

Medway Council

Council Housing: a real future - response to consultation

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

We understand the need to remodel the system at a national level and agree that the use of current subsidy allowances and notional debt is the most appropriate basis for the self-financing calculation.

We welcome the increases to management, maintenance and major repairs allowances built into the offer, recognising current under funding. However we have concerns that the proposed increases for Medway are lower than those of neighbouring authorities.

We accept that valuing the HRA 'business' on a discounted cash flow basis is an equitable way of allocating debt and agree that the use of a 7% NPV rate should generate headroom to repay debt or invest in new build if so desired.

We would welcome assurances about future rent policy as the viability of the offer is dependant on current rent restructuring, which could change significantly over the thirty year period of the model.

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

We understand the desire to cap debt during the current economic climate but question how this approach would seem to conflict with the concepts and principles underlying prudential borrowing.

We welcome the ambition to provide greater transparency in respect of the HRA / General Fund ring fence and would cooperate fully with the TSA or CIPFA in the development of more meaningful financial reporting.

In respect of debt we are of the opinion that it would be appropriate to work towards a full separation of debt albeit that this will be problematic in the short term. This approach would ease the production of a separate HRA balance sheet.

We have some concerns that there are no firm proposals as to the levels of depreciation that could be charged to the HRA but do not think that this would significantly affect the viability of the current offer.

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

The Council accepts that the discount factor used provides additional headroom which could be used to supply new build property. However, any build programme would be dependant on land availability and the continuation of social housing grant.

However, initial modelling has indicated that the offer could facilitate a programme of some 30-40 units, subject to land and grant availability without compromising the long term viability of self-financing. We would not anticipate new build targets to be added to the proposal subsequent to this prospectus.

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

Medway Council welcomes the dismantling of the HRA subsidy system as a matter of principle and favour the alternative proposed.

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 adopt self-financing in 2011/12? If not, how much time do you think is required for implementation?

In principle Medway Council would be in favour of self-financing from 2011/12 on the basis of the current 'offer' and the associated debt settlement. However before committing to the 'offer' the Council would want to be assured that the circumstances of the 'deal' are not changed. This is clearly consistent with the concept of a 'once and for all settlement' which would be undermined by any changes for:

- future national rent policy
- future legal and consultative requirements prior to transfer
- future circumstances which may lead to a re-opening of the debt settlement

Any proposition to amend any of these circumstances would require further consultation to enable modelling of the effect and a response adjusted accordingly.

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

Discussed above