

List of Questions within the Consultation Paper on “The Reform of Housing Finance”, and the Proposed Responses

Core and non-core services

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 existing ring-fence system appears sound, and should therefore continue. Paragraph 3.28 appears to restrict the HRA to the financing of services that a landlord is required to provide however, - other non statutory services are provided to tenants and financed through the HRA and there is no obvious reason why this should not continue. Some Housing Services are paid for by the General Fund and where they are clearly not landlord functions it seems reasonable that this should continue. The statement that requirements placed on landlords should either arise from statutory obligations or through standards set by the TSA is fine providing the standards allow authorities the freedom to provide discretionary services as mentioned above.

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

Para 3.29 raises the issue of whether any ambiguities exist when assessing if a charge relates to the HRA or General Fund. None seem apparent and the test in existence seems to catch most situations. The allocation of costs between the HRA and General Fund can sometimes be problematic, but that has more to do with assessing the level of charge to each account, rather than the charge itself.

Standards and funding

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)?

The proposal to include the funding of ongoing maintenance of lifts and common parts through Capital Grant and the HRA system as reformed is to be welcomed, provided that the additional cost is reflected within the Major Repairs Allowance (MRA). However, it is suggested that estate improvements should also be included. However the cost of this should again be reflected in the MRA.

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?

The direction of travel on standards seems to be the right one. The suggestion that

tenants might contribute some of the savings made on lower bills might prove difficult to administer but, providing it was relatively simple and could be seen to relate back to real savings made, then this could work. It is difficult to see realistically how this could be cost neutral though.

Leaseholders

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?

The setting up of sinking funds for leaseholder works is potentially fraught with difficulties. It would be necessary to make this a legal obligation on local authorities and it would need to be made clear to leaseholders how this would operate. There is again potential for this to become administratively burdensome and the mechanics of the fund would need to be carefully considered and be relatively straight forward. Historically, the recovery of leasehold charges - particularly relating to major works - has been difficult and a well thought out, well managed, system using a sinking fund should ensure recovery of charges is easier. Moreover, it appears to be a fairer approach for leaseholders, with costs spread relatively evenly over a number of years, which would mean that leaseholders who happen to be living in a leasehold property when very expensive works are required, would not have to bear an inordinate cost

Debt

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?

If the debt settlement was very high then this would clearly be unsupported at the national level, there needs to be clear principles on which opening debt is calculated, it needs to be recognised that any cash flow forecasts are heavily reliant on assumptions related to uplift levels; small changes in these levels spread over a 30 year period can be quite significant and be key to whether or not a business plan is robust. The reference to the imposition of debt could be questioned,- does this mean actual debt or a requirement for debt? Clearly this is an important distinction for a debt - free authority like Epping Forest that has high cash balances.

Moreover, there must be some recognition that prudent authorities like Epping Forest, that has invested properly in its housing stock over a number of years, are not unreasonably burdened by debt incurred by less prudent authorities.

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

Issuing new debt to the receiving authorities would probably give a better chance of achieving a sustainable rate of interest than the redistribution of existing debt.

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?

It is difficult to comment on how complex issues such as premia and market debt need to be incorporated when it is not clear how more simple situations such as PWLB debt will be treated.

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?

Without seeing an example of the proposed mechanism identifying any issues, it is difficult to comment. However if a mechanism along the lines of the existing item 8 is adopted there could be a financial effect on the General Fund.

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

The current subsidy system does tend to restrict prudential borrowing and, providing the levels of debt proposed can be serviced - as demonstrated by a supporting 30 year business plan - this would seem reasonable, subject to the earlier comments about the short comings of any business plan. The difficulty with relying on an original business plan is that assumptions can become out of date quickly and how would borrowing in relation to new build be factored in.

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?

Uncommitted income from service charges might be raised and this could be used to provide additional housing services, improve existing housing services, make estate improvements and possibly, provide specific wider community services, from which a majority of tenants would benefit. Alternatively, where possible, some income could be used to repay debt.

Capital receipts

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)?

If the intention is to reallocate debt and allow local authorities to keep locally-generated rents, in so far as they exceed that needed to service debt, then it is essential that capital receipts are treated in the same way and can be used to invest in improving the housing stock, or providing additional affordable housing. There appear to be no obvious risks.

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

Any system ought to be as flexible as possible so that authorities can invest where the funds are needed, rather than be constrained by some arbitrary split between spend on new and existing stock. The availability of land for such development and local priorities are also key issues to address.

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

This Council would welcome locally-generated receipts being used for capital expenditure locally.

Equality impact assessment

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, disability, age, sexual orientation, religion or (non-political) belief and human rights?

The changes proposed do not appear to have a disproportionate effect on any particular group of people and therefore Questions 16 and 17 are not applicable.

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

Not Applicable

17. What would be necessary to assemble the evidence required?

Not Applicable