
TRANSFER OF THE FORT ROAD HOTEL FROM GENERAL FUND TO HOUSING REVENUE ACCOUNT

To: **Cabinet – 2nd April 2015**

Main Portfolio Area: **Housing and Planning Services**

By: **Cllr Richard Nicholson, Deputy Leader and Portfolio Holder
Housing and Planning Services**

Classification: **Unrestricted**

Ward: **Margate Central**

Summary: **To transfer the Fort Road Hotel from general fund to housing revenue account and to agree the budgets for the development of the property into housing.**

For Decision

1.0 Introduction and Background

- 1.1 The Fort Road Hotel, Margate has been empty and derelict for a number of years. As a result the property was subject to a compulsory purchase order that was made on 28th May 2010. A general vesting declaration was made on 15th October 2010 and the property has been held within the general fund since.
- 1.2 The council has considered a number of options for the property and has undertaken requests for development proposals through an expression of interest process on a couple of occasions, the latest being in 2014.
- 1.3 The expressions of interest have been unable to identify a suitable development proposal and in order to progress bringing this property back into use it is proposed it is now used for housing purposes.

2.0 Options

- 2.1 The property is transferred from the general fund to the HRA and cabinet agree the funding arrangements to undertake the development.

3.0 Equality Impact Assessment

- 3.1 An Equality Impact Assessment is not necessary.

4.0 Corporate Implications

4.1 Financial and VAT

- 4.1.1 Due to the accounting arrangements there is a decrease in the headroom for HRA borrowing by the amount equivalent to the market value of the property. As the market value has been determined as nil this will not impact on the capped HRA borrowing headroom. The estimate of the financial impact of the transfer is detailed in the table below:-

| Detail | HRA | General Fund |
|---|-------------|---------------------|
| Estimated Opening Capital Financing Requirement | £20,874,692 | £26,459,705 |
| Market Value of Hotel | £0 | £0 |
| Closing Capital Financing Requirement | £20,874,692 | £26,459,705 |

- 4.1.2 Capital expenditure will be required for the development of the property into housing and it is proposed to utilise £950K of balances held within the Housing Revenue Account to facilitate this, through a revenue contribution to capital spend and 1-4-1 receipts where appropriate. Up to 30% of development costs can be funded from 1-4-1 receipts for new affordable housing units.
- 4.1.3 The financial impact of transferring the Hotel from the General Fund to the Housing Revenue Account will mean that any future costs and income relating to the property will subsequently fall on the Housing Revenue Account.
- 4.1.4 To date costs of approx. £30,000 have been incurred on scaffolding etc. to support the structure and these will be funded from the General Fund repairs reserve prior to transfer.
- 4.1.5 As options for development were initially considered, in order to protect the council's VAT partial exemption status the Council applied for an option to tax on the property. Specialist advice has been sought on the tax impact of changing the development for housing as opposed to commercial. Advice received has been that provided the consideration for the property is less than £250,000 then the capital goods scheme will not apply.
- 4.1.6 On the assumption that the property will be used for residential housing purposes and not for commercial rent, the option to tax will be dissapplied and so will not have any impact provided the property is used to house council tenants. In the event the Council were to consider a shared ownership scheme then the initial capital receipt from the owner would qualify as the first grant of a major interest in the dwelling and would therefore be zero rated allowing the Council to recover all the VAT incurred on construction. The rental payment for the remaining share that remains in TDC's ownership will be an exempt supply and so any VAT incurred on expenditure after the first grant will need to be considered in relation to the Council's partial exemption status.
- 4.1.7 Stamp duty and land tax (SDLT) is charged by a seller on the acquisition of a chargeable interest in land by the purchaser. As the property remains within the ownership of the council there should be no further SDLT payments to transfer the property from the General Fund to the HRA.

4.2 Legal

- 4.2.1 There are no legal implications as the transfer of the property between budgets and the use of the property for housing purposes do not conflict with the original compulsory purchase order.
- 4.2.2 The transfer will be carried out in accordance with the relevant legislation.

4.3 Corporate

4.3.1 Housing is a key area of focus for the council and the development of this property for housing purposes meets the following corporate priority.

Priority 7: We will plan for the right number and type of homes in the right place to create sustainable communities in the future.

5.0 Recommendations

5.1 For cabinet to agree to transfer the Fort Road Hotel from the general fund to the housing revenue account;

5.2 For cabinet to agree to allocate the property for housing purposes;

5.3 For cabinet to agree the use of HRA balances and 141 receipts where appropriate to undertake the development works up to £950K;

5.4 For cabinet to agree the use of repairs reserve to fund the General Fund costs already incurred prior to transfer.

| | |
|------------------|---|
| Contact Officer: | Tanya Wenham, Head of Housing Services |
| Reporting to: | Larissa Reed, Interim Director for Community Services |

Annex List

| | |
|------|-----|
| None | N/A |
|------|-----|

Background Papers

| Title | Details of where to access copy |
|-------|---------------------------------|
| None | N/A |

Corporate Consultation Undertaken

| | |
|---------|--|
| Finance | Nicola Walker – Interim Head of Finance |
| Legal | Steven Boyle – Head of Legal & Democratic Services |