

CONSULTATION 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?

Response - We agree with the principles set out in Para 3.28 and support the idea that local authorities should have maximum flexibility to provide the type of service which they believe will deliver the standards set down by the TSA, taking account of local circumstances. Any “policing” of these services should be done as part of the TSA’s inspection and regulation role so that local circumstances can be reflected in their judgements.

As well as the accounting mechanisms for HRA activity, comment needs to be made about the standards of service to be funded. In the interests of equity the standards should include anything that would have been approved in the past in a business plan for an LSVT landlord. It would be unjust to deny council tenants access to the same terms and standards that have already been agreed for the 1m plus tenants who have transferred to housing associations, or those enjoyed by other housing association tenants.

CONSULTATION QUESTION 2

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

Response - The test set out in Para 3.29 needs clarification. The distinction between “everyone” and “wider benefit than solely to tenants and leaseholders” is not clear. In particular, the clarification needs to address the following points-

1. Services which are in principle open to everyone often have eligibility or needs assessments which are not based on tenure.
2. Services often have a geographic relevance which limit the numbers of people able to benefit but with no relevance to their tenure.

CONSULTATION 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)?

Response - We support the inclusion of lifts and common parts and believe that in the interests of equity the standards should include anything that would have been approved in the past in a business plan for an LSVT landlord. It would be unjust to deny council tenants access to the same terms and standards that have already been agreed for the 1m plus tenants who have transferred to housing associations. In addition, although the government is advocating 30 year business plans, in practice standards are likely to rise in ways that cannot be quantified at this stage over that time scale.

Standards will therefore require periodic reviews to keep them up to date and relevant.

CONSULTATION 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?

Response - Raising the standards is necessary and in the interests of equity the standards should include anything that would have been approved in the past in a business plan for an LSVT landlord. It would be unjust to deny council tenants access to the same terms and standards that have already been agreed for the 1m plus tenants who have transferred to housing associations. In addition, although the government is advocating 30 year business plans, in practice standards are likely to rise in ways that cannot be quantified at this stage over that time scale.

Standards will therefore require periodic reviews to keep them up to date and relevant. Financial settlements should be based on actual costs experienced by each authority and ratified by their auditors rather than nominal figures established at national level.

The funding mechanisms can work but any proposals to charge tenants more on the basis of presumed savings should be independently audited to ensure that they are genuinely cost neutral and if savings are not delivered compensatory adjustments should be made.

CONSULTATION QUESTION 5

We propose allowing local authorities to set up sinking funds for works to leaseholders' 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?

Response - In broad terms the ability to introduce a sinking fund is welcome. The administration of sinking funds will be costly in terms of staff resources, unfortunately however, RTB leases do not appear to allow for the recharging of any expenditure on management or administration to the leaseholder. This additional expenditure would, therefore, effectively have to be paid for by tenants. In the event, none of our existing RTB leases allow for a sinking fund, therefore unless the legislation is retrospective this will be a barrier.

CONSULTATION 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?

Response -The debt would not be supportable because the policy could not be considered sustainable in view of the contrast between standards enjoyed by stock transfer and housing association tenants and the limitations on service levels proposed for council tenants.

CONSULTATION QUESTION 7

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

Response - At present interest rates are relatively low, however authorities could be vulnerable should there be a significant increase. This could lead to a need to cut services in order to accommodate additional interest costs.

CONSULTATION 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?

Response - It might be difficult to arrive at a fair method of deciding which individual debts are to be repaid early as part of the redistribution because authorities do not usually earmark debt.

CONSULTATION 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?

Response - On the whole this does seem to be a reasonable option. However, HRA managers will have no control over interest rate fluctuations or borrowing for general fund expenditure, both of which could impact adversely on the Consolidated Rate of interest that would be payable on the HRA debt.

CONSULTATION QUESTION 10

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

Response - We agree that any borrowing agreed in the original Business Plan should be outside the prudential borrowing framework but feel that should any future potential efficiency savings be identified which would involve switching revenue expenditure to fund borrowing to pay for works agreed as part of the Business Plan this should also be permitted. Any future borrowing controls should only apply to uncommitted efficiency savings or surpluses arising from out-performing the Business Plan.

CONSULTATION 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?

Response - There are no obvious future sources of uncommitted income although landlords might be in a position to act as agents for public sector agencies or commercial firms or provide services for other landlords. Should these arise we would be in favour of local authorities having maximum local control over how any income is spent.

CONSULTATION 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 at present)?

Response - With capital receipts from RTB running at historically low levels the impact of these proposals is limited. Whilst we support the principle of local decision making about how receipts are spent we would emphasise the need to ensure that programmes of national significance like the Growth Agenda receive adequate funds from national pots where local resources are inadequate.

CONSULTATION QUESTION 13

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

Response - The spending of receipts should be a matter of local discretion in line with local Housing and Sustainable Community Strategies. In view of the historically low level of receipts, and their unpredictability, there should be no element of receipt derived spending allowed for in HRA Business Plans.

CONSULTATION 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?

Response - Whilst we support the principle of local decision making about how receipts are spent we would emphasise the need to ensure that programmes of national significance like the Growth Agenda receive adequate funds from national pots where local resources are inadequate.

CONSULTATION QUESTIONS 15, 16 and 17

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

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

What would be necessary to assemble the evidence required?

Responses - The omission of disabled adaptations work from allowances leaving possible capital receipts to fund necessary works will disadvantage disabled people. This is a critical omission for South Cambridgeshire and for other similar authorities. Our most recent STATUS survey showed that two thirds of our tenants are aged over 60 years and 50% of tenants have a long standing illness, health problem or disability. Our recent Stock Transfer proposals budgeted for £4m for adaptations for disabled tenants and £3m for walk-in showers over the first 5 years after transfer, an extra £1.4m for each of the first 5 years.

The £1.4m per year does not include anything for the estimated cost of new or upgraded heating and energy measures for which disabled tenants will need to be prioritized. This is in sharp contrast to the likely availability of capital receipts. In 2009/10 we currently estimate the value of an extra 75% of RTB receipts to be approximately £500,000 although this cannot be guaranteed.

In general the proposals create a two tier social housing sector with council tenants potentially receiving lower standards of services than housing association/stock transfer landlords but with similar rent charges. Apart from the general issue of equity of treatment, Government should investigate the composition of both tenant groups to see if the proposals disadvantage any of the groups listed by virtue of their different representation in each sector.