

REPORT TO: Cabinet Member Regeneration
Cabinet

DATE: 29th September 2010
30th September 2010

SUBJECT: Reduction in Housing Market Renewal funding by the
Homes and Communities Agency in the current financial
year (2010-11)

**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 set out the reductions and other changes made in Housing Market Renewal funding from the Home and Communities Agency (HCA) for Sefton in the current financial year, and to propose changes to the South Sefton HMR programme and budget to account for these reductions.

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 recommends to Cabinet that;

1. Approval is given to the proposed reductions in expenditure and revised budget and programme for the South Sefton Housing Market Renewal Programme as described in the report and set out in Table 1.

KEY DECISION: N/A

FORWARD PLAN: N/A

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

--

ALTERNATIVE OPTIONS:

Alternative options have been considered and rejected. The alternatives might place the Council in breach of contractual obligations or involve cutting current 'mission critical' expenditure such as that in relation to current Compulsory Purchase Orders.

IMPLICATIONS:

Budget/Policy Framework: The effect of these measures is to alter both the external funding income and the expenditure items in the current budget and to defer this expenditure into future years.

Financial: The effect of these measures is to alter both the external funding income and the expenditure items in the current budget and to defer this expenditure into future years.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross REDUCTION in Capital Expenditure	-1,626,665			
Funded by:				
Sefton Capital Resources				
Specific Capital Resources (HMRI –HCA)	-1,626,665			
<u>REVENUE</u>				
<u>IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				

Does the external funding have an expiry date?

31/3/2011

How will the service be funded post expiry?	Funding source to be identified following comprehensive spending review 2010
---	--

Legal: There are no legal impediments to the implementation of the recommendations.

Risk Assessment: The relative risks of different expenditure reductions have been considered in arriving at the recommendations

Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

FD512 - The Head of Corporate Finance & Information Services has been consulted and his comments have been incorporated into this report

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

Cabinet Report 15th April 2010: South Sefton Housing Market Renewal – Programme Outturn 2009-2010 and Forward Programme 2010-2011

Background

1. The Coalition Government's emergency budget of June 2010 set out a range of cuts in Government expenditure it intended in 2010/2011. This included a proposal to reduce the budget across all Housing Market Renewal Pathfinders by £50m for 2010-11.
2. Following a consultation process Ministers have decided to implement these reductions pro-rata to the originally proposed expenditure. This means each Pathfinder will each receive a cut of 17.482%.
3. In turn, the Board of NewHeartlands, the Merseyside Pathfinder, has decided to allocate these cuts across the three affected Local Authorities on a pro-rata basis.
4. Nationally, the fund is also being 'top sliced' to pay for work being done by the Audit Commission on the Pathfinder programme. The HCA is negotiating a revised fee for 2010/11 and it is anticipated that this reduction will be well in excess of the percentage reduction to Pathfinders budgets (17.482%). Any reduction in the 'top slice' will be returned to Pathfinders.
5. For Sefton, the revised allocation of HMR grant is £7,668,335, a reduction of £1,626,665.
6. The proposed expenditure on HMR work approved by Cabinet on the 15th April 2010 has been reviewed, and a list of proposed savings prepared. This review took into account:
 - Any changes in circumstances and costs since the expenditure was approved eg slippage etc.
 - Projects which were legally and / or contractually committed, and where the Council might find itself in breach of its legal or contractual obligations.
 - Works and projects which were 'mission critical' ie any delay or cancellation would lead to a serious risk to the HMR programme in the immediate term and to such matters as achieving a successful outcome at CPO Public Inquiries, two of which are due to be held in November.
 - Protection of residents – in particular continuing to acquire properties and arrange rehousing of residents in locations where there were already extensive vacant and purchased properties.
 - Identifying work and projects that could be deferred or delayed where the impact would not be so serious as to jeopardise the overall HMR objectives.
7. The list of potential cuts to be made was identified as soon as the national cuts in Government expenditure were announced on the assumption that the national cuts would be made pro-rata, and those items placed 'on hold' pending the details that have now emerged. There has also been consultation over these

items, so that, in particular, external recipients of support had time to consider the implications and to make representations if they wished.

8. It is intended that the majority of reductions will be reinstated in later years. (The exception to this is some of the 'Living Through Change' projects, which tend to be of an annual nature.). The extent to which they can be reinstated cannot be determined until after the outcome of the Government's Comprehensive Spending Review in the autumn.

9. Table 1 below sets out the proposed adjustments.

10. In addition, the Government has announced the following key changes:

- HMR Funding is to be 'unringfenced'.
- There are 2 requirements arising from this change:
 - All expenditure has to comply with Section 11 of the Local Government Act 2003. i.e. that capital funding is spent on capital projects.
 - A declaration is to be made by the Chief Executive & Chief Internal Auditor in due course that the expenditure has complied with (1) above.
- Although the expenditure is to be 'unringfenced', there is an expectation that funds will be spent on "housing market renewal activities".
- The Council will not be required to sign a further Deed of Variation for 2010/11.
- Unspent HMR money can now be carried forward across years.
- HMR funding can be used to pay for redundancy costs should this be necessary (An additional expenditure amount of £90,000 has been included in the revised expenditure to take account of Sefton HMRI's estimated contribution to these costs, if they are necessary, and is also shown in Table 1.)
- The Audit Commission's approach will now change from pure inspection to collaborative working.

11. In addition, the chairs of all the Pathfinders have recently received a letter about funding post April 2011 from the new head of Housing Market Renewal and Planning at the Department of Communities and Local Government, David Waterhouse. It requires some clarification. Fortunately, he is visiting

NewHeartlands on the 16th of September, so a verbal update will be given at the meeting.

**TABLE 1: SOUTH SEFTON HMRI
BUDGET VARIATIONS TO MEET EXPENDITURE
REDUCTIONS**

ITEM	CURRENT AMOUNT IN YEAR £000	PROPOSED AMOUNT IN YEAR £000	SAVING £000	Observations
Reduction in staff costs, office costs, and marketing costs.	750	714	36	Non-filling of vacant post. In part compensated by additional 1 day per week admin staff. Saving likely to increase by a further vacant post.
Defer expenditure on land remediation, community facilities, and infrastructure - St. John & St. James Church.	400	0	400	
Bedford Road Community Centre	644	100	544	Proposal is to delay start on site to end of Financial Year
Kings Centre	170	0	170	Gap' funding. First half deferred into 2011/12. Listed Building - deferral will incur additional security costs and risk that refurbishment may become much more expensive due to vandalism etc if left.
Klondyke 1A remediation	150	0	150	Unable to proceed currently because of delays in being able to complete demolitions.

ITEM	CURRENT AMOUNT IN YEAR £000	PROPOSED AMOUNT IN YEAR £000	SAVING £000	Observations
Bedford Queens Phase 1b/2 (1st Phase -69 units)	761	657	104	Gap funding. Part of Phase 1 CPO. Figure adjusted to account of delay in approval of Kickstart funding, now confirmed.
Demolitions	1,308	1170	138	There have been delays in demolitions due to delays in the removal of services prior to demolition by statutory undertakers.
Tannery - capping layer	300	225	75	Refined cost estimate result in saving on budget for this element.
Living Through Change Projects	340	240	100	These have been reduced to the minimum possible in the two key priority areas, Bedford Queens and Klondyke.
SUB-TOTAL Addition of topsliced contribution to redundancy costs (if required)	0	90	1717 -90	Pro-rata contribution to redundancy costs of central support team (if required)
TOTAL SAVING			1,627	