



DERBY CITY COUNCIL

COMMUNITY COMMISSION
26 OCTOBER 2009

ITEM 10

Report of the Director of Corporate and Adult
Social Services

Reform of Council Housing Finance – Draft Consultation Response

RECOMMENDATION

1. To comment on the Council's Draft Consultation response.

SUPPORTING INFORMATION

- 2.1 The CLG are consulting on the potential reform of the Housing Revenue Account, and would like responses by 27th October 2009.
- 2.2 The central proposal in the document is one to eliminate the Housing Revenue Account subsidy system, HRAS – but to retain and indeed strengthen the HRA itself. This should, if implemented reasonably, result in a number of benefits for both local and national government in the management of social housing:
 - It would place Council housing on a broadly level playing field with other social housing managed by Registered Social Landlords, RSLs
 - It would place an emphasis on long term management of the stock by removing the year to year nature of the subsidy settlement process
 - It would reduce the level of dependency on central government by local government and requirement for subsidy claims to be checked.
 - It would re localise decision making
 - There would be a direct link between right to buy sales and investment in the HRA
 - In the very long term, HRA debt should be paid off – the current system makes no provision for this at all
- 2.3 At a local level, the Council and Derby Homes commissioned some research into possible future options for the stock. This has concluded that while stock transfer to an RSL is not financially viable, there could be – depending on the terms of the eventual deal made available by the government – a substantial benefit to the HRA in the proposals being made depending on the terms of the final settlement.
- 2.4 The main difficulty at a national level with simple abolition of the HRAS is that there are a minority of Councils – currently including Derby – which receive net funds from the HRAS, while around 75% pay into the system. The

proportion of recipients is set to fall still further as the system as a whole moves from broad equilibrium at a national level to a considerable surplus over time. Abolition alone would leave 25% of Councils with a loss of funds, and a few with substantial losses which would not be sustainable, while leaving a number of authorities with substantial windfalls. The proposed solution to this is a national redistribution of notional housing debt.

- 2.5 There are a number of Councils who will not like such a distribution as a matter of principle, and may therefore be against the whole process, but overall, local government housing would benefit from abolition. It is therefore important that a consensus approach is adopted across the majority of local government. The initial LGA position requesting a write off of all housing debt is clearly unaffordable to central government and a more affordable and viable option would be to request that central government does not increase overall housing debt but rather settles at current levels of debt. This is explained further in the debt responses below.
- 2.6 In terms of timing, the government have set up a working party to determine an initial offer, which could in theory be made by March 2010. It would appear unlikely that this timetable could be achieved given the complexity of the issues involved, but if it is, then the Council could be in a position where a major decision has to be made very quickly. Clearly this would require further advice at the time. The benefit indicated by the initial research may be on offer if all went to plan. Should there be a delay, as would seem quite likely, there would be a need for primary legislation. The timetable would then be affected by the degree to which the government next year saw this issue as a priority in its legislative programme. At the moment, there appears to be broad consensus between the political parties on this issue at a national level within local government, so the timetable set out by the consultation paper of 2012 may be achievable.
- 2.7 Such a move – if as illustrated by the research - would enable Derby City Council to maintain Decent Homes for its HRA stock for the foreseeable future and indeed should sustain the higher standards that our tenants currently enjoy.
- 2.8 There are a number of risk issues arising though – it depends on the actual settlement proposed, and also on future rents converging as expected under rent restructuring along with interest rates remaining at their current low level. Should rents be held down or interest rates rise, the whole settlement would be considerably worse than the benefits currently expected. In effect, local government would be taking on more risk in exchange for a moderate benefit and more stability. The sensitivities, however, are very large, and as a consequence, the outcome could be very different.
- 2.9 As things stand, the illustrations are indicating that our debt adjustment might be around current levels, but may increase by around £13m (to around £200m).
- 2.10 Appendix Two is our draft proposed response for consultation responses.

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Background papers: Appendix 1 – Implications

List of appendices: Appendix 2 – Draft response

IMPLICATIONS

Financial

1. As discussed in Appendix 2.

Legal

2. As discussed in Appendix 2.

Personnel

3. None arising from this report.

Equalities impact

4. None directly arise from this report but for tenants the issue of rent levels is key.

Corporate Priorities

5. This report links with 'Making us proud of our neighbourhoods' especially 'improve the standard and range of affordable accommodation'.

Reform of Council Housing Finance – 2009 Draft Response

The Council strongly welcomes the proposals to reform the HRA by abolishing the HRA Subsidy system along with accompanying debt redistribution. The proposals form the best hope of maintaining a sustainable HRA for the future and of providing a broadly level playing field with RSLs.

Tenants will be able to benefit from longer term planning and greater certainty about service levels for the future. The government will have a means of clearing debt over a very long period where currently there is no plan to do so. Councils will no longer face uncertainty in planning terms and can make decisions according to local circumstances.

Of course, this depends to a huge extent on the terms of the final settlement between authorities and central government. As we understand it, current notional housing debt is just in excess of £20bn, but the proposed settlement is around £27bn. This would appear to transfer £7bn from local to central government. The government's own report also suggests that there is a need for £5bn of spending relating to aids and adaptations for Council housing but proposes to fund this through future capital receipts. We propose that the settlement should be at or near to the current notional debt for housing. This would enable Councils to seriously address the issue of aids and adaptations and make the settlement sustainable for most Councils. It would also appear to make the settlement reasonable overall in not imposing a new burden on local government.

If a reasonable financial settlement can be reached, the Council would in principle be interested in considering an early exit from the system, as it is very clear that the expected track of future subsidy would not leave the HRA in a sustainable long term position.

Our detailed responses to your individual questions are attached below:

Question 1

"We propose that the HRA ring fence should continue and, if anything, be strengthened. Do you agree with the principles for the operation of the ring fence set out in paragraph 3.28?"

The Council generally supports the continuation of the HRA ring fence since the operation of a landlord account more clearly defines what is and what is not chargeable to the HRA. The ring fence prevents HRA surpluses being used to subsidise council tax payers or vice versa, although it should be remembered that council tenants are also council tax payers as well as rent payers.

In practice there are some areas that are not clearly defined and sometimes council tenants are unable to see what they are paying for and sometimes feel they are paying twice for the same service – such as grounds maintenance. The cost of this service can be seen to be of wider benefit than solely to tenants or leaseholders of properties within the HRA, so the cost is currently divided between the HRA and the general fund according to a local agreement – in our case using a formula derived from the number of properties in council estates that are in HRA and private ownership following sales through the Right to Buy scheme.

The current ring fence has, though, worked satisfactorily – the issues described above are at the margins.

The Council agrees with the continuation of the HRA ring fence in principle, particularly with the first two principles proposed that all the accounting transactions are shown and housing services that a landlord is required to provide should be paid through the HRA.

One area of some concern is those 'grey areas' or the 'core plus' activities that might be of positive benefit for tenants, that tenants want provided and that the HRA has often provided until now.

If a very strict ring fence had been adhered to, no spending outside 'core' provision of 'bricks and mortar' services could be provided by the HRA. This would mean that those services falling outside this very limited scope - for example tackling anti social behaviour - would have to be funded through the general fund or not at all. If the general fund is unable to find the appropriate resources, the service(s) would not be provided, despite tenants' wishes. In this case, that strict interpretation of the ring fence would lead to a diminution of services to tenants and would bar tenants from volunteering to fund any such services.

The definition of services that are appropriate to be funded by the HRA will also continue to evolve in future and it is hard to be prescriptive now about every service that should be included. It is perhaps better to give firm guidance on some items that should not be chargeable to the HRA, leaving flexibility at a local level to determine the appropriateness of local decisions.

We have used a local formula with respect to grounds maintenance and also contributions to local playgrounds and community centre developments which tenants want to see funded and that have attracted other funds as a consequence.

There is an opportunity here to introduce an approach that gives tenants more say in whether a particular development was acceptable to be funded from their rents, backed up by regulation from the Tenants Services Authority, TSA, and by specific rules to continue to allow some local flexibility where there are issues of a similar nature. We would prefer to allow tenants to retain the option of funding services from the HRA where there was a perceived need. The legal requirement for landlords to consult on these issues could be made explicit, and the method of consultation left each landlord's discretion.

The final three principles are also welcomed - particularly as when the TSA sets standards "it will need to take into account the consequences for tenants." and "standards should build in tenant choice and influence." We also consider that it is right that the costs of meeting TSA standards should fall on the HRA.

Question 2:

"Are there any particular ambiguities or detailed concerns about the consequences?"

While recognising that it is not possible to cover every possibility that may arise when proposing a set of principles as to how the ring fence might operate, this Council is pleased to see that a degree of flexibility could be exercised in some cases - for example paragraph 3.9 of the consultation states that

"If the cost of a service can be seen to be of wider benefit than solely to tenants or leaseholders of properties within the HRA, that cost should be divided between the HRA and the general fund according to a local agreement."

This principle has been recently used to apportion the costs of a street lighting scheme within Council estates. This demonstrates how critical it is that some flexibility is retained to deal with new issues in the future, as well as avoiding disrupting existing services.

The Council welcomes the key principle of 'who benefits?' which has guided our own local decision making on these issues. Some areas of doubt in the past have included:

- **Common housing register** – there was legal action on this issue in the 1990's that led to the issuance of Circular 8/95. Our understanding was that there was a need to divide the costs of the register between the administration of the common register – including acceptance on

the list etc – which is general fund and the administration of acceptance as a council tenant which is for the HRA.

- **Housing advice** – advice given about housing options would also fall on the general fund but debt advice or money advice to tenants is provided by the HRA, as this is a benefit not only to tenants but also to HRA debt collection.
- **Strategic Housing** – we have traditionally split this between the HRA and the general fund according to the proportions of social housing and RSL housing. If this is deemed not to be appropriate, then the Council would need to change policy and fund this from the general fund or reduce our strategic role. Given our history of excellent housing strategy inspections, we would not want to see this jeopardised.
- **Playgrounds and community centres** - we have accepted that the cost of development of playgrounds and community centres should be split between the HRA and GF according to the local divide of tenants and owner occupiers. If the HRA were to be barred from contributing, such developments would be much more difficult to fund.

In summary, we would like to see sufficient flexibility perhaps through a mechanism whereby tenants and the Council can agree to fund certain items of a similar nature.

Question 3

“We propose funding the ongoing maintenance of lifts and common parts in addition to the Decent Homes Standard. Are there any particular issues about committing this additional funding for lifts and common parts, in particular around funding any backlog through capital grant and the ongoing maintenance through the HRA system (as reformed)?”

Derby supports a significant uplift in the resources available to help us to continue to provide modern homes into the future. There are serious problems with the current formula for the Major Repairs Allowance, MRA, it needs to be adjusted for both increases on the current costs and life cycles of component renewal. The uplift should be factored into the future MRA rather than set aside as capital grants as these are not one of costs and need to be funded into the future. Our recent stock condition survey indicates the need for an increase of at least 60% in the MRA to sustain the decent home standard. The government’s proposed increase of 24% - whilst very welcome – is therefore still well short of what is really required. A total of around 43% increase – about halfway between stock condition and the initial proposal in the report - would also tie in with a reduction in the proposed debt settlement total to around the current level of notional debt, as well as the research feeding into the review.

We also welcome the recognition that other issues need to be considered such as lifts and common parts, but this needs to be extended further to capture other essential work such as security door entry schemes for flats, burglar and smoke alarms, energy efficiency improvements and estate based

environmental improvement work. It is essential that this be extended to disabled adaptation work, which remains unfunded under the new proposals as it is in the current arrangements.

We would much prefer grants to be included wherever possible in the settlement to reduce future reliance on grants to tackle backlogs. If it isn't possible to eliminate them altogether, they should at least be reduced to a minimum and focussed on extreme outliers while distributing most funds across the majority through the core settlement. It is not clear at present how a future grant system would work, and one of the core benefits is to take away reliance upon and uncertainty of central funding. Some grants will probably continue to be necessary, but these should be an exception rather than a large part of any settlement – the proposals indicate around £8bn of future grants. How this would be distributed across Councils would make a very significant difference to business plans, so more detail is required to be able to comment further.

To take Derby as an example, we have just undertaken a new stock condition survey which indicates that we are already beginning to build up a backlog of issues and that this will be exacerbated significantly in a few years' time. In particular, our pre-war estates may require very large amounts of investment or remodelling. If the £8bn of grant – or a significant proportion of it - could be distributed as part of a settlement, then we would be more likely to be able to tackle such issues. If it is left to a grant process, we would have little way of knowing how to plan for the regeneration of such areas as we would not know our full financial position or whether such long term planning was viable. Wherever possible, grants need to be focussed on dealing with difficult cases and any 'core' elements distributed through the settlement to increase the certainty of planning in the long term.

Question 4:

“Is this the right direction of travel on standards and do you think the funding mechanisms will work or can you recommend other mechanisms that would be neutral to Government expenditure?”

We support the principle of redistribution of current debt as a way of developing long term sustainable business planning for council housing.

The current level of debt within the system appears to offer the opportunity to provide the increases in allowances (at least 60% MRA) on a neutral basis to the government. It would not be appropriate or fair for the government to allocate more debt than is currently in the system as part of this process.

We would also urge the government to avoid placing any further constraints on our potential ability to borrow additional funds to support future regeneration and new build schemes into the future. Any borrowing needs to be sustainable from future rental income and a significant increase in the level of debt would not be possible.

While it is essential that future borrowing is not excessive, there are considerable development opportunities that would be missed if additional controls were placed on borrowing. Regulation, guidance and performance indicators should be sufficient to constrain borrowing as all future borrowing will have to be fully repaid.

Question 5

“We propose allowing local authorities to set up sinking funds for work to leasehold stock and amending HRA rules to permit this. Will there be any barriers to local authorities taking this up voluntarily, or would we need to place an obligation on local authority landlords?”

We support the proposal to allow the setting up of sinking funds for work to leaseholders stock. It may however be very difficult to apply this principle for existing leaseholders without very complex and potential costly changes to existing leases. It is therefore very important that the setting up of sinking funds are not made compulsory.

Question 6

“We propose calculating opening debt in accordance with the principles set out in paragraphs 4.22-4.25. What circumstances could lead to this level of debt not being supportable from the landlord business at the national level?”

Members and tenants have for a long time argued that rent income should be retained for use in maintaining and improving homes and services, rather than being paid to the government through the subsidy system. The proposals now being consulted on appear to produce a level of distributed debt well above the national Subsidy Capital Financing Requirement. In this case local authorities taking on debt would need to use resources previously required for negative subsidy payments in order to fund this increased level of debt. We are therefore concerned that these proposals continue to capture excessive levels of future rent surpluses and we urge the government to limit the overall level of debt distribution to the existing national Subsidy Capital Financing Requirement.

The level of debt transferred is one of the most important issues in the detail of the settlement. Clearly there needs to be some form of redistribution of debt at a local level if this proposal is to work, in order for those Councils with excessive debt compared to their assessed needs to be able to function. It is critical therefore that the debt level overall allows sufficient funding to sustain the core of the HRA and to enable adequate provision of services into the future. As current debt is around £20.4bn increasing to around £22bn by the time the settlement is likely to be made, the proposal to effectively require an increase in debt to around £27bn – as we understand the current proposals imply – appears to be excessive. It would surely be more appropriate to arrange a settlement at or around the current level of notional debt in the system. The current proposals appear to increase overall debt by at least

£5bn, while leaving aids and adaptations unfunded except through future right to buy sales. Adjustment of debt from the more appropriate, lower level would make future HRA plans much more likely to be capable of long term sustainability.

Question 7

“Are there particular circumstances that could affect this conclusion about the broad level of debt at the district level?”

We are concerned that the proposed uplift to major repairs allowances, which feeds into the Tenanted Market Value, TMV, calculation, doesn't adequately reflect the investment need of the housing stock in Derby. We have just completed a stock condition survey which identifies a minimum average annual unit cost of £1,091 for capital works, excluding disabled adaptations and catch up repairs. This compares to a 2009/10 Major Repairs Allowance, MRA, of £572.81.

In addition management and maintenance costs in Derby total £23m in 2009/10 compared to combined management and maintenance allowances totalling £21m. The proposed 5% increases to Management & Maintenance allowances which, according to the proposals would be reflected in the TMV calculation, would not adequately reflect actual costs.

If local investment needs are not adequately reflected in the apportionment of debt then the system will not properly reflect local affordability.

A net present value calculation of future allowances, reflecting, as far as possible, local circumstances, should be used as a basis of adjusting existing housing debt on the basis of the value of the national subsidy capital financing requirement. Some Councils may have difficulty with the new plans as a result of ongoing very high needs – but there would be far fewer of these if debt is settled around the current level.

In terms of the debt, we would oppose the treatment in 4.25 which appears to allow lower funds for those authorities with lower debt costs. Such a methodology would effectively lock in rewards for higher debt costs into the future when such debt costs are likely to fall over time, and to penalise those currently with lower interest rates on borrowing, like Derby, where interest rates are much more likely to increase overall over time rather than reduce further. In the longer term – and this settlement is very long term – the interest rates paid by all authorities ought to converge to similar levels. The current 'actual' basis works well for an annual process but should not be applied to a long term settlement. Adjustment to current debt as proposed in the main paper seems to be the only reasonable way to settle this issue for the long term.

Question 8

“We identified premia for repayment and market debt as issues that would need to be potentially adjusted for in opening debt. How would these technical issues need to be reflected in the opening debt? Are there any others? Are there other ways that these issues could be addressed?”

In the past the housing subsidy system has not adequately reflected the investment needs of Council housing or the cost of providing a quality housing management service. If the subsidy system is to be replaced by a one-off debt settlement it is very important that this settlement adequately reflects all the costs of delivering quality services and homes and of financing the level of debt resulting from the settlement including meeting the costs of debt repayment premia and fees and other treasury management costs.

The proposed increases to notional management, maintenance and major repairs allowances - which, it is proposed, would be reflected within the settlement - go some way to rectifying the previous shortfall in funding, and are welcomed. It is hoped that these increases will be reflected in the HRAS determinations between now and any final settlement.

We therefore urge the government to:

Introduce the uplifts to Management and Maintenance Allowances and the Major Repairs Allowance from 2010/11.

Review the proposed increase of 5% to management allowances which, even excluding non-core costs, should be 8% according to the research referred to within the consultation paper.

Make provision in the settlement for the additional treasury management costs that will arise as an additional item (see below).

Make provision in the settlement for premia and fees payable on early repayment of loans. Compensating Councils for the costs associated with early repayment of debt is not straight forward because the actual costs will depend upon the specific loan agreements which apply to their existing debt. We believe a satisfactory approach may be to provide a specific ongoing subsidy in extreme cases of market debt where repayment would incur excessive breakage costs - it would make no sense to make excessive payments if an alternative means could be found, while repaying PWLB debt at its underlying cost unaffected by the current 'spread' between taking on and repaying debt.

Debt breakage costs were – we believe – treated as additional items for the RSL transfer programme – that is, they were added to the settlement rather than taken from an overall total generated. It would seem appropriate to have a similar mechanism for this settlement process. As we currently have no market debt, this issue does not arise for us, but we would not want to see funding ‘top sliced’ for this purpose.

For PWLB debt, however, there should be no margin charged by the PWLB for breakage as currently happens for voluntary repayment of local authority debt. The debt repayment should be settled at the appropriate underlying market rate to recognise that

(a) the benefit of the current margin goes to the government anyway, so it is just a circular payment and

(b) this settlement is not akin to a voluntary repayment of debt as it would be part of a national programme.

Question 9

“We propose that a mechanism similar to the Item 8 determination that allows interest for service borrowing to be paid from the HRA to the general fund should continue to be the mechanism for supporting interest payments. Are there any technical issues with this?”

Such a process could work and would maintain the stability of the current system. Equally, though, it would be possible to earmark debts as HRA – a split in the existing debt and specific borrowing for new loans for the HRA. While not ideal from a treasury management perspective, it would mean that the system was perhaps more transparent than currently. Both the HRA and General Fund would then avoid the issue of affecting each other as new borrowing is taken on or existing borrowing repaid.

Question 10

“Do you agree the principles over debt levels associated with implementing the original business plan and their link to borrowing?”

In theory the business plan for the next thirty years can be set out and generate an amount of funding that could support the levels of debt proposed but this is entirely dependent on being able to constrain costs over the long term as envisaged and also to being able to generate the rental and other income as planned. The sums of money being contemplated are very large, and Councils would be taking additional risks as a result, including in particular interest rate risk at a time of very low interest rates. As a consequence the valuation being placed is higher than it would be if a longer term view of interest rates into the future was assessed. It is by no means certain that current low interest rates can be maintained into the long term future, so such a risk is inevitable. Should interest rates increase substantially, there would be difficulties with maintaining the rest of the plan. As a result there ought to be some margin for error in the plans to allow for a reasonable sensitivity on interest rates, as would have been the case in RSL transfers. Again, it is suggested that basing the settlement on the current level of debt would appear appropriate as a reasonable proposal.

It would also appear sensible to reduce the extent to which plans are reliant on future grants and to attempt to commute some of the proposed future £8bn of grants into the settlement – this would allow the benefits to flow through more quickly and provide for a cleaner break. Specific grants should be

focussed on the most extreme cases only where the settlement cannot deal with the needs on a formula basis. This will also have the advantage of reducing the level of debt overall, and therefore making the settlement more acceptable to those with objections to taking on additional debts at a local level.

There appears to be some concern at national level about large new additional borrowing as a result of this settlement. Prudential borrowing has worked well since its inception and Councils understand that any borrowing has to be fully paid back over time. As a result, any borrowing resulting from the settlement would also be seen in this light and would have to be fully repaid from additional resources generated from the investment. There will therefore be a natural restraint on the level of borrowing undertaken. Introducing new controls risks undermining the self reliance of Councils and the position that has been carefully evolving and successfully operating for the last five years in this area.

The regulator, the TSA, could be tasked with monitoring borrowing and reporting excessive borrowing to CLG, as indicated by new prudential indicators such as debt relating to value of stock, interest charges a proportion of rent and so on. Reserve intervention powers, such as the government already has in relation to prudential borrowing overall could then be used to intervene in any extreme cases. This balance works well in the overall prudential borrowing system and should be replicated here.

Part of the reason for the concern about debt levels is the scoring of HRA debt as part of the national debt. Should the government win its current legal case over RSL debts and retain them outside the national debt, then there should be a case for sustaining HRA debt in a similar manner to complete the level playing field. Nonetheless, even if this is not possible, it is not expected that borrowing would take place in an unrestrained manner – Councils will want to satisfy themselves that they can afford to repay any borrowings as they will be liable for any future difficulties that arise.

Question 11

“In addition to the spending associated with the original business plan, what uncommitted income might be generated and how might Councils want to use this?”

In respect of existing housing stock it is difficult to see where additional uncommitted income could be generated. Rents are strictly controlled by the rent restructuring regime and service charge income is limited to service charge costs. However, if new build grant continues to be available for local authorities and if borrowing controls do not prevent schemes from progressing then it may be possible in the long term for surpluses to be generated from new build schemes which could be reinvested into other regeneration or redevelopment schemes.

Question 12

“We have set out our general approach to capital receipts. The intention is to enable asset management and replacement of stock lost through Right to Buy. Are there any risks in leaving this resource with landlords (rather than pooling some of it as present)?”

We support in principle the proposal to enable 100% of local receipts to be spent locally. We also support the principle of 75% of these receipts being ring fenced for investment in housing with local authorities retaining discretion in relation to the remaining 25% as at present.

However, it is essential that safeguards are put in place to prevent some Local Authorities from being significantly disadvantaged. Those authorities that experience low levels of RTB sales and particularly where these are combined with low average property values could be severely disadvantaged in terms of the availability of resources. This may inevitably result in no funding being available for new build as these limited resources are focused on higher priority areas.

To some extent this will mirror the requirement for new housing insofar as availability of social housing is more difficult in higher cost areas, but there is a clear issue in terms of aids and adaptation budgets where under the proposals there appears to be a link between RTB income and aids and adaptations spending. We believe this to be an unintended discriminatory effect. It is suggested that the costs of aids and adaptations in particular can not be expected to be funded in full from right to buy sales. These costs are a requirement on landlords as much if not more than core activity and they need to be funded properly as part of the settlement process. To leave them vulnerable to variations in right to buy income is inappropriate.

Question 13

“Should there be any particular policy about the balance of investment brought by capital receipts between new supply and existing stock?”

It is acknowledged that some level of reinvestment from Capital receipts into the existing stock will be required to compensate for the reduction in income from each sale, and also for relevant debt to be written off as the stock reduces. It is considered that it would be appropriate for local authorities to determine this proportionate reinvestment between existing stock and new build taking into account investment needs and priorities at the local level.

It is considered that the remaining receipts should be utilised for reinvestment in new affordable housing to attempt to replenish that lost through RTB sales. However, the proposals appear to be suggesting that RTB sales also fund the costs of aids and adaptations as well. Furthermore, investment in the immediate area of estates rather than the ‘bricks and mortar only’ may be necessary, and sufficient flexibility needs to be retained for this purpose as well. Within this it may be necessary for some authorities to be regarded as an ‘exception’ to allow a greater proportion of reinvestment to spent on improving existing stock but this should only occur in those areas of proven

low demand. As a consequence, it is suggested that the local authority should be free to operate within bounds set by central government, subject to the usual checks and balances from regulation from both the Tenant Services Authority, TSA, and through the Comprehensive Area Agreement process. What appears to be a reasonable case for some form of prescription initially leads to a conclusion that it is best to leave the decisions for local determination to balance these competing demands appropriately.

Question 14

“Are there concerns about central Government giving up receipts which it currently pools to allow their allocation to the areas of greatest need?”

The consultation paper has described a debt distribution mechanism based on affordability. Areas of greatest need, such as inner cities, which have traditionally attracted additional funding will have the investment needs of their existing stock reflected within the affordability assessment and consequently within their opening debt figure. Therefore, we do not believe it would in principle be appropriate to continue to pool a proportion of capital receipts for the purpose of setting aside funds for these areas. To do so would dilute the principle established in the consultation paper that where Councils become directly responsible for the debt on their assets they should be able to retain receipts arising from the sale of those assets.

However, and as per the response to Question 12, those authorities which receive only low levels of receipts may be severely disadvantaged if they are to rely on these receipts to maintain other core functions and in particular aids and adaptations. As these are not reflected in the proposed settlement, some other means of funding them that is not reliant on capital receipts needs to be found. It is suggested that they should be included within the settlement or at least funded by a separate grant system.

The benefits that retention of local receipts would generate for all authorities are, though, very welcome and should assist in generating additional resources to invest in existing and replacement properties should the market recover in the medium term. The ability to sustain the size of existing stock will be greater in the longer term than under the current system.

Question 15

“Would any of our proposed changes have a disproportionate effect on particular groups of people in terms of their gender or gender identity, race, age, sexual orientation, religion or (non-political) belief and human rights?”

It is well established that Council housing tenants suffer disproportionately from deprivation factors, such as reliance on benefits, single parents, unemployment, mental health and physical disabilities and lower educational attainment. A large proportion of tenants are elderly and disabled and reliant on fixed income and benefits. The reforms will therefore impact upon these

particular groups of vulnerable people. In general, it is believed that the overall benefit of these proposals will translate into a benefit for these groups.

Of particular concern is that no specific allowance is made for levels of disabled adaptations in council housing. In Derby, annual expenditure on disabled adaptations is £700,000 and there is increasing pressure on this budget. HRA tenants are not permitted to apply for Disabled Facility Grants, DFGs, and even if they were, the existing DFG grant is already overstretched. Unless there is sufficient allowance made for this spend then either levels of maintenance suffer or vulnerable disabled tenants have to wait longer for this work to be carried out. Reliance on capital receipt funding will place an additional burden on Councils where receipts are lowest and demands will tend to be highest. It is suggested that the debt be adjusted to fund these real costs appropriately through the core settlement.

Question 16

“What would be the direction (positive or negative) and scale of these effects and what evidence is there to support this assessment?”

If the impact of the reforms is to increase resources available to improve management and maintenance services for this vulnerable group then the direction of impact would be positive. If however the reforms result in only a marginal increase in resources then it will be positive but insufficient to meet the needs of the service. If insufficient then the reforms will leave the vulnerable group poorly served by their landlords. Again, aids and adaptations for Council tenants needs to be adequately funded, and continued reliance on receipts would indirectly discriminate against those with disabilities.

Question 17

“What would be necessary to assemble the evidence required?”

There is much evidence of the vulnerability of council tenants. Evidence available from benefits take up, Status reports, census and LACORE should be sufficient to show this

It is well established that Council housing tenants suffer disproportionately from deprivation factors, such as reliance on benefits, single parents, unemployment, mental health and physical disabilities and lower educational attainment. A large proportion of tenants are elderly and reliant on fixed income and benefits. The reforms will therefore impact upon these particular groups of vulnerable people.

David Enticott / Ian Fullager
October 2009