

Item 8 (ii) - Housing Finance Reform Referred from Community & Housing Committee 10 June 2010 and Finance & Administration Committee 17 June 2010

Lead officer: Stephen Joyce, Chief Finance Officer

Summary

1. Currently, just under half of rents collected from Uttlesford's tenants is handed over to Central Government. In the current financial year, this amounts to around £5 million. This is known as "negative housing subsidy".
2. On 25 March, the Government announced proposals to reform council housing finances, following a consultation exercise in which the Council participated.
3. The Government is proposing that with effect from April 2011 the Housing Subsidy system is abolished, enabling all councils to retain all rents and capital receipts locally. In return, the Council will have to make a large lump sum payment, which will be financed by new loans.
4. Independent advice obtained from housing finance experts Consult CIH confirms that the proposal represents a good deal for Uttlesford. The cost of servicing the loans would be less than the current level of negative subsidy.
5. If implemented, the reform would enable the Council to keep its own housing stock in good condition, and provide up to around 450 new homes during the next 30 years.
6. The Government is consulting on its proposals and responses are required by 6 July. At this stage, the consultation is about the principles involved – we are not being asked to commit to a deal. If, following consultation, the proposed reform continues, a formal offer will be put to the Council to which we will have to respond. This will probably take place in the Autumn. Detailed independent analysis and advice will be obtained to help Members decide on the merits of any firm offer, and a special meeting of the Council will be arranged if necessary
7. On 8 June the Coalition Government confirmed its intention to reform the system and confirmed that the consultation process will proceed as planned.
8. The reform proposals and consultation responses were discussed at the following meetings:
Tenants Forum 27 May 2010

[Community & Housing](#) Committee 10 June 2010
[Finance & Administration](#) Committee 17 June 2010

Please refer to the relevant committee reports for further information.

At all three meetings, the principles behind the Government's proposals were supported, and consultation responses were discussed. **The Council is requested to confirm the consultation responses as detailed below.**

9. The proposed consultation responses, as suggested by the Community & Housing Committee on 10 June and endorsed by the Finance & Administration Committee on 17 June, are below. In addition, the Community & Housing Committee proposed that a letter be sent to the local MP.

Consultation questions	Proposed response
1. What are your views on the proposed methodology for assessing income and spending needs under self-financing and for valuing each council's business?	The methodology seems fair.
2. What are your views on the proposals for the financial, regulatory and accounting framework for self-financing?	<p>In general, the Council welcomes the proposals.</p> <p>Changes to capital financing accounting rules must be made to avoid additional costs being incurred by the General Fund.</p> <p>The regulatory framework should include a reduced requirement for submitting data returns and a reduced external audit burden.</p>
3. How much new supply could this settlement enable you to deliver, if combined with social housing grant?	<p>Clarification is requested as to whether local targets are to be set and over what duration.</p> <p>Our analysis suggests that 135 new homes could be financed from social housing grant and borrowing funded by rental income earned from new properties. Analysis also suggests that up to 450 new homes could be funded but this would require re-phasing of capital works on the existing stock and subsidy from existing council tenants.</p>
4. Do you favour a self-financing system for council housing or the continuation of a nationally redistributive subsidy system?	<p>The Council is strongly in favour of abolishing the redistributive subsidy system.</p> <p>Until the present system is abolished, the Council feels that the negative housing subsidy payments it will continue to make are unfair.</p> <p>The Council notes that the Self Financing Prospectus is an improvement on the present system and in principle, would support the proposals should no further alternatives be suggested.</p> <p>The Council strongly feels it would be preferable for the Government to write off historic housing debt and discontinue the subsidy system without requiring a large up front payment to be made.</p> <p>This has been a major campaign of the Council for many years and we would urge the new Government to support this initiative.</p>
<p>5. Would you wish to proceed to early voluntary implementation of self-financing on the basis of the methodology and principles proposed in this document?</p> <p>Would you be ready to implement self financing in 2011-12?</p> <p>If not, how much time do you think is required to prepare for implementation?</p>	<p>Yes</p> <p>Yes</p> <p>Not applicable</p>
6. If you favour self-financing but do not wish to proceed on the basis of the proposals in this document, what are the reasons?	Not applicable