

Grant Recovery

3.4.8.4 - Worked example

Value > Costs at Initial Sale, then increasing

Cost of Provision £200,000

Funding

Loan Debt £150,000

Grant £50,000

Sale at open market value £240,000

Gross Receipt from purchaser - 75% of market value = £180,000

Equity Loan of 25% (held by Registered Provider = £60,000

NB – The Registered Provider has now received a total grant of £110,000 (£50,000 towards the cost of development & £60,000 to fund the equity loan to the purchaser). All £110,000 of grant is recoverable.

Use of gross receipt £180,000

Repay provider (£150,000)

Fees (£1,000)

Net sales receipt: £29,000

to Recycled Capital Grant Fund £29,000

to provider balance sheet £0

The provider then defers paying the outstanding £21,000 development grant (£50,000-£29,000).

On redemption of equity loan property value has increased

Current market value (total sales receipt) £360,000

75% of receipt to purchaser £270,000

25% to provider £90,000

Use of gross redemption receipt £90,000

Fees (£1,000)

Net Redemption Receipt: £89,000

to Recycled Capital Grant Fund:

deferred (outstanding grant) (£21,000)

equity loan grant repayment (£60,000)

to Registered Provider balance sheet £8,000

Value < Costs at Initial Sale, then increasing

Cost of Provision £200,000

Funding

Loan Debt £150,000

Grant £50,000

Sale at market value £160,000
Gross receipt from purchaser - 75% £120,000
Equity Loan of 25% (held by Registered Provider)) £40,000

NB – The provider has now received a total amount of grant of £90,000 (£50,000 towards the cost of development & £40,000 to fund the equity loan to the purchaser). All £90,000 of grant is recoverable.

Use of gross receipt £120,000
Repay provider debt £150,000
Fees £1,000
Net Sales Receipt: £0
Outstanding debt on provider's balance sheet £-31,000

On redemption of the equity loan property value has increased

Current market value £200,000
75% of receipt to purchaser £150,000
25% to provider £50,000

Use of gross redemption receipt £50,000
Repay remaining provider debt £31,000
Fees (£1,000)
Net Redemption Receipt: £18,000
to Recycled Capital Grant Fund £18,000
Outstanding grant £90,000-£18,000 = £72,000
Grant written off £72,000