

## LONDON BOROUGH OF HARROW

### OVERVIEW AND SCRUTINY COMMITTEE – 26 FEBRUARY 2013

#### REFERENCE FROM CABINET – 22 JANUARY 2013

#### **572. Response to Scrutiny Review of Housing Revenue Account Self Financing**

Cabinet received a report of the Corporate Director of Community, Health and Wellbeing responding to the comments and recommendations made by members of the Standing Scrutiny Review of the Budget in relation to the self-financing of the Housing Revenue Account.

The Leader of the Council invited the Chairman of the Review Group to address Cabinet.

The Chairman of the Review Group set out the background to the Review Group's report, which had resulted from the change in government policy on the Housing Revenue Account. The change had enabled local authorities to 'buy out' from the HRA, an option taken by the Council. In so doing, the Council had taken on a debt in the region of £88.5m to be paid over a period of 50 years, whilst other authorities, such as Wandsworth Council, which the Review Group had visited during the review, would be paying their debt over a shorter timescale of 13 years. Such a course of action would result in a less tax burden for its residents. The Review Group was therefore concerned about the approach taken by Harrow.

The Chairman of the Review Group also commended Wandsworth Council's Hidden Homes Strategy, which would result in finding pockets of space that could be converted to provide additional housing in the borough by leveraging. Harrow's Housing Action Plan, which made reference to the Hidden Homes Strategy had not been actioned and he considered this to be a missed opportunity for residents of Harrow. Additionally, Harrow's housing stock was small and any increase in Right to Buy would leave Harrow's residents in a vulnerable position. Moreover, opportunities for stock transfers needed to be examined by the Council.

The Review Group had also considered the scope of working with other authorities through a shared service approach. The Chairman of the Review Group added that, perhaps, Harrow's Housing Service ought to be shared with another borough in order to achieve economies of scale and improve the quality of life of residents. He added that the Council ought to encourage and advise residents on how they could purchase properties in order to meet its obligations as a borough of opportunity and aspiration.

Additionally, the income of the HRA and servicing of the debt would have implications for rents charged for social housing stock. The Review Group had noted that the quality and valuation of homes would be looked at and it had noted that plans were afoot to look at rent revaluation which would help service the debt. Consideration ought to be given to the implication of a revaluation, which would result in a higher ceiling on debt. With regard to this, the Council would benefit from joint working with other boroughs and leveraging of private finance would help improve the Council's housing stock.

The Council also needed to ensure that the coalition government's welfare reforms would not impact adversely on the vulnerable and marginalise members of the community. Particular reference was made to the Council's bailiff contract.

The Portfolio Holder for Housing thanked the Chairman of the Scrutiny Review Group and its Members for conducting a positive review on how the HRA was managed, which would allow the Council to examine ways to bring about an increase in the supply of affordable housing and to include hidden homes as part of its overall plans.

The Portfolio Holder added that the Council would advise its tenants who wished to exercise a 'Right to Buy' their property and private landlords to lease their properties for the Council to manage. Moreover, officers were working with organisations such as the Citizens' Advice Bureau to inform tenants of the risks associated with the government's welfare reforms. Additional information would be provided to tenants in March, particularly on what they needed to do to protect their homes. Additionally, a business plan on the Housing Changes Review would be submitted to Cabinet in April.

In response to the Portfolio Holder for Housing, the Chairman of the Scrutiny Review Group drew attention to an external review that had been commissioned in relation to recommendation 1 of the Scrutiny Review Group's report. He enquired about the cost of the external review and stated that given the calibre of Harrow staff, it was unnecessary for the review to be conducted externally. Moreover, the Hidden Homes Strategy had been discussed numerous times but the Council needed to be vigorous and innovative in implementing it. A fundamental concern of the Scrutiny Review Group was the risks associated with the debt which was to be paid over a period of 50 years was too long, including the 30-year business plan. The risks had not been made apparent in the reports considered. Changes in local and national governments during this period would also have wide ranging implications.

The Portfolio Holder for Performance, Customer Services and Corporate Services spoke about the reports that had been submitted to the Tenants', Leaseholders' and Residents' Consultative Forum (TLRCF), which had been illuminating around the changes taking place on welfare reforms. His main concern was recommendation 6 of the Scrutiny Review Group and the impact of the coalition government's welfare reforms. It was unclear whether or not housing benefit payment would be centralised under the localism agenda, and direct payments could result in the recipient spending the money rather than paying the rent, thereby resulting in a risk to the Council's budget.

The Chairman of the Scrutiny Review Group agreed with the sentiments expressed by the Portfolio Holder for Performance, Customer Services and Corporate Services and the impact this could have on the Council, as landlords. It would undermine the Council's income stream which in turn would undermine the Council's business case. The situation would be exacerbated by the Council's bailiff contract.

The Portfolio Holder for Housing informed Cabinet that 350 tenants were currently being monitored. Additionally, a number of issues would be discussed at the TLRCF on 31 January. The Portfolio Holder stated that a meeting with the Chairman of the Scrutiny Review Group would be a useful starting point.

The Chairman of the Review Group and the Portfolio Holder for Housing thanked all those involved in the Scrutiny Review Group for their contributions.

**RESOLVED:** That the report be noted.

**Reason for Decision:** To enable the response to the recommendations to be formalised.

**Alternative Options considered and rejected:** None.

**Conflict of Interest relating to the matter declared by Cabinet Member / Dispensation granted:** None.

#### **FOR INFORMATION**

Background Documents:

Draft minutes of the Cabinet – 22 January 2013

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