

Report to: Cabinet

Date of Meeting: 23rd June 2011

Subject: Housing Market Renewal - Future Activity (**Part 1**)

Report of: Director of Built Environment

Wards Affected: Linacre & Litherland

Is this a Key Decision? Yes

Is it included in the Forward Plan? Yes

Exempt/Confidential No

Purpose/Summary

To set out the potential implications of the cessation of Housing Market Renewal funding and to seek authority to use New Homes Bonus, to fund activity and prudential borrowing in order to fund the completion of the incomplete elements of the Housing Market Renewal Programme.

Recommendation(s)

Cabinet is asked to:-

- i) Approve the inclusion of £9.32m in the capital programme to meet both contractual obligations and the costs of future activity in respect of Housing Market Renewal, so removing liabilities relating to the cessation of dedicated HMR funding;
- ii) Agree that the expenditure outlined in i) above be funded from the following sources:-
 - a) The £2.4m New Homes Bonus allocation for 2011/12, paid as £0.4m p.a. for six years;
 - b) Estimated £5.7m of future New Homes Bonus generated in the Housing Market Renewal Area between 2012/13 and 2019/20 inclusive;
 - c) £1.22m of prudential borrowing previously earmarked by Cabinet for housing purposes.
- iii) Note that because the New Homes Bonus, outlined above, will be paid to the Council over a number of years, short term borrowing may be required to finance the expenditure over the early part of the programme.
- iv) Approves the submission of bids for grant funding support, utilising the above as 'match funding'.
- v) Agree that the Programme will be reviewed in the light of any successful bids for funding and any changes that may be made in the future by the Government to the New Homes Bonus Scheme

How does the decision contribute to the Council's Corporate Objectives?

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

Reasons for the Recommendation: The Director of Built Environment does not have delegated authority to make decisions relating to such matters.

What will it cost and how will it be financed?

(A) Revenue Costs – none

(B) Capital Costs – The proposals in the report will require the inclusion of £9.32m in the capital programme to meet both contractual obligations and the costs of future activity in respect of Housing Market Renewal. It is proposed that this be funded from the following sources; The £2.4m New Homes Bonus allocation for 2011/12, paid as £0.4m p.a. for six years; Estimated £5.7m of future New Homes Bonus generated in the Housing Market Renewal Area between 2012/13 and 2019/20 inclusive; £1.22m of prudential borrowing previously earmarked by Cabinet for housing purposes.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal - None	
Human Resources - None	
Equality	
1. No Equality Implication	<input type="checkbox"/> *
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery: Agreement of this proposal will reduce the call on mainstream services caused by large numbers of empty and derelict properties in the HMRI area.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance (FD850) and Head of Corporate Legal Services (LD 167/11) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

Dedicated funding for Housing Market Renewal ended on the 31st March 2011. There is no realistic prospect of a replacement grant funding stream to complete the programme, and therefore without the use of New Homes Bonus the programme will cease. The only other alternative would be to fund the outstanding work through Prudential Borrowing funded from Council Tax receipts. A fund of £30 million has recently been announced, to be shared between 5 former Pathfinder areas, which will be the subject of a competitive bid process, requiring matched funding, whose aim is to assist to extricate vulnerable and isolated households, left in such circumstances by the cessation of HMR funding. However, in order to access this funding it must be matched by each Local Authority, and therefore alone this fund will not be sufficient to acquire all outstanding interests in the Klondyke neighbourhood. Therefore, success in the bidding process will reduce but not prevent the requirement for additional resources to complete outstanding activity and to fulfil all contractual commitments.

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet/Cabinet Member Meeting

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Background Papers:

The following papers are available for inspection by contacting the above officer(s).

New Homes Bonus: Final Scheme Design – CLG (February 2011)

1. Background

- 1.1 The Housing Market Renewal (HMR) Programme commenced in 2003 as a 15 year Government programme to address the issue of housing market failure. A dedicated funding stream was established by the Government to fund the programme. However, following the Comprehensive Spending Review 2010, dedicated funding ceased abruptly on the 31st March 2011, 7 years earlier than originally intended.
- 1.2 The annual housing capital allocation also ceased on 31st March 2011. This allocation augmented HMR allocations in Sefton. Therefore, at present, apart from a limited programme for 2011-12, funded from capital receipts secured from 'One Vision Housing' 'Right to Buy' properties, there are no resources identified to complete ongoing HMR activity.
- 1.3 During 2004, spatial masterplans and Supplementary Planning Guidance were adopted in respect of two neighbourhoods where re-development was proposed – Queens / Bedford and Klondyke / Hawthorne Road Corridor.
- 1.4 Both SPG's have been implemented in both areas since 2004, with great success. Sefton is recognised as a high achiever in terms of private sector leverage secured and new homes built.
- 1.5 See part 2 of this report
- 1.6 See part 2 of this report
- 1.7 See part 2 of this report

2.0 The Funding Requirement

- 2.1 An assessment has been made of the bare minimum requirement to meet contractual and existing commitments and to remove liabilities in order to bring the programme to a controlled end.
- 2.2 The funding required to meet contractual and existing commitments is as follows:

Table 1: Funding requirement

Funding Required	Amount	Notes
Acquisitions	£2.216m	Arising from CPO action
Site Assembly	£1.393m	
Projects	£2.679m	
Fees & Other	£1.935m	
Management & Overheads	£1.070m	
TOTAL	£9.293m (£3.843m unfunded)	£5.45m already secured

- 2.3 Of the total amount of contractual and existing commitments £5.45m is funded from the approved 2011/12 Capital Programme and the remaining £3.843m is currently unfunded.

- 2.4 The unfunded contractual commitments are made up of resources identified to settle claims from previous Compulsory Purchase Orders, sums retained pending the successful completion of capital contracts, and gap funding of onsite works contracted within site disposal agreements. A number of legal commitments are also outstanding. For example, a number of properties owned by the Council have been identified as being structurally unsound and as the property owner we are legally responsible for making these safe. These buildings have been temporarily made safe using supporting scaffold, however this is not a long term solution and a budget sum has been identified within these funding requirements to carry out long term work.
- 2.5 In addition, a number of commitments have been made to residents regarding the implementation of the programme. For example, means tested equity loans to enable residents in clearance areas to purchase another property have been previously been made available as part of the programme. The availability of these loans formed part of the Council's CPO case at a recent Public Inquiry and has been part of negotiations with residents still remaining in the CPO areas. A commensurate budget for equity loans has therefore been identified within this funding requirement to cover these commitments.
- 2.6 The funding required for future activity is as follows:

Table 2: Funding required for other activity:

Funding Required	Amount	Notes
Acquisition	£3.053m	Includes homeloss & disturbance
Demolition	£1.782m	
Fees & other	£0.642m	
TOTAL	£5.477m – all unfunded	

- 2.7 Currently none of the £5.477m funding required for other activity has been identified and unless funding can be found a number of potential financial liabilities, and health and safety issues will result.
- 2.8 The total sum of unfunded commitments is £9.32m [£3.843m + £ 5.477m]

3.0 Implications of Doing Nothing

- 3.1 If the programme ceases at March 2012, the following implications will flow;
- £3.843 million of unfunded contractual commitments leading to the potential for legal action by partners / contractors
 - 87 households left living amongst 388 derelict and empty properties (equivalent to 1 in every 4.5 properties occupied), with in some cases only 1 or 2 occupied properties in a street, many by old and vulnerable residents
 - An estimated £250k annual (currently unfunded) revenue liability in respect of Council Tax and void security;
 - 475 obsolete houses undermining the significant investment made in the Hawthorne Road corridor

- 3.2 See Part 2 of this report
- 3.3 Of the 475 obsolete properties without identified resources to redevelop, 38 are in private ownership, 220 are owned by the Council, and a further 217 are owned by Adactus Housing our strategic partner in the Klondyke area.
- 3.4 Large numbers of empty properties retained for an indefinite period will be a magnet for crime and anti-social behaviour and arson, vandalism and theft are common occurrences. There are 87 households still living in the area, and without the necessary funding this would be an ongoing situation posing a health and safety risk to residents.

4.0 Use of New Homes Bonus to Complete Activity

- 4.1 The New Homes Bonus (NHB) has been developed by the Coalition Government to encourage local authorities to facilitate the construction of new homes. The NHB matches Council Tax receipts generated by new housing, and existing empty housing brought back into use, for the period of 6 years following completion. The final details of the NHB were published by government in February 2011.
- 4.2 For each home completed and recorded on the Council Tax Base form, net of demolitions, for six years from the following year the Council will receive the equivalent to the national average of that Council Tax band for that house. The Council will also receive an additional 'flat rate' payment of £350 for six years for each of the new homes delivered which is affordable, and for every additional Gypsy and Traveler pitch it provides.
- 4.3 The NHB has been identified by the government as a potential replacement source of funding for HMR authorities who wish to continue with their regeneration programmes. The unringfenced grant is payable to Local Authorities in a lump sum under Section 31 of the Local Government Act 2003.

5.0 Funding Proposal

- 5.1 The NHB allocation for 2011/12 is £405,860 per annum paid for a period of 6 years, totalling £2.4m.
- 5.2 In addition, ongoing HMR activity is projected to generate at least £6.46m in NHB between 2012/13 and 2020/21 inclusive. This will be generated by existing and future HMR schemes scheduled to be completed within the three years 2011/12, 2012/13, and 2013/14. Of the £6.46m NHB generated by the HMR programme, £5.7m is required as part of this proposal.
- 5.3 In addition, there is currently £1.22m unallocated capital borrowing for housing funded by previously agreed prudential borrowing.
- 5.4 It is proposed that the £2.4m NHB income for 2011/12, (i.e. £405,860 payable for 6 years) £5.7m of the NHB income generated in the HMR area between 2012/13 and 2020/2021 inclusive, and the £1.22m unallocated capital borrowing for housing is allocated for HMR to cover unfunded contractual commitments, and

future activity relating to the acquisition and demolition of the remaining properties in the Klondyke area.

- 5.5 'Ring fencing' this income for use by the programme will mean that it becomes self funding, and would be sufficient to allow the purchase of the remaining properties, and demolition of the remaining houses, and the completion of existing committed schemes. This proposal will remove the empty and derelict properties in the wider Klondyke area. The HMR programme will help meet the borough's new housing requirement by delivering at least 750 new properties in the borough over the next 4 years, 324 of which will be 'affordable' homes, on brownfield sites. Development of new housing on brownfield sites will reduce the pressure for new housing on Greenfield sites.
- 5.6 On the 9th May 2011 on a visit to the Merseyside HMR area the Housing Minister Grant Shapps announced a £30m HMR Transition Fund for five former HMR areas, including Merseyside. The fund will be allocated via a competitive bidding process and is available to purchase the property interests of those remaining in HMR areas left isolated and vulnerable as a result of the sudden withdrawal of funding.
- 5.7 The Director of Built Environment has met the Housing Minister on a number of occasions to discuss the HMR programme. In these meetings, and in statements made in the Commons, it has been made clear that in the case of HMR authorities the government view New Homes Bonus in part as replacement funding for the programme. In order to access the £30 million HMR Transition Fund the Council must provide an equal sum in match funding, and those bids with confirmed match funding will be given priority.
- 5.8 If we are to access the Transition Fund new match funding must be identified. New Homes Bonus income can be used as match funding for the HMR Transition Fund and any funding secured from it will in turn reduce the funding required from this proposal. At this early stage it is thought that the bid to the Transition Fund from Sefton will be in the region of £3.5m, which would reduce the unfunded programme the Council faces from £9.32m to £5.82m
- 5.9 Because the NHB included in this proposal is paid to the Council over a number of years short term borrowing may be required with the programme breaking even in Year 8, 2018/19. A full breakdown of the funding proposal, showing the NHB cashflow, is provided at Appendix I.

6.0 Conclusions

- 6.1 Unfunded contractual and existing commitments remaining from the HMR programme amount to £3.843m
- 6.2 See part 2 of this report
- 6.3 The cessation of the Housing Market Renewal programme so suddenly has left the Council unable to cover existing contractual commitments and to acquire the residual properties in it's re-development areas leaving local residents extremely vulnerable both financially and socially. Use of NHB funding as set out above, in part as 'match' funding for a bid to the £30 million transition fund will remove all

residents from their vulnerable position, assemble land to develop further new housing and will protect the significant investment made by the Council and it's public and private sector partners to date.

Appendix I – HMR Programme 2011-2014

Year	1	2	3	4	5	6	7	8	9	10	
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Expenditure											
HMR Programme	£8,426,692	£3,986,800	£2,353,231	£0	£0	£0	£0	£0	£0	£0	£14,766,723
TOTAL	£8,426,692	£3,986,800	£2,353,231	£0	£0	£0	£0	£0	£0	£0	£14,766,723
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Resources											
Approved Capital Programme	£5,450,092	£0	£0	£0	£0	£0	£0	£0	£0	£0	£5,450,092
Unallocated capital borrowing	£1,224,058	£0	£0	£0	£0	£0	£0	£0	£0	£0	£1,224,058
New Homes Bonus	£405,860	£648,383	£1,116,947	£1,365,418	£1,484,039	£1,484,039	£1,078,179	£835,656	£367,092	£118,621	£8,904,234
TOTAL INCOME	£7,080,010	£648,383	£1,116,947	£1,365,418	£1,484,039	£1,484,039	£1,078,179	£835,656	£367,092	£118,621	£15,578,384
Annual Shortfall	-£1,346,682	-£3,338,417	-£1,236,284	£1,365,418	£1,484,039	£1,484,039	£1,078,179	£835,656	£367,092	£118,621	
Cumulative Shortfall	-£1,346,682	-£4,685,099	-£5,921,383	-£4,555,965	-£3,071,926	-£1,587,887	-£509,708	£325,948	£693,040	£811,661	

Appendix II – See Part 2 of this report