

BRIEFING REPORT

Asbestos claims by Plymouth Community Homes (PCH)

**1. EXECUTIVE SUMMARY**

This briefing note is to set out the use of capital receipts to pay for asbestos removal from the original houses that were transferred to Plymouth Community Homes (PCH).

The housing stock transfer to Plymouth Community Homes (PCH) is dated 20 November 2009. The Transfer Agreement provides that PCC is responsible for indemnifying PCH against the cost incurred in connection with asbestos refurbishment under Sch 6 Cl 7.12 of the agreement. This applies insofar as those costs exceed £10 million sum until the 20th anniversary of the agreement which is 20th November 2029.

During the period since the Transfer Agreement was signed PCH has paid out £10m on asbestos refurbishment and therefore the liability for asbestos now falls on PCC. A further £3.029m has been paid by PCC during the period 2018/19 to 2022/23, this has been funded from the £3.5m Capital Receipts that were set aside in July 2019 by Executive Decision L4 19/20. Leaving a balance of £0.471m available towards to continuing liability in 2023/24.

PCC intends to fund the asbestos payments to PCH from the Right to Buy (RTB) capital receipts.

Recommendation

It is recommended that the Leader of the Council:

1. Approves the allocation of £1.154m Right to Buy capital receipts, received 2022/23 to the capital programme for the PCH Asbestos Liability claims;
2. Delegate to the Service Director for Finance approval to earmark future Right to Buy capital receipts to fund PCH asbestos liability through the capital programme until 2029 where they would not already have authority to do so within the scheme of delegation

2. BACKGROUND

Expenditure by PCC to PCH for Asbestos works during the past 6 years has been as follows:

Capital spend	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Asbestos charges from PCH	504	573	477	784	691	3,029

Due to the rising costs of construction works experienced over recent years, it would be prudent to estimate the future costs to PCH, per annum, as being in the region of £0.800m.

As stated above the costs of these works are to be met from the Right to Buy capital receipts received annually from PCH. Again, this is an arrangement agreed with PCH within the Stock transfer agreement and will continue for 30 years following the stock transfer agreement date – 20th November 2039.

The income received from PCH from RTB sales during the past 5 years is as follows:

RTB Receipts	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Asbestos charges from PCH	1,243	634	745	1,273	1,154	5,049

The RTB income received from PCH has also been used to finance the delivery of PCC Plan for Homes programme of works. Income received from PCH during the 3 years 2019/20 – 2021/22 totals £2.652m and this has been set aside to assist with housing delivery.

3. PROPOSED CHANGES AND REASONS

Of the £3.500m set aside in 2019 to cover the Asbestos liability with PCH, £0.471m remains, this balance will not be sufficient to cover the 2023/24 liability, which is currently estimated to be £0.800m. The asbestos liability runs until November 2029.

This briefing paper is recommending that the RTB receipts collected in 2022/23 of £1.154m are set aside to cover the asbestos liability for 2023/24 and beyond. Approval is also sought to ringfence further RTB capital receipts to the asbestos liability.

Once actual receipts for 2023/24 and future years are known additional approval to add to the capital programme will be delegated to the Service Director for Finance until the council's liability is met in 2029.