



Title	Arrangements to manage the Housing Revenue Account (HRA) Self Financing Project
For further information about this report please contact	Jameel Malik Head of Housing and Property Services jameel.malik@warwickdc.gov.uk
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	Executive meeting 23 rd June 2010 Minute 25
Background Papers	Executive Report 23 rd June 2010

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan?	No
Equality & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive	16.05.11	Chris Elliot
Deputy Chief Executive	17.05.11	Bill Hunt
Deputy Chief Executive & Monitoring Officer	16.05.11	Andrew Jones
Head of Housing and Property Services	16.05.11	Jameel Malik
Head of Finance	16.05.11	Mike Snow
Portfolio Holder for Housing and Property Services	17.05.11	CLlr Norman Vincett
Consultation & Community Engagement		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 SUMMARY

- 1.1 In April 2012, the existing Housing Revenue Account (HRA) subsidy system will be replaced by a self financing model. This report sets out proposals about how the project and the transition to the new model will be managed.

2 RECOMMENDATION

- 2.1 That Executive approves the establishment of a Self Financing Project Board. Membership of the Board will consist of the Portfolio Holders for Finance and Housing and Property Services, Shadow Portfolio Holders for Housing and Property Services from each political party, a Member from the Independent Group and one nominated member of the Tenant Panel as well as Officers.

3 REASONS FOR THE RECOMMENDATION

- 3.1 The Project Board will provide opportunity for detailed involvement of key stakeholders in the transition from the current HRA subsidy system to the new self financing model.
- 3.2 The Project Board will have no additional delegated powers other than those that are vested in officers through the existing Scheme of Delegation. The Project Board will amongst other things have the following responsibilities:
- Agree and manage the self financing project plan.
 - Oversee the development of the updated HRA Business Plan and present to Council for final approval.
 - Evaluate the sources of finance to fund the debt settlement as part of the Treasury Management Strategy
 - Consider opportunities presented to the Housing Revenue Account from self financing in terms of further investment in the HRA.
 - Where necessary consult any additional stakeholders regarding the updated HRA Business Plan
 - Present the updated HRA Business Plan and the Treasury Management Strategy for Executive and Council approval by 31st March 2012.

4 POLICY FRAMEWORK

- 4.1 The proposals directly contribute to Fit for the Future and meeting the Vision and Objectives of the Council as set out in the Sustainable Community Strategy. The effective transition from the HRA subsidy system to self financing and the development of an updated HRA Business Plan will meet housing and well being needs of the District's residents.
- 4.2 The Council has been debt free since 2004. Its Financial Strategy enables the Council to borrow to finance capital expenditure providing it can be demonstrated that it has the resource to finance the debt.
- 4.3 A review of the Council's Prudential Indicators will be undertaken to demonstrate the affordability of debt and how it will be financed.

5 BUDGETARY FRAMEWORK

- 5.1 HRA self financing presents to the Council the largest single financial transaction it is ever likely to undertake, requiring the Council to take on debt of over £100m to enable it to “buy” its way out of the HRA subsidy system.
- 5.2 Some significant issues will need to be considered and agreed by the Autumn including:-
- The HRA Business Plan, ensuring that it enables the HRA to meet all liabilities over at least the next 30 years.
 - What scope there is for further investment in the HRA, and whether additional debt should be taken out to finance it.
 - Treasury Management Strategy – including the makeup and structure of the loan portfolio.
- 5.3 The Council will need to consider these issues over forthcoming months and make appropriate resolutions.
- 5.4 The Council’s Treasury management consultants, Sector are advising officers on the loan portfolio and how this relates to the business plan.

6 ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 Managing the programme without a Project Board would fail to provide an effective and coordinated opportunity for stakeholder engagement, especially from Elected Members and Tenants. It would also increase the likelihood of the project not identifying key risks and mitigation at an early stage before final approval is from Executive and Council.

7 BACKGROUND

- 7.1 The Department for Communities and Local Government (DCLG) has issued a policy document, *Implementing Self-Financing for Council Housing*, to support the clauses in the Localism Bill which will allow the abolition of the HRA subsidy system and the introduction of a new system of self-financing. The ‘prospectus’ presented by the previous government last March has been replaced by a plan to implement self financing on a compulsory basis in April 2012, assuming Royal Assent to the bill in the autumn.
- 7.2 On 1st February 2011, the Department for Communities and Local Government issued indicative settlement figures on implementing self-financing for council housing.
- 7.3 Based on 5,621 properties the new provisional settlement figures will require the Council to take on debt of £133.4m compared to a borrowing limit of £147.3m (this includes additional borrowing headroom of £13.8m).
- 7.4 The final debt figure will change depending on the number of dwellings we have as at 31st March 2012. The current debt figure is based on stock numbers as at 1st April 2010. During this year we have sold 8 and have proposed the demolition of 1 therefore our final debt will reduce to reflect the reduced stock numbers (a change of around £0.25m).

- 7.5 As a result of this new debt settlement estimate our debt is forecast (as per the latest HRA Business Plan) to be repaid in yr 16 as opposed to year 17. After year 16 the balances would accumulate to £251m.