

COUNCIL – SPECIAL MEETING

28 JUNE 2010

EXTRACT FROM MINUTES OF CABINET – 24 JUNE 2010

REPORT OF HEAD OF DEMOCRATIC SERVICES

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

Appendix A to this report sets out a minute extract relating to issues for the consideration of Council.

RECOMMENDATION:

That Council considers the matters set out in the minute extract.

Appendix A**EXTRACT FROM MINUTES OF CABINET – 24 JUNE 2010**

1. **THE REFORM OF COUNCIL HOUSING FINANCE**
(Report [CAB2026](#) refers)
2. **EXTRACT FROM MINUTES OF PRINCIPAL SCRUTINY**
(Report [CAB2028](#) refers)

Councillor Thompson concurred with the views expressed by TACT in the Report regarding the desire that the new Government makes clear its position on the reform proposals. In addition, she agreed that a stock transfer would be very unpopular with tenants. She advised that she would be writing to the new Minister requesting a meeting in order to argue for a better deal under the proposals.

Councillor Learney drew Cabinet's attention to the table on page 8 of the Report which set out the financial implications to the Council of the various options and scenarios. This highlighted that if nothing changed, the Council would have a deficit of over £100 million in its HRA Revenue Account after 30 years. With regard to the current proposal, the worst case scenario forecasts indicated a net benefit to the Council of £200 million. There might be opportunities to improve this figure and the proposals would form a key factor in the re-letting of the Council's Treasury Management contract, later in the year.

Councillor Learney acknowledged that there were some concerns regarding the proposals as currently drafted. However, the only alternative option for the Council in addressing the predicted deficits in its HRA Account was to transfer its current stock to housing associations, which was likely to be very unpopular with tenants. Therefore, Cabinet was recommending that the Council respond positively to the consultation proposals, subject to a number of caveats and areas of concern highlighted.

Mr Rickman (TACT) reminded Cabinet that his challenge to the European Court on negative subsidy, made in April 2008, had not yet been progressed. He drew Members' attention to TACT's comments on the proposals, as contained in paragraph 8 of the Report, particularly regarding the release of the proposals only a short time before the General Election. In addition, he expressed disappointment regarding the inequitable manner in which Councils were dealt with, as opposed to housing associations. TACT were concerned about the gaps in information contained in the proposals and urged the Council not to finalise its decision until all details were available.

Councillor Learney stated that the Council would seek further clarification before agreeing to any proposals. She emphasised that, at

this time, the Council was responding to consultations only and this did not commit it to any proposals in the future.

At the invitation of the Chairman, Councillors Coates and Banister addressed Cabinet and their comments are summarised below.

Councillor Coates considered that the Council should reject the proposals, unless certain conditions were met (rather than the positive response, subject to conditions as recommended in the Report). He highlighted the concerns raised previously regarding the calculations used for the valuation of the Council's stock and suggested that the Council reject the calculations using the Management Maintenance figures. He also believed that the proposals would not enable the Council to build a significant number of new homes.

The Head of Landlord Services advised that the previous Government had indicated that unless there was a significant positive response from local authorities, the proposals would need to be introduced through primary legislation, thus delaying their implementation. The new coalition Government had allowed for the possibility of such legislation in the Queen's Speech. However,, because of the Council's urgent requirement for change, it was suggested that the Council respond positively to the proposals, but with various concerns highlighted, as detailed in the Report.

With regard to the comments on new housing provision, the Head of Landlord Services stated that it was estimated that the proposals would generate approximately £200,000 per annum in the first five years, which equated to about four new dwellings. However, after the initial five years there were other possible methods the Council could utilise to increase this number or undertake other works to the stock. In addition, Councillor Learney emphasised that the proposals would give the Council greater freedom to develop its own properties.

Councillor Banister queried whether the recently announced limits on housing benefit payments would affect the calculations in the Report.

The Head of Landlord Services advised that this announcement would not affect the financial forecasts contained in the Report. However, it did raise general concerns for the Council, as it could lead to a significant increase in the levels of rent arrears that the Council would be required to manage.

The Head of Landlord Services acknowledged that, as the rent structure was set nationally at the current time, the Council was also seeking assurances from the new Government that there would be rent certainty, as without this the model contained in the proposals would not work.

Cabinet noted the recommendations from Principal Scrutiny Committee, at its meeting held of 14 June 2010, as contained within Report CAB2028. The Head of Landlord Services confirmed that the issues raised had been addressed within CAB2026.

Councillor Learney suggested that a second recommendation be added to enable the Head of Landlord Services to make minor amendments to the response, in consultation with the Portfolio Holder for Communities. This was agreed.

Cabinet noted that the recommendations would be considered by a Special Meeting of Council to be held on 28 June 2010.

Cabinet agreed to the following for the reasons set out above and outlined in the Report.

RECOMMENDED:

1. THAT THE DRAFT RESPONSE AS DETAILED IN THE APPENDICES TO REPORT CAB2026, FORM THE COUNCIL'S RESPONSE TO THE GOVERNMENT PROPOSALS ON HRA REFORM.

2. THAT THE HEAD OF LANDLORD SERVICES, IN CONSULTATION WITH THE PORTFOLIO HOLDER FOR COMMUNITIES, BE AUTHORISED TO UNDERTAKE MINOR EDITING AND APPROVE THE FINAL RESPONSE TO THE GOVERNMENT'S PROPOSALS ON HRA REFORM.
