



AGENDA ITEM:

CABINET

18 NOVEMBER 2008

Report of: Executive Manager Housing and Property Maintenance Services

**Relevant Portfolio Holder: Councillor Val Hopley
Councillor David Westley**

**Contact: Bob Livermore (Extn. 5200)
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SUBJECT: REVIEW OF COUNCIL HOUSING FINANCE

RVL/BC/2858cab(3)
30 October 2008

District wide interest

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to give further information to Cabinet and a suggested response in consideration of the issues outlined in the report that was submitted to the Executive Overview and Scrutiny Committee on 2 October 2008 and which is being presented with this report to Cabinet tonight, (Appendix 1).

2.0 RECOMMENDATIONS

2.1 That the response in Appendix 2 be the Council's response to the Government's Review of Council Housing Finance.

3.0 BACKGROUND

3.1 The Executive Overview and Scrutiny Committee considered the report which is being presented to Cabinet this evening and decided not to make a firm recommendation to Cabinet on how to respond to this issue.

3.2 In the light of the comments made at the Workshop Session and the discussion at the Executive Overview and Scrutiny Committee, I have considered the matter further and in order to assist Cabinet have prepared a draft response that I would recommend that you send. (Appendix 1)

4.0 FINANCIAL AND RESOURCE IMPLICATIONS

4.1 There are no direct financial and resource implications arising from this report but should the Government accept the Council's recommendations it would mean that the Housing Revenue Account would benefit by £4.6m (current position financial year 2008/9).

5.0 RISK ASSESSMENT

5.1 There are no major risks arising from this report.

6.0 CONCLUSION

6.1 In conclusion, I would recommend the response to Government as set out in Appendix 1 of this report.

Background Documents

The following background documents (as defined in Section 100D (5) of the Local Government Act 1972) have been relied on to a material extent in preparing this Report.

<u>Date</u>	<u>Document</u>	<u>File Ref</u>
E-mail	Review of Council Housing Finance	

Equality Impact Assessment

There is no evidence from an initial assessment of an adverse impact on equality in relation to the equality target groups.

Appendices

Appendix 2 – Council's response to Council Housing Finance and Rents Policy

APPENDIX A



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Date: 22 September 2008

Your ref:
Our ref: RVL/TB/BC
Please ask for: R V Livermore
Direct dial no: 01695 585200
Extension: 5200

Dear Sir or Madam

Review of Council Housing Finance – Focus Group meeting

Please find attached a report highlighting the main points, which arose from a Focus Group meeting, which was held to discuss tenant's attitudes towards Council housing finance and rents policy.

If you require any further information please do not hesitate to contact me.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'R V Livermore'.

R V LIVERMORE
EXECUTIVE MANAGER
HOUSING AND PROPERTY MAINTENANCE SERVICES

Chief Executive: William J. Taylor BA (Hons) M.Soc.Sc.F.I.P.D.
Deputy Chief Executive: Les Abernethy BSc MCD MRTPI

**COUNCIL’S RESPONSE
TO
COUNCIL HOUSING FINANCE AND RENTS POLICY**

The overarching view of this Council is that the outcome of the review should enable Council housing to have sufficient finance to adequately run the service and deliver things that are important to tenants.

Indeed The Community Strategy wishes to ensure that good quality housing is available and it is important that the review delivers sufficient finance locally to ensure this aspiration is achieved.

1. National redistributive HRA Subsidy System vs A Local system

Whilst the Council is minded that the current national redistributive HRA subsidy System is a risk averse approach and provides security to the Local Authority and its stakeholders, there is strong opinion that it carried with it the following major disadvantages:

- It is not transparent or readily understood by the Council and its stakeholders, including tenants, who may see this as a form of indirect tax;
- It disadvantages the majority of local authorities who are required to pay DCLG negative subsidy;
- It does not reward positive management practice, hides inefficiencies, and does not actively encourage innovative approaches to stock investment;
- It does not , based on the current policy of guideline rents and allowances, provide adequate protection to a local authority against increased subsidy withdrawal, to such an extent that it will cause long term financial difficulties for many local authorities;
- it does not enable long term planning to take place because HRA subsidy settlements are one year settlements only which results in reactive rather than proactive business planning

For these reasons, together with the fact that there both tenants and Members are of the view that the rent tenants pay to the Council landlord should be entirely spent on their housing needs and the needs of the local community, the Council would wish to seriously explore the possibility of withdrawing from the national redistributive HRA subsidy System and to self-finance Housing Service provision.

2. National vs Local Rent Setting Policy

The Council and tenants alike understand and appreciate the rationale that underpinned the reasons for the implementations of a national model for rent setting:

- it is formula driven and clearly understood;
- it removes inequality for charging;
- subject to rent convergence with formula and more affordable housing comes on stream it will provide tenants with choice as to where they wish to live and which landlord they wish to engage with

However, as there is no longer a tangible link between rents and costs of the service, there is a view that rents , whilst based on a set formula, should be determined locally based on local service needs with greater involvement of local tenants and stakeholders.

3. Service charges

There is general consensus that service charges should be fair and reasonable and should reflect the actual cost of services being provided.

However, the regulations currently in place restrict the local service provider from introducing new or improved services as this will result in clawback if it exceeds the current RPI + 0.5% annual increase limit for rents and service charges thereby penalising innovation and provision of better services for tenants.

4. Capital investment

The Council is of the opinion that rents should generate sufficient investment opportunity to maintain homes and improve tenants living conditions not just to 2010 but beyond and to a higher standard than the current minimal decent homes Standard (DHS). The review of the Major Repairs allowance within the current national redistributive HRA subsidy System direct impinges on the affordability of a local authority's capital investment and thereby revenue programmes.