

WIRRAL COUNCIL

CABINET

28 MAY 2009

REPORT OF THE DIRECTOR OF FINANCE

WIRRAL COUNCIL & WIRRAL PARTNERSHIP HOMES - COMMUNITY FUND

1. EXECUTIVE SUMMARY

- 1.1 This report advises Cabinet of the arrangements for the management of the Community Fund and recommends endorsement of those arrangements.

2. BACKGROUND

- 2.1 The Community Fund was established as a consequence of the transfer of the bulk of the Council housing stock to Wirral Partnership Homes (WPH) in February 2005. As part of the transfer a Development Agreement was entered into at the time of transfer which enabled WPH to reclaim the VAT payable on certain works carried out as part of the WPH improvement programme. This money is paid into the Fund which also contains the balance on the Housing Revenue Account at the time it was closed, VAT arising from a similar Development Agreement between the Council and Beechwood & Ballantyne Community Housing Association (BBCHA) and interest earned on Fund balances.
- 2.2 The Council in transferring the stock retained a number of risks in the form of warranties given to WPH and the banks which financed them. The Fund acts as self-insurance against the risk of any claims being made under these warranties and was one of the main reasons for the Fund being established.
- 2.3 A report setting out the arrangements for operating the Fund (Community Fund Deed) was agreed by Cabinet on 21 September 2006. The Deed sets out the framework of the purposes for which the Fund can be used and states that the Fund would be overseen by a Joint Working Group consisting of equal membership from WPH and Wirral Council. The Fund is administered by WPH and any expenditure has to be agreed by both WPH and the Council.
- 2.4 Since then Cabinet has been updated on developments over the arrangements for the Fund with the latest report being on 5 February 2009. At that time advice had been sought, and received, from H.M. Revenue & Customs and discussions were ongoing with the Audit Commission. The latter has now been received and the way forward re-affirms the earlier arrangement in overcoming:-
- potential difficulties in revising the complex agreement that allowed the VAT shelter to be created.
 - concerns that the tax shelter may be seen as a device to avoid proper tax liabilities and the Council unjustly gain from the arrangements.

- concerns about the accounting arrangements, in particular, whether these would restrict the use of any receipts for capital purposes only.

3. WAY FORWARD

- 3.1 The Fund will continue to be administered by WPH and overseen by the Joint Working Group comprising of equal membership from the Council and WPH. The Group are to meet quarterly and will consider the financial position and the progress of schemes agreed to be assisted from the Fund.
- 3.2 The Fund will continue to receive income from the VAT recovered on the housing improvement works which is dependent upon both WPH and BBCHA progressing with the works. Changes to the WPH business plan around the proposals for tower blocks will significantly reduce spending in this area and consequently the VAT receipts to the Fund in future years.
- 3.3 The risk in terms of warranties is to be reviewed to assess if an annual insurance premium may provide benefit in releasing the £2.5 million set aside for warranties. Such actions will depend upon information forthcoming from WPH in respect of the completed and outstanding improvement programme.
- 3.4 All proposals to commit spend will be via a grant submission to the Joint Working Group. Proposals will be assessed against the terms of the Community Fund Deed and the charitable objects of WPH. Those approved for funding will then be the subject of a formal grant agreement and progress reported to the Joint Working Group.
- 3.5 This approach essentially re-affirms that previously agreed with clarification added around the Fund providing grant assistance. This meets the complex tax shelter requirements, involves no restriction in use for capital or revenue purposes and maintains a distinct separation from the original stock transfer and reassurance that any VAT recovered by WPH for development works is not classed as a capital receipt.

4. JOINT WORKING GROUP – APRIL 2009

- 4.1 The Group met to consider the arrangements for the management of the Fund, the resources available, and consideration of the submissions for grant. The submissions were approved subject to WPH legal advisors confirming that the submissions complied with the WPH charitable objects.
- 4.2 The balance in the Community Fund at 31 March 2009 was £17.3 million. Further receipts will arise as the improvement programme continues and VAT is reclaimed. However, future amounts are dependent upon the progression of the WPH works programmes which are presently under review given the economic position and the latest WPH business plan projections. After setting aside the £2.5 million to cover any potential warranties this leaves £14.8 million available to support schemes.

- 4.3 Based upon the grant submissions the following were approved, subject to confirmation by the WPH legal advisors and also WPH as administrators of the Community Fund. The Council submissions had previously been approved by Cabinet.

Submitted by	Description	Total (£)
WP Homes	Wallasey property acquisitions	2,263,000
	High rise programme	5,000,000
	Buy back programme (pilot)	250,000
Wirral Council	Regeneration Initiatives	1,520,000
	Investment Team (additional)	1,620,000
	Housing Support	1,030,000
	Community Asset Transfer	3,000,000

- 4.4 Having considered the financial position and the grant submissions the Group agreed that £250,000 be allocated for the Your Wirral Scheme for 2009/10. This is to be used to support community based projects with a further £30,000 agreed for costs incurred in supporting and managing the scheme.

5. FINANCIAL IMPLICATIONS

- 5.1 The Community Fund represents a finite and time-limited resource to support schemes in line with the Community Fund Deed and the charitable objects of WPH. Income is dependent upon the improvement works undertaken by WPH and BBCHA and WPH is re-assessing future plans given the current economic situation and its future business plans. At this stage the total is projected to be between £25 and 30 million but this could be over a longer time period than by 2012 as initially envisaged.

- 5.2 Subject to the approval of WPH, as administrators of the Fund, the Council has been allocated grants from the Community Fund for:-

Description	2008/09 £	2009/10 £	2010/11 £
Regeneration Initiatives	450,000	530,000	540,000
Investment Team (additional)	350,000	630,000	640,000
Housing Support	200,000	410,000	420,000
Community Asset Transfer		3,000,000 over 2 years	

- 5.3 As agreed by Cabinet the Community Asset Transfer grant is to be used to assist in ensuring that the transfer of any asset is viable and sustainable in the future. It will be used to provide investment or essential repair works to make buildings suitable for a range of community uses and also for providing initial funding towards running costs.

6. STAFFING IMPLICATIONS

- 6.1 These are none arising directly from this report.

7. EQUAL OPPORTUNITIES IMPLICATIONS

7.1 There are none arising directly from this report.

8. COMMUNITY SAFETY IMPLICATIONS

8.1 There are none arising directly from this report.

9. LOCAL AGENDA 21 IMPLICATIONS

9.1 There are none arising directly from this report. However, projects funded through the Community Fund may have beneficial impacts for the environment and the well being of people in Wirral.

10. PLANNING IMPLICATIONS

10.1 There are none arising directly from this report.

11. ANTI-POVERTY IMPLICATIONS

11.1 The use of the Fund to develop and enhance the Investment Strategy and homelessness and housing advice will have benefits for this area.

12. SOCIAL INCLUSION IMPLICATIONS

12.1 The use of the Fund to develop and enhance the Investment Strategy and homelessness and housing advice will have benefits for this area.

13. LOCAL MEMBER SUPPORT IMPLICATIONS

13.1 This report could have implications for all Members and Wards.

14. BACKGROUND PAPERS

14.1 Community Fund Deed.

15. RECOMMENDATIONS

15.1 That the revised arrangements for the management of the Community Fund be agreed.

15.2 That the intention of WPH to award grants to the Council for the period 2008/11 be noted.

IAN COLEMAN
DIRECTOR OF FINANCE