

**RESPONSE TO CONSULTATION ON ASSET MANAGEMENT AND
USE OF RECEIPTS**

Report of the Chief Executive

1. SUMMARY

- 1.1 The Government has recently issued a consultation paper 'Streamlining Council House Asset Management' which is available at <http://www.communities.gov.uk/documents/housing/pdf/1961898.pdf> or, view the document, Appendix 1, on our Committee Management Information System (CMIS).
- 1.2 Appendix 2 to this report is the response sent by Derby Homes.

2. RECOMMENDATION

To approve the response, and to support further lobbying of the Government by Derby Homes together with the National Federation of ALMOs and the Council and the Local Government Association to ensure that the Council can transfer land to its ALMO and that any future Right to Buy receipts are retained for the benefit of new build in Derby.

3. MATTER FOR CONSIDERATION

- 3.1 The Government's consultation paper 'Streamlining Council House Asset Management' sets out the Government views on the best use of council housing as an asset. It covers a range of issues, and two are of particular importance to Derby Homes, the first to do with disposal of stock being delegated to the Council, and the second to the use of capital receipts from sales of council housing.
- 3.2 Under the first issue the proposal is to not allow a council to dispose of its stock to its ALMO without first seeking Secretary of State permission. The Derby Homes response sent is to allow such delegated powers to be granted to a council up to a set number each year.
- 3.3 Under the second issue the proposal is that, after payment of any debt, any receipts from Right to Buys will be used to build new homes, on a one to one basis, however, the Government are proposing that any receipts will be distributed nationally and not be retained locally. The Derby Homes response is to ask that the locally generated Right to Buy receipts be retained locally.

4. CONSULTATION IMPLICATIONS

As covered in the report.

5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

If there is an increase in discounts and in Right to Buy then this could have a detrimental impact on the HRA Business Plan. Since 1980 the council housing stock has declined from 24,500 to 13,500. It is impossible to say what will occur over the next 30 years, however, it is reasonable to assume that Council housing numbers will decline by 30-40% over the next 30 years.

6. COUNCIL IMPLICATIONS

This response has been sent with the support of the Council.

7. RISK IMPLICATIONS

As in the financial implications.

The areas listed below have no implications directly arising from this report:

Legal and Confidentiality
Personnel
Environmental
Equalities Impact Assessment
Health & Safety
Policy Review

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, phil.davies@derbyhomes.org – Phone: 01332 888528

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Background Information: None.

Supporting Information: None.

Consultation response

Streamlining Council House Asset Management

Response of Derby Homes

Derby Homes welcomes the opportunity to respond to the consultation on the use of council housing assets for the future. The move to local control envisaged by the reform of the Housing Revenue Account Subsidy System is all about the objectives set out in section 2.4 of the consultation, namely to :

- reduce, where possible, the legislative burden on local government
- protect tenants
- protect the Housing Revenue Account and the viability of the Housing Revenue Account business
- help control overall public sector debt
- protect the future supply of social housing.

We consider that the reforms and the overall tenor of what is proposed in this consultation support these outcomes. We do, however, have one major issue within the detailed proposals that we would wish the government to reconsider to further enhance these very principles. This is the treatment of Right to Buy receipts and their use to support replacement homes.

Derby City Council's Chair of Housing and Advice, Cllr Ingall recently wrote to the Minister on this issue with our support, requesting that further consideration be given to a solution that could benefit all parties – namely the retention of Right to Buy receipts by Local Authorities that lose an asset. The key points are that:

- Local retention of receipts would help to encourage (or require) local re-use of receipts ensuring that local disposals mean that there would be local re-provision. Distribution through existing mechanisms often mean considerable re-distribution of resources across the country.
- Avoiding a repetition of the 'My rent went to Whitehall' argument with respect to capital receipts
- Completion of the localism aspects of the reform – this element runs directly counter to the core principles of localism and a business like approach to the management of Council housing
- Support for the principles outlined above – matching responsibility, debt, costs, income and receipts all in one place – which supports local and logical control of assets
- Avoiding a loss of economies of scale for local authorities
- Promoting the use of any debt headroom in HRA business plans to develop marginal projects not being undertaken currently for example garage/other small sites
- An additional receipt for the exchequer relating to the estimated level of sales of over £800m

- Avoiding needless and complicated calculations and arguments about the level of sales assumed in the initial model against the actual level experienced and how this difference can be adjusted for in the settlement on an ongoing basis. One Housing finance expert has estimated that there would be a need to reduce the debt settlement by £2.5bn to allow for a higher level of sales in future. If this isn't done, how is the settlement to be adjusted? By taking the receipts out of the settlement this issue is avoided.

These arguments all point to the retention of receipts locally. The key one though is that the local Council will be able to fulfil the promise of a replacement home at a local level. Any centralisation of receipts cannot do this without imposing an unnecessary layer of bureaucracy and delay into the process. If Councils can anticipate receipts they can plan a programme into the future and act accordingly.

None of these arguments discourage right to buy – indeed local retention may well encourage Councils to consider encouraging it in some cases and areas where a diversity of tenure might be beneficial.

This is our key issue with respect to the consultation – completion of the HRA reform is dependent on this outcome. If there is a significant risk that right to buy numbers increase without receipts being locally retained, there is a danger that HRA business plans would be thrown into unsustainable positions. This danger – even if it doesn't come to pass – is likely to restrain the limited investment plans currently being drawn up by Councils for the future, as the risk to their plans to maintain existing tenancies would be greater. In effect, the current settlement is poised to encourage a limited amount of investment within the debt cap – much of this may have to be suspended due to the greater risk to business plans. We are hoping that we might be able to have a small programme of new build proposals over the next few years but this would be thrown into doubt by the increased uncertainty over right to buy levels. If, however, we know that any proceeds would return locally, we can maintain that investment and replace those lost homes, and hopefully a few more.

On the specific questions we can offer the following comments:

Question 1:

Market level disposals

Ideally disposal to Housing ALMOs that are registered as registered providers with the TSA would also be exempt from this rule, as they are obviously the best placed to manage housing activity in a local area, and this rule effectively prevents this from happening.

Housing ALMOs could be an ideal alternative management tool for properties owned by Councils, providing a 'halfway' position between in house and external ownership should such an option be desired as preferable to the others. Tenants remain connected to the Council albeit through their ownership of the ALMO rather than a direct landlord/tenant relationship. As an option therefore we still believe that there is a need to keep this possibility for the landlord.

We acknowledge that there is an issue about national debt levels here, and that there could be a means to circumvent the HRA debt cap as a result. Ideally therefore there would be other means of restricting the use of disposals to ALMOs without effectively requiring central approval?

Question 2 to 5 general disposals

In all cases, we believe that the local authority should be free to determine its own appropriate discounts on any disposals. There should, however, be consideration by the local authority of setting out its reasons for any discount in a report on the disposal in advance of the disposal.

Questions 6 to 8 disposals under Right to Buy

The proposal to allow a right to buy discount to someone other than a qualifying tenant appears to be inconsistent with rewarding long standing tenants through the right to buy rules. Such other persons will not necessarily have paid anything into the system and will be effectively entitled to the discount without having been a tenant and establishing a track record with a landlord. This appears to be inequitable to tenants.

The proposal to offer a discount on a vacant property equivalent to the right to buy for existing tenants is more interesting as it would free up an existing property – allowing flexibility at a local level on this issue could be a help in some cases, as long as the rules are not an obligation to dispose in this way.

Not offering a discount – it might be useful to have an ability to refuse discounts to certain categories of tenant – for instance those with anti social behaviour, large arrears and other examples of behaviour that the government and council might want to discourage. Such an ability could be a help in some cases.

Question 9 - no approval required to dispose through leases

We agree with the proposal

Question 10 Local Authority leases

We support local authorities being able to grant leases of their land.

We believe that this should clearly include their own subsidiaries. This will help with situations where there is a need to find a landlord at short notice for a short term lease. We have an example where the Council currently has a property leased to a third party who wishes to give up that lease back to the Council. The situation would have been more quickly resolved if the Council were able to allocate a new lease to Derby Homes.

Question 11: Shared ownership disposals

Again in principle disposals should not require Secretary of State approval in general.

Question 12 Pooling of Receipts

Firstly, the continued ability to redeploy resources raised from sales of properties and land back on housing use is welcome, as it fundamentally supports the

principles of localism and those listed above. The government could consider requiring all such income to be reinvested in new housing provision in order to promote new build programmes of a limited scale. This would be combined with the proposals for Right to Buy receipts outlined in the general comments above. In isolation sale proceeds are helpful but insufficiently great to provide enough funds. The combination of both would allow a realistic prospect of small scale developments across the country replacing right to buys. Despite the comment that right to buy pooling is outside of the scope of this consultation, we feel it incumbent on us to reemphasise the importance of the impact of that decision. When RTB sales were thought to be continuing at a low level into the future, such an impact would be sufficiently marginal to business plans. The Prime Minister's announcement that RTB sales will be promoted again, though, means that a seriously large deduction will have to be made from the overall debt settlement to continue the existing proposals. Even if this were done, the uncertainty would mean that fewer risks could be borne by the HRA in future, and this will directly reduce the scale of new investments. If the uncertainty can be removed by reversing the original decision, greater risks can be borne and new investments can be made with the knowledge that such investments will not undermine the overall business plan. We regard it as now a much more important issue than it was say two months ago, and continue to propose that the government impose a higher debt level but leave the receipts with local authorities as they fall.