

STRATEGIC OVERVIEW AND SCRUTINY PANEL

24 JUNE 2010

- Present :-* Councillor Christopher Arnold (Chairman)
Councillors Nigel Chapman, Mark Cory, Andrew Ellis,
Bill Frame, Nigel Offen and Dennis Willetts
- Substitute Members :-* Councillor Peter Higgins for Councillor Theresa Higgins
Councillor Philip Oxford for Councillor Gerard Oxford
Councillor Michael Lilley for Councillor Julie Young
- Also in Attendance :-* Councillor Tim Young

6. Minutes

The minutes of the meeting held on the 8 June 2010 was confirmed as a correct record.

Councillor Nigel Chapman and Councillor Nigel Offen (in respect of Board Member of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

Councillor Bill Frame (in respect of Board Member of Colne Housing Group) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

7. Consultation on the reform of Council Housing finance

Briefing - Self Financing for the Housing Revenue Account

Councillor Young, Portfolio Holder for Housing and Community Safety, Mr. Darren Brown, Group Account and Ms. Lindsay Barker, Head of Strategic Policy and Regeneration attended the briefing. The briefing was open to all members, to help to provide a better understanding of Self-Financing for the Housing Revenue Account (HRA).

Following Councillor Young's introduction, Mr. Brown gave a presentation, covering the background work that led to the consultation, the proposals and how they would work, and the benefits, negatives and risks.

Mr. Brown explained that the HRA is a ring-fenced account within the Councils General Fund, created through legislation by the 1989 Housing Act, with the Council responsible for the landlord function that includes managing and maintaining the council stock, managing rental income from tenants and the financial costs of the HRA debt. Mr. Brown gave a breakdown of the 2010/11 HRA Budget at Colchester, both income and expenditure, and an overview of HRA debt both locally and nationally.

The current HRA Subsidy Scheme was explained (with graphical examples) and reasons given as to why there was a need to change and the limitations and difficulties

of the current scheme. Mr. Brown explained the two options that would be available under the new scheme, one to create an additional debt of £59.1m, a second to create an additional debt of £52.8m but with the opportunity to provide innovative new build properties. A forecast of what the Council's future debt would be was graphically shown together with comparative cost details on subsidy v financing. It was explained that under the new scheme capital receipts from Right to Buy sales and sale of housing land would be fully retained by the Council with 75% of receipts spent on affordable housing and regeneration. A Capital Investment comparison graph showed current and future investment requirements.

In response to Councillor Sutton, concerning the reform in light of the recent change in Government, Councillor Young said there was currently cross-party agreement for the need to reform, with cross-party agreement and agreement at Local Government Association (LGA) level prior to the May election. Mr. Brown said the LGA still supports this review, with only minor changes likely to be proposed. Mr. Nick White, Colchester Borough Homes, said the CIPFA Housing Panel are in ongoing discussions with the Government and Audit Commission, and there is a feeling that agreement for this reform will come from most Councils with the Government expecting implementation in 2011/12 or 2012/13.

The Chairman thanked Councillor Young and officers for the presentation and closed the briefing.

Strategic Overview and Scrutiny Panel meeting

The meeting of the Panel commenced at 6.30 pm.

The Chairman opened up the discussions by allowing the panel to ask questions about the Council's consultation response on a Self-Financing Housing Revenue Account.

In response to Councillor Willetts, concerning the current levels of debt, Councillor Young said whilst a current debt of £50.8m appeared high it should be remembered that £35m of this figure was the result of the current Decent Homes Programme (DHP). Mr. Brown said the present DHP borrowing is loaned at approximately 4.5% interest, whereas the Housing Subsidy repays at 8% interest, a net benefit to the Council. Due to the historically long period of loans to Councils, over decades, it is difficult to determine why some local authorities have a high debt figure and others are substantially less.

Mr. Brown also confirmed that the Government appointed Price Waterhouse Coopers to undertake the modelling work around the level of debt, based on the current subsidy system, and therefore there could not, for the purpose of this review, be any adjustments to the projected figures.

In response to Councillor Offen, Mr. Brown explained that "cross-domain regulation" mentioned in the response to question 2 was the ability for local authorities to manage the HRA on a level playing field with Housing Associations.

It was explained to Councillor Frame that the Council would go to the Public Works

Loan Board for loans, consistent with the current situation. If the Council demonstrates it can repay, a loan(s) will be provided without the need for the additional security of the housing stock. In response to Councillor Ellis, Mr. Plummer, Finance Manager said in terms of financial management, borrowing money, known as housing debt, will be charged to the HRA and will remain separate from the Council's General Fund, a clear split. There remained some concerns about the potential for a negative effect on the General Fund through the Item 8 Debit recharging mechanism, and this was reflected in the Council's response within question 6.

Mr. Brown responded to Councillor Frame in regards to the delivery of new build housing stock, saying the figure of 75 properties over the next 5 years (as mentioned in the response to question 3) was for the short-term, that the long-term figure was greater.

Councillor Young agreed with Councillor Arnold that the Council's response to question 5 needed to be expanded to provide an answer to whether the Council would be ready to implement self-financing in 2011/12.

The Panel agreed in principle to the Council's response, and requested the Cabinet to agree to amend the wording to question 5.

The panel agreed that the consultation response was good, and thanked Councillor Young and officers for their presentation and responding to questions from members.

RESOLVED that the Panel:

i) Considered and noted the report on the Consultation on a Self-Financing Housing Revenue Account to be presented to Cabinet on 30 June 2010.

ii) Requested the Cabinet to agree to amend the response to question 5, to read;

“As previously stated, we are supportive of the principles of a self-financing HRA and can see the benefits of moving to one as soon as possible, given the alternative of retaining the current redistributive housing subsidy system. There are still some areas of uncertainty for us, predominantly around the treatment of debt and the potential impact upon our General Fund, but as long as these are resolved we believe it would be possible for us to implement self-financing in 2011/12.”