

Joint Report of the Head of Property Services and Director of Housing and Adult Services

Appropriation of Property

Summary

- 1 This report seeks approval for the appropriation and transfer of property held in the Housing Revenue Account or the General Fund Revenue Account to the General Fund Revenue Account or Housing General Fund, as appropriate.

Background

- 2 Property assets should be held under the correct statutory power and the Housing Acts state property should only be held in the Housing General Fund or Revenue Account, that have or likely to have a specific social housing use.

Information

- 3 Part of the Haymarket Car Park at Peaseholme Green and Reynards Garage at 17/21 Piccadilly, are held in the Housing Revenue Account, however, the Haymarket Car Park is the site of the new council's office at Hungate and Reynards Garage is part of the exit strategy funding for the new office, so both properties should be appropriated to the General Fund Revenue Account.
- 4 A new Peasholme Hostel is being built on a site at 4 Fishergate, and the site is held in the General Fund Revenue Account, the site should be transferred to the Housing General Fund, when the building is completed. The existing Peasholme Hostel will be vacated and demolished in the near future, and the site included in the new council office site, the site should be transferred to the General Fund Revenue Account, when the building is demolished.
- 5 The new Arc Light Centre is under construction on part of the Union Terrace Car Park, and the site should be appropriated from a car park use to the Housing General Fund. A long term lease has been granted to York Housing Association and the project will be managed by HASS.
- 6 The sites and properties to be appropriated and respective valuations are included at Annex A and location plans at Annex B.

Consultation

- 7 The comments and information provided by the Head of HASS Finance and Corporate Accountant have been included within this report.

Options

8 The following two options are available:

- a) Approve the report
- b) Not to accept the report

Analysis

9 Option (a) – Approve the report

A number of corporate priorities will be achieved if the report is approved.

Option (b) – Not to accept the report

It is probable the Audit Commission would criticise the Council for holding properties under the incorrect statutory power.

Corporate Priorities

10 The appropriations are required for the good governance of the Council's property portfolio, it will provide corporate flexibility and maximise the capital resources in the areas that will benefit all the corporate priorities.

Implications

11 The following information is provided:

Financial Implications

12 The financial implications of these appropriations affect both the General Fund Revenue Account and the Housing Revenue Account. For accounting purposes an appropriation between the HRA and General Fund is treated as if a sale of the asset has been made from one area to another, and as a result it changes the apportionment of the Council's debt financing costs between the General Fund and HRA.

13 The table below sets out the financial implications to the two accounts. Initially there is a short term gain to the HRA due to a reduction in capital charges. From 2010/11 the debt charges will cease to be eligible for HRA subsidy, which is a loss of central government funding to the council. As only 50% of the value can be appropriated out of the HRA, the other 50% remains and continues to be funded via the HRA subsidy system under the current system. There remains a slight risk to the HRA in having 50% of the debt without the asset and therefore any opportunity of reducing this debt, although the value of the HRA Housing stock far exceeds the level of notional HRA debt, which will stand at approximately £16.6m at the end of 2008/09.

14 The impact on the General Fund Revenue Account is twofold. Firstly, because an appropriation is treated as a shift of debt between the two accounts the General Fund will lose out on the income it receives from the HRA to finance that debt (Item 8 debit). Secondly the increase of debt on the General Fund increases the amount that has to be set a side for the repayment of debt, through the minimum revenue provision which is at 4% of the amount of debt (which is measured by the capital finance requirement

calculation). In 2009/10 the increased costs on the Treasury Management budget will be £91.32k.

Site	Value	08/09	09/10	11/00
	£	£	£	£
TRANSFERS OUT				
Haymarket	850,000	-9,910	-19,820	-19,820
17-21 Piccadilly	750,000	-8,750	-17,500	-17,500
Peasholme Hostel - land	500,000	-6,000	-12,000	-12,000
(Saving) to HRA (sum of above)		-24,660	-49,320	-49,320
Loss of Subsidy		0	0	49,320
(Saving) to the HRA		-24,660	-49,320	0
Cost / (saving) to General Fund				
Increase in MRP		0	42,000	42,000
Decrease in Debt income from HRA		24,660	49,320	49,320
Total Cost to General Fund		24,660	91,320	91,320

15 Finally, because homeless hostels are traditionally treated as a Housing General Fund activity, the DCLG will not allow the new Fishergate Hostel to be appropriated back to the HRA, which would have reversed some of the financial impact shown in the table. The current Peasholme Hostel is budgeted to cost £20k per annum to run and if it cannot be appropriated back in to the HRA, this cost will fall on the General Fund.

- **Human Resources (HR)**

16 There are no HR implications.

- **Legal**

17 Implications are included within the report.

- **Crime and Disorder (C & D)**

18 There are no C & D implications.

- **Information Technology (IT)**

19 There are no IT implications.

- **Property**

20 Property implications are included within the report.

Risk Management

21 In compliance with the Council's risk management strategy, there are no risks associated with the recommendation of this report.

Recommendation

22 Members are asked to consider that the sites and property detailed in Annex A be appropriated in the financial year 2007/08, at the valuations and to the statutory powers shown.

Reason: To maximise the capital resources in the areas that will benefit all the corporate priorities.

Contact Details

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Specialist Implications Officer(s)

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Wards Affected:

For further information please contact the author of the report

Background Papers:

Executive Report – Possible sites for the relocation of Arc Light – 02/05/06.

Annexes

1. Land and Property Valuations
2. Plans