE AND THE VAT SHELTER
 submitted by: DIRECTOR OF RESOURCES
 principal author: NEIL SANDIFORD

1 PURPOSE

1.1 To update Committee on the latest position of the VAT shelter approved on the transfer of the Housing Stock to Ribble Valley Homes.

2 BACKGROUND

2.1 In April 2008 the Council's housing stock transferred to Ribble Valley Homes (RVH), a subsidiary of the Vicinity Housing Group. As part of the transfer the Council and Vicinity entered into an agreement whereby (£36.3m) would be used to upgrade the housing stock over the first 15 years following transfer.

2.2 As part of this programme the VAT paid by RVH for this work would be reimbursed by HM Revenue and Customs. The Council would then receive a large proportion of this VAT. Over the 15 year period the VAT transferred to the Council was estimated to be £4.813m.

2.3 VAT transfers for the first 5 years are at a rate of 100%, for the second 5 year period at 75% and for the final 5 year period at 40%. Achieving the spend in the first 5 years and therefore the recovery at the higher rate is important for the Council's capital programme before the taper sets in.

2.4 The Appendix attached to this report outlines the position agreed with RVH over the 5 yearly blocks.

3 PRESENT POSITION

3.1 The programme is now approaching its third year and the purpose of this report is to update the Committee on the achievement of the financial plan.

3.2 In the table below comparisons are made between the original forecasts of the level of capital expenditure and the capital receipt/VAT recovery, with the most recent information (November 2009) supplied by RVH.

Capital expenditure/VAT – first 5 years					
	Capital expenditure		Capital receipt/VAT recovery		
	Original budget £000's	Revised budget £000's	Original budget £000's	Revised budget £000's	Difference £000's
2008/09	2,254	1,220	390	183	-207
2009/10	2,546	2,893	447	457	10
2010/11	3,214	3,096	564	542	-22
2011/12	2,618	2,618	459	459	0
2012/13	2,643	2,643	464	464	0
Total	13,275	12,470	2,324	2,105	-219

- 3.3 On the basis of the current forecasts there will be a reduction of £219k in VAT over the life of the first 5 years of the programme, when receipts are at 100%. The table above identifies the shortfall in the first year of operation when set up was at its height and when from December 2008 there was a temporary change to the rate of VAT (down to 15%). In subsequent years the programme is back on track.
- 3.4 The programme for 2009/10 is under way and payments to the end of November amount to £1.812m with the balance of the programme committed. Therefore subject to contractor performance the bulk of this years programme should be achieved. There is however, still some catch up work to complete the programme and achieve the budget. So to exercise greater control of their (RVH) performance, a system of monthly monitoring has been introduced that ensures the Council receives information on spend and VAT recovered. Slippage and underachievement will be identified early and remedial steps can then be taken. We will also liaise with RVH to ensure that additional work is brought into the programme so that the level of expenditure is brought back to the budget level and that the capital receipt is maximised.
- 4 CONCLUSION
- 4.1 There was a shortfall in receipts in the first year of operation which was also partly due to a temporary change in the VAT rate to 15%.
- 4.2 It is anticipated that the bulk of the current years programme should be achieved, and a system of monthly monitoring has been put into place to ensure more timely information is received by the Council.



NEIL SANDIFORD

HH1-10/NS/AC
15 December 2009

RIBBLE VALLEY HOMES**Capital expenditure and VAT shelter**

Summary of the overall capital programme to from 2008 to 2023 contained in the transfer agreement with Ribble Valley Homes

Overall capital programme				
	Years 1-5	Years 6-10	Years 11-15	Total
	£000's	£000's	£000's	£000's
Planned capital expenditure	13,275	14,247	8,809	36,331
Anticipated VAT	2,320	2,493	1,541	6,354
Less admin costs	(50)	(50)	(50)	(150)
Add expected interest	54	61	37	152
Residual amount	2,324	2,504	1,528	6,356
Councils rate of recovery	100%	75%	40%	-
Expected capital receipt	2,324	1,878	611	4,813