

COUNCIL HOUSING: A REAL FUTURE
CITY OF YORK COUNCIL **DRAFT** RESPONSE

Q1 – What are your views on the proposed methodology for assessing income and spending needs under self-financing and for valuing each council's business?

The council is concerned about assumptions made regarding the use of a 7% discount factor and the extra headroom this creates. Throughout the prospectus the discount factor is referred to as being able to cover a number of areas of expenditure, as well as being used to increase the supply of new homes. Clarification is needed around the ability to reopen the debt settlement and the circumstances under which this would be enacted. It is not clear from paragraph 2.20 of the prospectus why the Government has referred to the willingness of councils to build new homes as being relevant to a review of the 10% collar in the next spending review.

Q2 – What are your views on the proposals for the financial, regulatory and accounting framework for self-financing?

We welcome the revised guidance and clarification on operation of the HRA ring fence. The council would strongly wish to retain one loans pool in line with current Treasury Management principles and would not want to separate HRA & GF debt. It is important to have a full discussion with CIPFA regarding depreciation to ensure this does not jeopardise self financing and ensure we can maximise efficient use of resources whilst still meeting accounting standards. More detail is needed on the accounting framework and the impact this could have the viability of the HRA business plan.

Q3 – How much new supply could this settlement enable you to deliver, if combined with social housing grant?

The proposed settlement would certainly offer the potential to deliver HRA new build. Difficult to say with any certainty but using some broad assumptions, the council feels it may be able to deliver up to 95 additional homes in the first 5 years depending on land availability within the city. Clarification is needed as to whether local targets may be set for new build and to what extent the self financing offer is dependent on the willingness of the council to build new homes.

Q4 – Do you favour a self-financing system for council housing or the continuation of a nationally redistributive subsidy system?

The council favours a self financing system in principle, however as outlined above clarification is needed on key areas including under what circumstances this settlement could be reopened and resolving the technical issues with CIPFA regarding depreciation.

Q5 – 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?

The council would need a number of issues clarified and an understanding of the risks so that these could be mitigated as far as possible before proceeding, particularly in light of recent budget announcements. Should these issues be clarified the council feels it would be able to proceed and may be in a position to implement self financing in 2011/12.

Q6 – If you favour self-financing but do not wish to proceed on the basis of the proposals in this document, what are the reasons?

The council does favour self-financing, but as outlined in earlier responses clarification is required from CLG before proceeding further. This is to ensure the risks are fully understood.