

COMMUNITY & SOCIAL AFFAIRS COMMITTEE

9 MARCH 2011

HEAD OF COMMUNITIES & NEIGHBOURHOODS

COUNCIL HOUSING FINANCE REVIEW – HRA REFORM - CONSULTANT

1 PURPOSE OF REPORT

- 1.1 To seek members' approval to waive contract procedure rules to secure the professional consultative work required to ensure the Council fully identifies the implications of the HRA reform, when they come into place in April 2012.

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (i) **The Committee waives contract procedure rules to secure the professional consultative work required in relation to the HRA reform as outlined in section 3.7**

3. KEY ISSUES

3.1 Background

The current Housing Subsidy system pools rents and redistributes them nationally on the basis of an assessed need, which takes into account Management, Maintenance and Major Repairs Allowances as well as interest on historic debt.

The key problems with this current system are:

- The difficulties associated with making the right assumptions about resources;
- The majority of Councils are in negative subsidy resulting in an overall surplus of around £100m in 2009/10 which is passed to Central Government;
- It is unpopular as there are no perceived 'winners';
- The volatility of the settlements which are increasingly complex and are not transparent;
- The possibility of massive future surpluses in the system which would benefit central government at the expense of local rent payers.

In December 2007 a review of Council Housing Finance was announced and subsequently launched in March 2008. In July 2009 a consultation paper was issued to which Melton Borough Council responded following consultation with Members. In March 2010 the prospectus 'Council Housing: a Real Future' was issued to Councils with the consultation period ending on 6 July 2010.

- 3.2 At their meeting of 29 June 2010, members of the Community & Social Affairs Committee approved the response to this consultation, noting that further guidance and information would be provided in early 2011.
- 3.3 Though the clauses in the localism Bill suggest that the final settlement will be published in the autumn and subject to a 'subsidy-style draft and final determination, the revised figures to be published before the end of January should assist local authorities in assessing the final financial implications of the new arrangements.
- 3.4 The report presented to members in June 2010, outlined the provisional implications of the settlement for Melton Borough Council, however, recent announcements have introduced new factors, some for the first time, which require further analysis and will be included in a comprehensive report for members later in the year.
- 3.5 In preparation for the implications of the HRA reform provided to members in June 2010, officers were assisted by an experienced Housing Consultant, who had previously provided support for the development of the HRA business plan.
- 3.6 For information members are asked to note that the consultant through the Chartered Institute of Housing Consultancy 'arm' is a nationally recognised expert in Housing Finance and has helped over 60 authorities in developing housing business plans and is a member of the CIPFA Housing Panel and the LGA's Specialist Housing Advisers Panel and acted as Special Adviser to the CLG Select Committee in their enquiry 'Beyond Decent Homes'.
- 3.7 Members are asked to waive contract procedure rules, so that this 'expert' resource can be retained, as the knowledge built up over the years and particularly over the last year when developing Melton Borough Council's financial business plan and financial modelling against proposals outlined in the HRA reform, will be difficult to replicate and probably cost more if sourced elsewhere.
- 3.8 The work that is required before a more detailed report can be presented to members and for this Council to fully understand the implications of the HRA reform and then take the necessary steps in preparation of the new system from April 2012 are:
- Facilitating the development of the HRA business plan
 - Development of financial modelling
 - Support for Business Planning review
 - Development of business plan narrative
 - Input to consultative activities
 - Facilitating the development of an Asset Management Strategy
 - Supporting the Business Plan
 - Core financial and asset mode
 - opportunities for redevelopment and/or regeneration
- 3.9 Members are further asked to note that due to the knowledge gained from working with the Council on the financial planning, the consultancy is able to offer a further 12.5% discount on the prices and timing information provided.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 There are no further policy and corporate implications arising from this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 Although there are significant financial implications for this Council resulting from the HRA reform and these will be identified to members at a later date, in respect of the recommendations sought from members in this report, members are asked to note that a budget of £25,000 has been allocated.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 There are no other legal implications directly arising from this report, should members approve the waiving of contract procedure rules as recommended in this report.

7.0 COMMUNITY SAFETY

7.1 There are no direct links to community safety arising from this report.

8.0 EQUALITIES

8.1 There are no direct Equalities implications identified in this report.

9.0 RISKS

9.1 The risks are considered in the table below:

Probability



Very High A				
High B				
Significant C				
Low D			1	
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

Impact →

Risk No.	Description
1	Members do not approve the waiving of contract procedure rules and ask officer to pursue a 'tendering' exercise
2	
3	
4	
5	
6	
7	
8	
9	

9.2 In recent years there has been a problem regarding the Repairs and Maintenance budget and so it is imperative that the Council has certainty in the early years of this self financing settlement by ensuring that resources are kept within the HRA to mitigate this risk.

10.0 CLIMATE CHANGE

10.1 There are no climate change issues directly arising from this report.

11.0 CONSULTATIONS

11.1 In the development of a business plan, tenants and other stakeholders will be involved at an early stage and the work secured includes developing our approach to consultation, providing information for sharing and/or facilitating specific events.

12.0 WARDS AFFECTED

12.1 All wards are affected.

Contact Officer: Harrinder Rai- head of Communities & Neighbourhoods

Date: 23 February 2011

Appendices: None

Background Papers: Council Housing: A Real Future

Reference: X: Committees/CSA/2010-11/09-03-11/HR - HRA Reform Proposals