

Self Financing

Summary

Last year the Environment Board received reports on the proposals to move from the current Housing Revenue Account (HRA) subsidy system, to a self financing system for local authority housing finance.

This report updates Members on the work in this area.

Recommendations

The Board is asked to comment on the report and advise how they would like Officers to proceed.

Action

Officers to note Members' comments.

Self Financing

Background

1. On 21st July 2009 the Housing Minister, the Rt Hon John Healey MP launched the Government's consultation paper on HRA reform. The paper entitled *Reform of council housing finance* sets out the Government's intention to dismantle the Housing Revenue Account subsidy system and replace it with a devolved self financing system.
2. The consultation covered the cost of housing services and describes how the Government believe a self-financing system could work, how housing debt will be dealt with and proposals on how councils could manage their borrowing.
3. The consultation closed on 27th October 2009. The LGA response to the consultation noted that we were pleased that the Government had heeded our calls to dismantle the Housing Revenue Account Subsidy System, but noted that we continue to believe there is a very strong case for removing historic debt from the balance sheets of all councils, through the remaining debt being taken centrally and serviced by the government. However, if the Government is immovable in its view that this is not possible, we believe the sector could be persuaded to agree to a settlement in which the debt of some authorities is reduced while others are allocated additional debt. However, we made a strong case that the level of debt redistributed should not exceed the level of debt currently supported by the subsidy system, it would certainly be unacceptable for any additional debt to be placed on councils in order to facilitate the move to self-financing.

CLG Project Group on HRA reform

4. The CLG project group has been meeting on a regular basis to discuss issues of importance to the review and to inform the offer document to the sector. The LGA and some of our advisers are sitting on the CLG project group to ensure that the sector is represented and that we can influence the final offer.
5. The CLG have hired Price Waterhouse Coopers (PWC) as consultants. PWC have been hired to prepare the modelling work that will form part of the offer document. The modelling work includes the amount of Management and Maintenance, Major Repairs Allowance and individual debt allocation a council can expect to take on when moving to self financing.

Proposed Consultation on the Self Financing Offer

6. CLG had said that they would issue some information to councils on the offer during February. Information would include work on the model that they will use to allow councils to assume their debt level to move to self financing. However, the work that CLG have done to date is not complete and the information that we will get in the next few weeks will not give councils a full picture of their final financial position. Information that will not form part of the offer that comes out this month includes capital grant allocation and other funding that will be subject to the Spending Review process.
7. The offer to sector was expected in February – however it has been delayed, but we expect the sector to get something before the Easter recess. The CLG have confirmed that this consultation and negotiation on the final offer will now not be concluded before the election and before the start of the election purdah period. If an announcement happens before this meeting, officers will update orally.
8. CLG have indicated that is likely to be a minimum of a 12 week consultation and that they are likely to make it a 14 week consultation. This will mean that the consultation will run over the election period and will conclude after the local and general election.

Issues for Members

- How do we handle this in time of particular political sensitivity? Both with local members and national politicians
- How do we ensure that what we do influences the new Housing Minister as a matter of priority, given that he/she will have a full in-tray/agenda?

Letter to the Minister

9. In January John Healey MP, Minister for Housing and Planning, wrote an article for First magazine, which set out his vision for housing finance reform. This is attached at **Appendix 1**.
10. In February Margaret Eaton wrote to the Minister and to outline the key expectations of our member councils which will enable them to make sensible judgements about the proposals he would outline in the offer. This is attached at **Appendix 2**.

LGA and CIH Seminars

11. The LGA and the Chartered Institute of Housing are working together to develop a toolkit to help councils get ready to deal with the offer and are looking to arrange a series of regional seminars with officers that will help them work

23 4

through the implications of the Government's offer for their authority. We had hoped to host these in March, but due to the delay on issuing the offer we are looking at running these events during the spring.

Objectives of the seminars

- To raise awareness of HRA self financing proposals and explain elements of the proposed new system
- To explain the settlement and how it has been arrived at
- To provide guidance to LA officers on interpretation of the outputs
- To provide guidance on the development of suitable business plans and solutions at each authority
- To gain feedback on the offer for collation back to CLG.

12. We are intending to run 8 regional events, one in each region (with a combined event in York for the North East and Yorkshire and Humber councils).

Invitees

13. Up to 2 from each LA, to include as a minimum the HRA accountant lead officer.

Toolkit

14. The LGA is working on producing a toolkit for councils to help them deal with the offer and the issues that they need to consider when dealing with this offer. This toolkit will be issued before seminars and will also be presented at the seminars.

15. Officers are looking into the viability of developing seminars for members during June, once the election has happened.

Financial Implications

16. There are no financial implications at this stage.

Implications for Wales

17. There are no direct implications for Wales from this report. However, Wales is undertaking a review of the HRA in Wales.

Contact Officer: Ruth Lucas
Phone No: 020 7664 3317 or 07766 251753
Email: ruth.lucas@lga.gov.uk