

Supplementary Committee Agenda



**Epping Forest
District Council**

Finance and Performance Management Cabinet Committee Tuesday, 18th May, 2010

Place: Committee Room 1, Civic Offices, High Street, Epping

Time: 6.30 pm

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6. REPLACEMENT OF HOUSING REVENUE ACCOUNT SUBSIDY SYSTEM (Pages 3 - 4)

(Director of Finance & ICT) To consider the attached report (FCC-025-2009/10).

Appendix 2, the Council's proposed response, attached.

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Draft response to consultation questions

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

It is pleasing that the uplift applied to Management and Maintenance allowances (M&M) and the Major Repairs Allowance (MRA) used in the settlement are higher than under the existing subsidy system. This recognises that the current system is underfunded. However it is disappointing that the M&M uplift for Epping Forest District Council is below the national average and that the MRA uplift is both below the national and regional average. As this leads to a higher settlement figure than otherwise would be the case, it in effect penalises the authority for its strong record of investing in housing locally and the achievement of the Decent Homes target by 31 March 2010.

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

The Council supports the move to greater transparency in the operation of the HRA as part of a wider move to empower tenants. However the regulatory and accounting framework present a significant barrier for Epping Forest District Council as under the current regulations any situation that involves the Council taking on debt for housing purposes has a detrimental effect on the General Fund. This is because the HRA Capital Financing Requirement (CFR) is negative and the General Fund CFR is positive. In order for the Council to even consider accepting the current offer some form of special determination ensuring that all additional costs relating to the debt allocation would need to be made allowing the additional costs to be borne entirely by the HRA. This determination would need to be guaranteed for the entire period the debt is held not just be a year on year determination.

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

Epping Forest District Council welcomes the use of a 7% discount factor rather than 6.5% and the difference between the subsidy CFR and HRA CFR. These produce a lower settlement figure than would otherwise be the case and give authorities more headroom to borrow for new house build. The Council does have some housing land that could be developed if it was able to, but this is entirely academic unless the difficulties outlined in the response to the previous question are addressed.

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

The Council believes that the national redistributive system has become unworkable and no longer meets the needs of councils, ALMOs and their tenants. We therefore welcome the proposal to dismantle the HRA subsidy system as a matter of principle. However the proposed replacement in its current form is not acceptable to Epping Forest District Council as the level of debt per property allocated is amongst the highest in the country. This again suggests a form of penalty for past investment and the Council would wish to see a settlement more in line with other authorities before considering any offer. In any event the current proposal is not workable for the Council as a whole due to the effect on the General Fund.

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?

Unless the issue of the effect on the General Fund can be overcome and the proposed level of debt to be reallocated reduced the Council does not wish to proceed. It is unlikely that these two criteria could be met in time for the 2011/12 financial year. A further year to 2012/13 should give enough time to overcome the General Fund issues and also give an opportunity to revisit the settlement figures. A settlement that takes into account the areas of greatest need for affordable housing is a more appropriate way forward. Currently the settlement has been divided up on the basis of 'ability to service the debt' instead of addressing housing need.

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

It appears virtually all authorities HRA's will be better off in revenue terms as a result of the proposal. However, this Council has been relatively disadvantaged.

The settlement does not appear to take any account of where there is a clear need for additional affordable housing. In the Epping Forest district the demand for affordable housing far outstrips supply and indeed this Council has set the provision of affordable housing as its number one priority within its Capital Strategy. The re-allocation of resources ought to take account of where the need for affordable housing is and a more favourable settlement would give the Council greater ability to meet the need within the district.

The issue of the effect on the General Fund under current regulations is so fundamental that this must be addressed before the Council would be prepared to proceed on this or indeed any self financing basis.