

 <p><b>Northwards Housing</b> North Manchester's Council Homes</p>		<b>Report to:</b> Northwards Housing Board		<b>Item No:</b>  <b>8a</b>	
<b>Title:</b>		Next Steps in HRA Reform			
<b>Date:</b>		26 <sup>th</sup> April 2010			
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<b>Confidential:</b>		No			
<b>For:</b> (Please tick action required)		<b>NOTING</b> ✓		<b>DISCUSSION</b>	
		<b>APPROVAL</b>			
<b>PURPOSE OF REPORT</b>					
The purpose of this report is to advise Board Members on progress to date with Reform of Council Housing finance & to advise on the next steps with Housing Revenue Account (HRA) Review.					
<b>RECOMMENDATION</b>					
The Board is asked to note progress with HRA Review & the next steps going forward.					
<b>IMPLICATIONS</b>					
<b>Equality &amp; Diversity:</b>		<i>No specific implications</i>			
<b>Financial:</b>		<i>The HRA will fundamentally affect future funding of Northwards Housing.</i>			
<b>Staffing:</b>					
<b>Decency Target:</b>		<i>HRA Review may support maintenance of homes.</i>			
<b>Governance:</b>		<i>Board need to be aware of HRA Review and potential funding implications.</i>			
<b>Risk Assessment:</b>		<i>Board need to understand risks of current HRA subsidy system and potential for reform.</i>			

**Equality & Diversity Implications** (Please tick where relevant):

BME	<input type="checkbox"/>	Lesbian/Gay/Bisexual/Transgender	<input type="checkbox"/>
Gender	<input type="checkbox"/>	Single Parents	<input type="checkbox"/>
Age	<input type="checkbox"/>	Domestic Violence	<input type="checkbox"/>
Disability	<input type="checkbox"/>	Alcohol/Drug Mis-users	<input type="checkbox"/>

**Consultation/Consideration:**

	<b>Yes, No or N/A:</b>	<b>Name:</b>	<b>Date:</b>
<b>Sub-Committee:</b>			
<b>Area Panel:</b>			
<b>Task Groups:</b>			
<b>Ward Councillors:</b>			

**1. Purpose of Report**

- 1.1 The purpose of this report is to advise Board Members on progress to date with Reform of Council Housing finance & to advise on the next steps with Housing Revenue Account (HRA) Review.

**2. Background**

- 2.1 As Board Members will be aware, the Government has been leading a review of the current HRA subsidy system which is widely acknowledged as being no longer being fit for purpose. The review culminated in an announcement on HRA Reform as part of the Budget Statement in March, followed by the publication of a Consultation Paper on 25th March 2010.
- 2.2 The Consultation Paper, to which responses must be made to CLG by 6th July, sets out an "offer" to every local authority still owning council housing to allow them to move outside the current subsidy system by taking on a sustainable level of debt to be serviced by council housing rents. Currently, rents are paid over to CLG & redistributed to 177 local authorities on the basis of notional income & costs. The HRA subsidy system is based on annual determinations which does not allow local authorities to plan ahead; which is in stark contrast to housing associations who operate with 30 year business plans.
- 2.3 The "debt offer" is a national redistribution of housing debt with some local authorities taking on more debt & others (including Manchester) seeing their current housing debt reduced. The principles underpinning the offer is that it is fair to taxpayers & ratepayers & that all local authorities can service the debt over 30 years whilst maintaining homes to the Decent Homes Standard. There may be sufficient "headroom" to allow local authorities to build new council housing.
- 2.4 Attached to this report is a summary paper produced by the Chartered Institute of Housing (CIH) explaining the Review, the CIH's response to it & suggesting the next steps in HRA Reform.

**3. Manchester's Offer**

- 3.1 Manchester has received its "debt offer" from CLG which covers Northwards' stock, MCC's retained stock & includes allowance for two existing Private Finance

Initiative (PFI) schemes at Grove Village & Miles Platting. PFI distorts the city's debt offer.

- 3.2 The Chief Executive has been in discussion with MCC over the course of the HRA Review as part of developing future options for Northwards. The Board is aware of this work. The next step is for MCC to fully appraise its debt offer to determine whether it allows the Council to maintain Decent Homes whilst providing for effective management & maintenance. It will also be necessary to assess whether PFI commitments under the 30 year contracts are fully funded. Finally, MCC will assess whether there is any headroom for addressing other priorities, including new build. There is also the potential cost of redeeming existing HRA loans taken out by MCC which need to be assessed.
- 3.3 A workshop is being organised in early May with key MCC officers, Northwards & PriceWaterhouseCoopers (PWC). PWC have advised MCC on housing transfers & advised CLG in drawing up the debt offer to 177 councils. This workshop will appraise the debt offer with a view to taking a report to the MCC's Executive in late June allowing time to frame the Council's response to the Consultation Paper in early July.

#### **4. Next Steps**

- 4.1 Each local authority will appraise their own debt offer & respond to CLG. The current Government has indicated that it will use existing powers under the Housing & Regeneration Act 2008 to put a new self financing system in place from April 2011 if there is enough local authority support. It will, however, fall to the new Government after the General Election to decide how & when to take HRA Reform forward. There is considerable support for HRA Reform at central & local government level & it is hoped that this will commend it to the new Government, particularly as it is redistribution of existing debt rather than taking on new debt in current financial climate.

#### **5. Recommendation**

- 5.1 The Board is asked to note progress with HRA Review & the next steps going forward.