

COUNCIL HOUSING: A REAL FUTURE

CONSULTATION QUESTIONS AND PROPOSED RESPONSES

**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?**

Overall we believe the methodology is acceptable but rental convergence at MBC is not going to complete by 2015/16 – reducing the annual income from rents in each year, compared to the methodology used in the PWC model this should reduce our debt settlement by £3.452m (using a 7% discount rate) . This is mainly due to the caps & limits on rental income which prevents us from increasing rents enough to converge. Under the current subsidy system there is an amount attributable to the hold of caps & limits would there be any similar protection under the calculation for this new arrangement? This model also takes no account of a reducing stock and therefore a reducing income due to Right to Buy sales.

**2 What are your views on the proposals for the financial, regulatory and accounting framework for self financing?**

Overall the framework appears to be workable. But why the HRA borrowing cap? It would appear that by giving Councils this self-financing flexibility but imposing the borrowing cap you are then taking away this flexibility when the prudential borrowing code ensures that Councils do not borrow irresponsibly or beyond their means.

We recognise the requirement to take on additional debt in lieu of annual contributions to the subsidy system and welcome the ability to take new debt locally rather than having debt redistributed from other local authorities. We support the concept of having debt specifically identified to the HRA through the un-pooling of debt, but would value the opportunity to manage debt locally without central government prescription. In particular the separate identification of new debt avoids any potential impact on General Fund resources.

We would seek clarification that the cost of buying out of the system will constitute capital expenditure as clearly the Council cannot afford such a payment within the revenue budget.

We would also need clarification and guidance on a depreciation policy which ensures there would be no adverse impact on the HRA revenue position.

**3 How much new supply could this settlement enable you to deliver, if combined with a social housing grant?**

Assuming a Social Housing Grant to match our contribution we could deliver 15-20 houses within a 5 year period, assuming a nil value for land. This would require a contribution of around £68k per annum from MBC

and the same £68k pa from Social Housing Grant. This assumes a 5% interest rate on the difference in debt settlement by using the 7% discount rate instead of the 6.5%.

**4 Do you favour a self financing system for Council Housing or the continuation of a nationally redistributive subsidy system?**

We do feel that the current nationally redistributive subsidy system is unfair and in principle welcome the proposals which would create a self financing system for Council Housing. There are however details we would require around the mechanics supporting the self financing system to enable us to offer a more robust and considered response, such as a depreciation policy, a policy on the treatment of future rent and whether the agreement could be opened up after the settlement and under what circumstances etc.

**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? Would you be ready to implement self financing in 2011-12? If not, how much time do you think is required to prepare for implementation?**

We would prefer to proceed to early voluntary implementation and we would be ready to implement in 2011/12 with final figures ideally available within adequate time for us to be able to plan effectively for starting on 1 April 2010 and the proposals and the figures remain similar through the Ministerial review and the Comprehensive Spending Review.

**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?**

N/A