

CABINET

24 June 2010

EXTRACT FROM MINUTES OF PRINCIPAL SCRUTINY COMMITTEE HELD 14
JUNE 2010

REPORT OF HEAD OF DEMOCRATIC SERVICES

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

This report sets out minute extracts from Principal Scrutiny Committee held on 14 June 2010 regarding the proposals on Reform of Council Housing Finance, which have been referred to Cabinet for its consideration.

RECOMMENDATION:

That Cabinet consider and determine the matters set out in the minute extracts below.

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24 June 2010

EXTRACT FROM MINUTES OF PRINCIPAL SCRUTINY COMMITTEE HELD 14 JUNE 2010

REPORT OF HEAD OF DEMOCRATIC SERVICES

1. PRINCIPAL SCRUTINY COMMITTEE – 14 JUNE 2010

REFORM OF COUNCIL HOUSING FINANCE

(Report [PS419](#) refers)

The Head of Landlord Services answered a number of detailed questions on the proposals and, in particular, the assumptions made by Government that had resulted in the particular modelling of the self-financing initiative for Winchester.

At the invitation of the Chairman, Councillor Learney and Thompson addressed the Committee and their comments are summarised below.

Councillor Learney stated that as part of the Council's response to the Government's consultation on the proposals, she would seek to improve Winchester's position by requesting that national housing debt was written off and for the valuation models used by Government be revisited. She also stated that although a better deal for the Council overall was likely to be gained by stock transfer, tenant opposition to this should be respected.

Councillor Thompson supported this approach. She advised that the proposals did not currently present a good deal for the Council and she confirmed that representation would be made to improve the position.

During discussion, Members were appreciative that the proposals for reform were likely to offer some improvements, particularly over the longer term, to the existing negative subsidy system. However, the Committee was concerned that the proposals were not representative of Winchester's true position and agreed that that the basis of Government's valuation of the Council's housing function should be challenged. In particular, Members were concerned about the basis for the Council incurring a higher than average proportion of the national housing debt and of the potential impact of higher interest rates on tenants' rents. It was also noted that further revisions to the financing system could be made, after the Council had taken on the debt.

Therefore, at conclusion of debate, it was agreed that Cabinet should be requested to include in their response to the consultation on the proposals challenges to the basis of the calculation of the total debt figure. It also agreed that additional analysis of the impact of interest rates and their links to

inflation and rent income should be provided to Council to reassure members that associated risks are acceptable to the Council.

RECOMMENDED:

THAT CABINET BE ASKED TO RECOMMEND TO COUNCIL A RESPONSE TO THE CONSULTATION ON THE DETAILED PROPOSALS FOR SELF FINANCING OF COUNCIL HOUSING FUNCTIONS WITH REGARD TO THE FOLLOWING:

- (I) THAT CABINET SHOULD BE REQUESTED TO INCLUDE IN THEIR RESPONSE TO THE CONSULTATION ON THE PROPOSALS, CHALLENGES TO THE BASIS OF THE CALCULATION OF THE TOTAL DEBT FIGURE.**
- (II) THAT ADDITIONAL ANALYSIS OF THE IMPACT OF INTEREST RATES AND THEIR LINKS TO INFLATION AND RENT INCOME SHOULD BE PROVIDED TO COUNCIL TO REASSURE MEMBERS THAT ASSOCIATED RISKS ARE ACCEPTABLE TO THE COUNCIL.**