

Appendices
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NORTHAMPTON
BOROUGH COUNCIL

Item No.

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CABINET REPORT

Report Title	'Council housing; A real future' A consultation paper
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	28 th April 2010
Key Decision:	NO
Listed on Forward Plan:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	Housing
Accountable Cabinet Member:	Cllr Sally Beardsworth
Ward(s)	All

1. Purpose

- 1.1 To inform Cabinet that the above the consultation paper has been issued, setting out proposals for the dismantling of the current Housing Revenue Account system and replacing it with a devolved system of funding and responsibility.
- 1.2 To inform Cabinet that the advisory group to the Cabinet for Housing Options will review the document and associated financial modelling and oversee the preparation of a response to the paper for 6th July.

2. Recommendations

- 2.1 Cabinet are asked to note the report.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Government announced a review of Council Housing Finance in December 2007 and launched it in March 2008. Following the review a consultation paper was issued in July 2009. The Government have considered the views expressed in that exercise and are now consulting on a proposal to create a new finance system for council housing based on a one off allocation of debt between local authorities.
- 3.1.2 The Review of Council Housing finance aimed to find a long term, sustainable system for funding council housing that would be fair to both the tenant and the taxpayer.
- 3.1.3 The consultation sets out the proposals for dismantling the current Housing Revenue Account system and replacing it with a devolved system of funding and responsibility.
- 3.1.4 Council Housing is a public asset that has been created by investment of public funds over many years. The current system was established in the 1930's and redistributes rents. For NBC this is a payment of £10m this year. This system is no longer fit for purpose.
- 3.1.5 It proposes a 'once and for all' settlement between central and local government. In exchange for a one off allocation of debt between local authorities, Central government will stop the annual redistribution of rental income. Authorities are being asked if they favour a self-financing HRA or the continuation of the existing system; and if they favour it whether they would be willing to see implementation from 1011/12. The debt figure in the paper for Northampton is £167 million.
- 3.1.6 This is not a contractual offer at this stage; any figures are subject to confirmation as part of the next Spending Review. If the majority of authorities agree the proposal then there is a presumption that a new Government will consider the results.
- 3.1.7 The position for each authority is different and detailed consideration of the proposal is required before responding. The government has prepared its calculations, which we now need to work through and discuss with CLG if we find a difference/gap as we prepare a response to the consultation paper.
- 3.1.8 The key viability of the offer for our HRA is the comparison to our actual costs, now and predicted and the allowance for major repairs and the need to spend based on our stock condition information. There is no aspirational standard in the figures, just decency, so we need to be clear we can achieve decency and maintain it for the life of the 30-year business plan. We have a backlog of repairs; it is not clear whether or not these are going to be dealt with in the paper.

- 3.1.9 The paper proposes that the debt profile implied in the settlement will be used to create a borrowing ceiling for each council in each of the 30 years. This is disappointing and restricts some of the potential benefits of self-financing.
- 3.1.10 The proposal allows 100% of receipts to be retained by the authority.
- 3.1.11 The definition of the HRA ring fence has also been reconsidered, and a new circular to replace the existing is within the prospectus.
- 3.1.12 Overview and Scrutiny committee 2 have asked for a full briefing on the consultation paper at their meeting on 19th May, which the Director of Housing will provide.
- 3.1.13 The Cabinet Advisory Panel was set up in 2008 to consider the Housing Options Appraisal Review. The Group was suspended in October 2009 as the work could not continue because of the Government's announcement of the HRA Review. It is proposed to reconvene this group to consider the implications of the proposals. The membership of this group will be amended to ensure cross party representation.

3.2 Issues

- 3.2.1 The Authority needs to carefully consider the implications of the consultation paper for its tenants and residents as if the Government decides to proceed it will be a fundamental change for all.

3.3 Choices (Options)

- 3.1 Do Nothing. Do not submit a response
- 3.2 Submit a response.

4. Implications (including financial implications)

4.1 Policy

None

4.2 Resources and Risk

- 4.2.1 The offer is contained in the spread sheets/report that accompanies the consultation paper and is currently being analysed by finance department. The opening debt will be based upon the assumed business plan for our circumstances.
- 4.2.2 Shops and Garages within the HRA are not included in the calculation. If these can be run at a surplus then they will provide additional income. Service Charges are treated in the same way.

4.3 Legal

None

4.4 Equality

Not applicable

4.5 Consultees (Internal and External)

None

4.6 How the Proposals deliver Priority Outcomes

Not applicable

4.7 Other Implications

None

5. Background Papers

5.1 Communities and Local Government consultation paper 'Council Housing: a real future' issued 24th March 2010.

5.2 The self financing model, summary of model methodology and guidance, summary of consultation responses and Impact assessment

Copies are available at

<http://www.communities.gov.uk/publications/housing/selffinancingprospectus>

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