

REPORT TO: Cabinet Member Regeneration
Cabinet

DATE: 4th August 2010
5th August 2010

SUBJECT: Disturbance payments for residents moving as a direct
consequence of Housing Market Renewal redevelopment
activity.

**WARDS
AFFECTED:** Linacre, Derby, Litherland, Church, Netherton & Orrell

REPORT OF: Alan Lunt - Neighbourhoods and Investment Programmes
Director

**CONTACT
OFFICER:** Tom Clay, HMR Programme Manager
0151-934 4849

**EXEMPT/
CONFIDENTIAL:** No

PURPOSE/SUMMARY:

To propose changes to the arrangements for, and amounts of disturbance payments to be made to residents (both tenants and owner-occupiers) moving as a direct consequence of Housing Market Renewal redevelopment activity.

REASON WHY DECISION REQUIRED:

The Neighbourhoods and Investment Programmes Director does not have delegated authority to make decisions relating to such matters.

RECOMMENDATION(S):

That Cabinet Member Regeneration recommends to Cabinet, and Cabinet confirms;

1. That the levels of disturbance payments to be made to residents (both tenants and owner-occupiers) moving as a direct consequence of Housing Market Renewal redevelopment activity be adjusted as set out in Table 1 at paragraph 14 of this report.
2. That the level of disturbance payments be revised annually on April 1st to take account of changes to the Consumer Price Index

KEY DECISION: No

FORWARD PLAN: N/A

IMPLEMENTATION DATE: Upon the expiry of the call in period for the minutes of the meeting

ALTERNATIVE OPTIONS:

The alternative is to leave the levels of lump sum payments as they were set in 2004. This is not considered to be equitable, and is likely to lead to an increase in the number of claims being made on invoices and consequently an increase in administrative costs with no saving in the amounts of disturbance payments made, delays in being able to agree terms, increased likelihood of objections to any CPO, and the potential for future representations to the Lands Tribunal..

IMPLICATIONS:

Budget/Policy Framework: Implementation of the recommendation would lead to an adjustment to an existing policy.

Financial: This expenditure will be contained within currently approved spending on acquisitions in the current financial year, and for future years will be a component in any budget/funding available and the programme tailored accordingly.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources: HMRI				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When? March 2011			
How will the service be funded post expiry?	If no funding available,			

	service will cease.
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Legal: It is proper and within the Council’s powers to make the proposed changes. Not to make an increase after such a lengthy period could leave the Council open to legal challenge.

Risk Assessment: N/A
Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

FD 469 - The Head of Corporate Finance & Information Services has been consulted and his comments have been incorporated into this report
 Acting Head of Legal Services
 Corporate Property and Asset Manager

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		x	
2	Creating Safe Communities		x	
3	Jobs and Prosperity	x		
4	Improving Health and Well-Being	x		
5	Environmental Sustainability		x	
6	Creating Inclusive Communities	x		
7	Improving the Quality of Council Services and Strengthening local Democracy		x	
8	Children and Young People	x		

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT
 Report to Cabinet Member Regeneration; “Disturbance Payments”: August 11th 2004.

Background

1. Where tenants' and owner-occupiers' homes are to be demolished as a consequence of redevelopment instigated by public bodies, they are entitled to be compensated for the loss of their homes.
2. Where acquisition of the property is to take place by Compulsory Purchase, the basic legal entitlements are:

For Owner-Occupiers;

- The Open market value of their home in a 'no scheme world'
 - A statutory Home loss payment of 10% of the Open market value of the open market value above, subject to a statutory minimum (currently £4,700)
 - Disturbance payments -the reasonable costs arising from the necessity to move.
3. These would normally includes fees, removals costs, carpets and curtains/blinds as appropriate, disconnections, reconnections, etc.
 4. For tenants:
 - A statutory Home loss payment for tenants who have been in occupation for more than 12 months fixed by Government (currently £4,700)
 - Disturbance payments as above.
 5. These are set out in Compensation codes issued by Government from time to time.
 6. Where the Council is negotiating to purchase property and rehouse the occupants on a voluntary basis, prior to consideration of a CPO (which is to be a last resort), Government guidance is that the same approach should be taken as is contained in the Compensation Code.
 7. To date, in addition to the facility to claim reasonable costs of disturbance on the basis of invoices for actual costs incurred, Sefton Council has offered a 'lump sum' option. This is the Council's preferred approach.
 8. There are two advantages to this:
 - Residents know in advance what they will be entitled to receive and can budget accordingly with certainty. Payment is then automatic upon moving.
 - For the Council it means a much less bureaucratic and administratively burdensome task (and hence staff cost). It clearly involves substantial work checking invoices, to ensure that they are legitimate, and to consider whether each amount is reasonable or not, for what can be very small amounts. The scope for disputes over what is reasonable is also substantial, with consequent delays in reimbursement etc.

9. Where the occupant (tenant or owner-occupier) is unable to pay costs which need to be paid in advance of the move, then the local lead RSL will arrange to order and make payment for those items directly and reclaim from the Council.
10. In addition to the lump sum disturbance payment, owner occupiers are also entitled to:
- Valuers fees in respect to the home they are selling to the Council
 - Legal fees for the sale of the property to the Council
 - Legal and valuation fees in respect to the purchase of a home to move to (with a maximum of two valuations paid)
 - Independent Financial Advisors fees.
 - Stamp Duty (where applicable)
11. In each case the fees need to be reasonable.
12. The current lump sum levels of disturbance costs were set in August 2004 and reflected costs ascertained through invoices and enquiries eg the charges made for disconnections of phones, cookers etc. These were also set to reflect the additional costs of moving to larger houses eg more carpets and curtains etc, and so different levels apply for 1, 2, 3 and 4 bedroom houses and flats.
13. Since then, the costs have increased as a result of inflation. The cumulative increase in the Consumer Prices Index (CPI) ie excluding the cost of renting or buying contained in the Retail Price Index (RPI) has been 17.7%. (Q2, 2004 to Q2, 2010). Allowing for further increases to the end of the year, it would be reasonable to increase the amounts by 20% above the 2004 amounts from October 1st. (Over the same period, the RPI has increased by 20%)
14. On that basis the amount of the lump sum disturbance costs would increase as shown in Table 1 below:

TABLE 1: PROPOSED INCREASES IN LUMP SUM DISTURBANCE COSTS

YEAR: HOUSE/FLAT SIZE	2004 AMOUNT £	2010 onwards AMOUNT £
One bed	1,500	1,800
Two bed	2,000	2,400
Three bed	2,500	3,000
Four bed	3,000	3,600
Average.	2,250	2,700

15. It is intended that the 'guide prices' for separately invoiced items would be also be increased by 20%.
16. It is further intended to adjust the level of disturbance payments annually on April 1st, to reflect changes to the Consumer Price index (CPI)
17. In relation to the cost to the HMR Programme, for the areas included for redevelopment, there are around 70 dwellings where terms have not been agreed which are likely to be affected. The total additional cost to the programme of this increase will be approximately £35,000 over a three or four year period, depending on the rate of acquisitions, progress on CPOs etc. This expenditure will be contained within currently approved spending on acquisitions in the current financial year, and for future years will be a component in any budget/funding available and the programme tailored accordingly.