

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Housing Portfolio Holder 15 June 2011
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UPDATE ON HOUSING REVENUE ACCOUNT (HRA) REFORM

Purpose

1. To update the Portfolio Holder on the progress of the reform proposals for the HRA.
2. This is a not a key decision.

Recommendations

3. The Housing Portfolio Holder is asked to note this report

Background

4. The Government began the review of council housing finance in 2007. The first phase of the consultation was reported to the Portfolio Holder for Housing on 16/9/09 and the Cabinet on 8/10/09. Most recently the Portfolio Holder was presented with an update on 17 November 2010.
5. The Government's reform proposals seek to replace the current HRA subsidy system with a new self-financing regime. In 2010/11 the HRA subsidy system requires the Council to pay back to central Government £11.8 M; over half the rent collected from tenants in the year.
6. The Government is proposing that the removal of the HRA subsidy system and the establishment of a new self financing regime can be achieved by reallocating national housing debt between all stock owning local authorities. In January 2011 the Department for Communities and Local Government (CLG) informed the Council that it will be required to take on a debt of around £200M by April 2012.

Considerations

7. The Council is still awaiting the announcement of some detailed aspects of the new self-financing scheme including the way in depreciation is to be treated which could have a significant impact on the way that the Housing Revenue Account is managed.
8. The final debt settlement figure will not be known until February 2012.
9. Whatever the final form of the settlement it is now critical to develop a robust 30 year business plan for housing. The Council has appointed a specialist consultant, CIH Consult, to assist with this work. The Council is also working closely with Cambridge City Council as they go through the same process.

Options

10. The project initial document is attached as Appendix A. The project timetable is attached as Appendix B. These set out the key strands of activity that need to be undertaken to ensure that the Council is appropriately placed to take on the required debt in 2012.
11. In recognition of the governance implications of moving to a self financing regime, the Portfolio Holder has asked that the planned move to an elected tenant representative body is brought forward to achieve this aim before April 2012 and to be followed by a governance review.

Implications

12. Financial	The proposed HRA reform has significant implications for the Council's finances with the potential requirement to take on a debt of around £200M.
Legal	The HRA reforms are to form part of the Localism Bill expected to be passed into law in November 2011.
Staffing	A review of staffing will be required to ensure that the Council has the capacity to manage a complex portfolio of debt.
Risk Management	A risk matrix will be drafted to accompany the implementation project.
Equality and Diversity	Not applicable
Equality Impact Assessment completed	Not applicable
Climate Change	None

Consultations

13. A programme of consultation with tenants, elected members, staff and other stakeholders is to be undertaken as part of the project.

Consultations with Children and Young People

14. None

Effect on Strategic Aims

15. Commitment to being a listening council, providing first class services accessible to all. - The affordable housing programme is one of the key services provided by the Council.

Conclusions / Summary

16. This report sets out the work being undertaken by the Council to prepare for the self-financing settlement for the HRA in April 2012. The project timeline in Appendix B indicates the further Portfolio Holder updates, wider member briefings and Council decisions required during the next 10 months.

Background Papers: the following background papers were used in the preparation of this report:

Housing Portfolio Holder Report – 19th May 2010 Housing Revenue Account (HRA) Reform Consultation
Housing Portfolio Holder Report – 17 November 2010 HRA Reform Update

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