

# **Report to Overview and Scrutiny Committee**

**Date of meeting: 8 October 2009**

**Subject: Housing Subsidy Review**

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## **Recommendations/Decisions Required:**

**That the Overview and Scrutiny Committee approves the submission of the attached responses in Appendix 2 to the Department of Communities and Local Government (CLG) Consultation Paper on the Reform of Council Housing Finance.**

## **Report:**

1. The Government has for the last three or four years been exploring possible changes to the Housing Finance system currently in operation. Part of this process was to invite authorities to pilot some of the proposals. This has now taken place and culminated in the issue of a consultation paper titled The Reform of Council Housing Finance. The paper was published in July 2009 for consultation purposes.

2. The paper puts forward two broad models, improvements to the current system - where revenues continue to flow between local and central government using assumptions on landlord costs and income, - and a 'devolved system', where rents raised locally can be used locally in exchange for a one-off reallocation of debt.

3. The consultation paper makes it clear that the Government would prefer to move to a self-financing devolved system and, indeed, the recently unveiled local authority new build properties system is very much in line with this. The Government's preferred option is that each authority would be allocated a proportion of the total national housing debt (Approx. £18 bn), based on its ability to service that debt. The opening debt level would be one based on the tenanted market value of the stock and each authority would be required to produce a 30-year business plan, which would include a stock valuation based on the present value of cash flows in the plan.

4. The paper itself is in places quite technical, therefore a summary of the main points are attached at Appendix 1 to assist members. This summary also appeared in the Council Bulletin during week commencing 31 August 2009.

5. There are seventeen questions within the consultation paper, which seek views on a number of different aspects. Appendix 2 details the questions and proposed responses. If members have any additional comments, or wish to amend some of the existing comments these can be included within the final response. The deadline for responses to the consultation is 27 October 2009.

6. The Council's HRA business planning consultant has undertaken some modelling work to assess what the financial effect of the preferred proposal might be and provided some comments on the consultation document. His comments have been included within the Council's response. The results of his modelling work are still being evaluated and any

additional information that will assist the response will be reported at the meeting.

**Reason for decision:**

The Reform of Council Housing Finance Paper represents a big change to the way Housing Finance operates and as such it is important to participate in the consultation process. There will be a General Election next year and this is unlikely to be high priority so any changes are still some way off; It is difficult to respond constructively when the actual financial effect on the Council is unknown, nevertheless comments have been made where appropriate. Members are asked to endorse the responses made and if they wish make additional comments that can be included in the response.

**Options considered and rejected:**

The Council could choose not to respond to the paper, or provide alternative responses to those proposed.

**Consultation undertaken:**

None, although the Tenants and Leaseholders Federation has discussed the contents of the Consultation Paper

**Resource implications:**

Budget provision: The effect on the Housing Revenue Account is as yet unknown, but could conceivably be significant.

Personnel: None

Land: None