

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Housing Portfolio Holder 3 March 2009
AUTHOR/S: Corporate Manager-Affordable Homes / Housing Strategy Manager

CONSULTATION-CHANGES TO THE REVENUE AND CAPITAL RULES FOR NEW COUNCIL HOUSING-DRAFT RESPONSE

Purpose

1. To provide the Housing Portfolio Holder with a draft response to a government consultation document following the decision taken at the Housing Portfolio Holder meeting of 5 February 2009. The draft is attached as an appendix to this report.
2. This is not a Key Decision but has been presented to the Housing Portfolio Holder so that a formal response can be made to the issues in the consultation document.

Executive Summary

3. A report explaining the contents of the above named government consultation document was discussed at the Housing Portfolio Holder meeting of 5 February 2009. At that meeting the questions in the consultation proforma were discussed and the principles of a response were agreed. A draft response incorporating the points raised at that meeting has now been prepared and is attached. In line with that earlier decision the response promotes flexibility and local discretion within the limits imposed by the scope of the consultation.

Background

4. The issues which are the subject of the consultation paper were outlined in the earlier report and are not repeated here. The original government consultation is relatively short and can be accessed at the website listed at the end of this report.

Considerations

5. The proposals do not seem to offer any practical advantages in relation to new build in South Cambridgeshire for reasons set out in the report of 5 February 2009. Very briefly these are-
 - a) Fundamentally, South Cambridgeshire does not have significant land holdings to support a new build programme
 - b) Potentially adding a small number of properties to the Council's stock does nothing to address the difficulties caused by inadequate resources for management and maintenance (the "Retention Scenario")
 - c) The proposals offer no advantages compared to the current position of partnerships with housing associations and will not increase supply locally. At a national level, the Government's Impact Assessment anticipates only that "several thousand " more affordable properties will be built each year because of these changes.
 - d) The Homes and Communities Agency would be very unlikely to consider grant funding new building for an authority that faced problems maintaining its existing homes.

They may provide an opportunity to exercise discretion in the treatment of equity share receipts which could be to this authorities advantage and the proposal should be supported for this reason. In the interests of promoting new build affordable housing in other locations wherever possible, officers believe this authority should respond supporting the proposals and advocating flexibility, efficiency and local discretion in the application of any amendments to existing financial regimes.

Options

6. The draft reflects the discussion and decisions at the previous meeting, and addresses the issues which are open for consultation. It could be amended further if required.

Implications

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| 7. | Financial | There are no implications in submitting views on this consultation document. If the Government does eventually amend the subsidy regime then the relevance to the Council can be reviewed in the light of the final detail, particularly in relation to equity share capital receipts. |
| | Legal | |
| | Staffing | |
| | Risk Management | |
| | Equal Opportunities | |

Consultations

8. The publication is itself a consultation document which has been sent to range of statutory bodies, professional interests and tenants representatives, all of whom have the opportunity to comment.

Effect on Corporate Objectives and Service Priorities

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|----|---|
| 9. | Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future |
| | The proposals do not offer any improvement on the current partnership arrangements with housing associations which continue to deliver affordable homes. |
| | Deliver high quality services that represent best value and are accessible to all our community |
| | None specific to the consultation contents but the proposed mechanism may be a vehicle to enable the Government to remove the requirement to pool a proportion of equity share capital receipts. Any extra resources available through this route could help provide local services |
| | Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work |
| | None |

Conclusions/Summary

10. The proposals do not seem to offer any practical advantages in relation to new build in South Cambridgeshire for reasons set out above. They may provide an opportunity to exercise discretion in the treatment of equity share receipts which could be to this authorities advantage and the proposal should be supported for this reason. In the interests of promoting new build affordable housing wherever possible, officers believe this authority should respond supporting the proposals and advocating flexibility, efficiency and local discretion in the application of any amendments to existing financial regimes.

Recommendations

11. That the Housing Portfolio Holder endorses the draft response.

Background Papers: the following background papers were used in the preparation of this report: Changes to the revenue and capital rules for new council housing-CLG-January 2009-available at <http://www.communities.gov.uk/publications/housing/capitalruleschanges>
Government Impact Assessment- available at - <http://www.communities.gov.uk/documents/housing/pdf/housingregenactimpactassess>

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APPENDIX ONE

Draft Response

Government consultation-“Changes to the Revenue and Capital Rules for New Council Housing”

QUESTION 1: Given the objectives of the policy, what types of properties should qualify to be excluded from the HRA subsidy system and pooling requirements?

ANSWER 1. In order to maximise supply-any newly acquired, built, converted or renovated derelict properties which are eligible to be included in the HRA should qualify for exclusion from the subsidy system and pooling requirements. This should include long leasehold properties. Where new building involves demolition and re-building, then all new properties should qualify-not just net additions to stock.

QUESTION 2: In your view, what types of properties should not qualify to be held outside the HRA subsidy system and pooling requirements?

ANSWER 2. We agree with your list of properties which should not qualify except that where properties are transferred from another landlord and then remodelled/renovated/converted or otherwise subject to significant capital investment, they should then become eligible. All properties transferred from government agencies or similar bodies (eg MoD) to social landlords should qualify.

QUESTION 3: Do you think that that the proposed process for applying for a section 80B exclusion is the right one to adopt? If not, what would be a better alternative?

ANSWER 3. We agree that the local offices of the HCA are the appropriate route for applications, providing that there are guarantees that they are adequately staffed to undertake this process quickly. To facilitate the process the HCA should issue a proforma detailing the information required and the standard of evidence/detail required under each heading. Smaller schemes should not require the same level of scrutiny as bigger schemes. The HCA should not try and “shoe-horn” local authorities into existing appraisal processes used for housing associations but should devise appropriate tests specifically for local authorities, whether or not social housing grant is involved.

QUESTION 4: What factors should be taken into account by the Secretary of State in considering whether to enter into an agreement to exclude properties?

ANSWER 4. We agree that the issues listed in the document are appropriate. However, since large schemes take considerable time and resources to prepare, it would be inappropriate to invite applications and subsequently reject such schemes on the basis of public expenditure control limits. We believe that a two stage process involving an outline submission leading to qualified approval subject to a further detailed submission should provide government with adequate controls on total expenditure and avoid abortive work.

QUESTION 5: What terms and conditions do you think should be included in exclusion agreements?

QUESTION 5. The terms and conditions included in agreements should be kept to an absolute minimum necessary to ensure basic requirements for affordable housing are met, and must take account of any local factors rather than applying rigid national guidelines. In addition, the framing of such terms must be sufficiently realistic and flexible to allow for the inevitable variations in design, numbers etc that always occur as schemes are developed through the planning and development processes. Rent and other terms should be expressed as principles rather than in strict quantitative terms which cannot always be predicted some time in advance.

In general-principles are preferred to rigid quantification/specification.

QUESTION 6: Do you agree that properties excluded from the HRA subsidy system under section 80B should also be exempted from the requirements to pool capital receipts?

ANSWER 6. Yes-agreed

QUESTION 7: Do you agree with the proposed conditions attached to the exemption from pooling, which require receipts to be used for affordable housing and regeneration?

ANSWER 7. No. The opportunity cost to the authority of undertaking expenditure in the first place extends to any other legitimate use of those resources. Logically therefore the authority should be able to use subsequent receipts for any activity towards which the original resource could have been directed, including debt redemption or adding to balances. This is particularly appropriate since there might well be many years between the expenditure and any likely receipt, and both priorities and available resources could change during that timescale.

