



Council Housing Capital Assets Consultation  
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*Date:* 16 November 2011

*Your ref:*

*Our ref:* RVL/DMcC/CC

*Please ask for:* R V Livermore

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Dear Sir,

**RE: STREAMLINING COUNCIL HOUSING ASSET MANAGEMENT – DISPOSALS  
AND USE OF RECEIPTS - CONSULTATION**

Thank you for the opportunity to comment on the above consultation document.

We are pleased that the Housing Minister, Grant Schapps, has proposed changes that will allow councils more flexibility to trade their assets, and use the receipts to enable further investment in new homes and regenerating the local area.

We detail below our response to the questions asked in the consultation document:

**1. Consultation Question 1:**

We commend the Government in proposing to limit Secretary of State consent to dispose of housing land at market value where the disposal results in a tenant becoming the tenant of a private landlord or where the disposal is of dwelling to a wholly owned subsidiary of the local authority.

However, we have concerns that this might overly complicate or delay disposal in instances which involve only one or a few tenants particularly if this was replicated elsewhere throughout the country in cases where estate regeneration was taking place. As any disposal would be subject to consultation with tenants we would suggest that there should be a de-minimus level above which Secretary of State consent would be required.

**2. Consultation Question 2**

We could not identify other situations where the Secretary of State should provide specific consent to disposal at market value

### **3. Consultation Question 3**

We agree with the government's proposal that local authorities should continue to have discretion to dispose of reversionary interests without Secretary of State consent.

### **4. Consultation Question 4 & 5**

A decision to dispose of land at less than market value would be determined according to business need and to assist in securing regeneration with external partners. We believe therefore that local authorities should have discretion to determine discounts applied in respect of land disposal. We believe the definition of certain specified purposes needs reviewing.

### **5 Consultation Questions 6, 7, and 8**

Whilst we appreciate the government is offering greater opportunity to sell dwellings we do have concerns over the practicalities of offering vacant dwellings for sale to existing tenants at discount. This could result in spiralling decay in some parts of less desirable estates if vacant properties in more desirable areas had to be offered up for sale and the consequential costs of not being able to relet whilst the sale went through.

### **6 Consultation Questions 9, 10 and 11**

We do not foresee any issues with what is proposed for West Lancashire Borough Council

### **7. Consultation Question 12 - Pooling of Housing capital Receipts**

- 7.1 Our major concern with the proposals relate to the fact that the current and proposed pooling arrangements under Right to Buy remain unchanged beyond the period of the current Spending Review up to 2015.
- 7.2 Under the self-financing settlement, we will take on debt associated with each individual house or flat in our possession. It is therefore essential that when we disposes of houses and flats under the Right to Buy we must have the option of clearing the debt associated with it before any form of pooling is made. This will enable the Council to maintain a healthy balance sheet for their social housing, which is vital for continued investment in housing. Both of which are being denied under the current and proposed regulations.
- 7.3 West Lancashire Borough Council has a portfolio of approximately 6300 dwellings, 80% of which are located in the former New Town of Skelmersdale. Based on a Radburn design of largely non-traditional construction, property values are particularly low relative to properties elsewhere in the country. Accordingly, under a Right to Buy the proceeds are relatively low. Under the current and proposed pooling arrangement the Council retained proportion of the receipt (25%) will not be enough to discharge the debt associated with the debt settlement assigned to the Council. Table 1 below based on actual sample of property sales in Skelmersdale demonstrate this point clearly:

**Table 1 Right to Buy Receipts 2010 - 2011**

Property type	Gross Value	Amount to be Pooled (after RTB discount etc)	Pooled amount for Council (25%)	Indicative Debt Settlement	Shortfall after using all Council receipts
	£'000	£'000	£'000	£'000	£'000
2 Bed Hse	75.0	49.0	12.2	15.3	3.1
3 Bed Hse	79.5	53.5	13.4	15.3	0.9
2 Bed Flat	44.7	22.3	5.6	15.3	9.7
2 Bed Hse	71.5	46.5	11.6	15.3	3.7
2 Bed Hse	49.8	26.4	6.6	15.3	8.7
3 Bed Hse	52.0	28.5	7.1	15.3	8.2
<b>Total</b>	<b>372.5</b>	<b>226.2</b>	<b>56.5</b>	<b>91.8</b>	<b>34.3</b>

7.4 Under the Government Debt Settlement model property sales are assumed to be relatively small for the lifetime of the 30 Year Business Plan rising from around 20 in year 1 to 42 by Year 30.

7.5 Whilst Right to Buy sales are within these estimates then there should be no problem in financing this within the business plan. However, our experience is that Right to Buy Sales are demand led and are difficult to estimate. Despite the economic uncertainty we are experiencing strong interest in Right to Buy but prospective buyers are being affected by the lack of available mortgage lending. Table 2 below illustrates the actual Right to Buys over the last 9 years:

**Table 2 RTB Profile**

Year	RTB Sales
2002.03	230
2003.04	444
2004.05	321
2005.06	232
2006.07	131
2007.08	92
2008.09	27
2009.10	12
2010.11	18

7.6 Clearly as the economy improves it is likely that demand for Right to Buy will also increase. Our concern is that unless the debt is redeemed from the receipts prior to pooling then this will make the HRA Self-Financing Plan unsustainable in the medium to longer term. Taken to a very extreme case if all stock was sold under the Right to Buy the Council would be left with an overhanging debt of around £36m.

- 7.7 The fact that we cannot settle the debt from the Council's proportion of capital receipts will also inhibit the ability to borrow to aid new development which we do not believe was the intention behind the proposals.
- 7.8 We therefore believe the principles set out in the consultation paper **do not** satisfy the aim stated in paragraph 3.2 e "rationalise and extend the provisions on capital allowance (including making the paying off of Housing Revenue account debt permissible expenditure)" as it does not allow RTB debt to be offset against proceeds prior to pooling. For the reasons outlined above we strongly believe this requires reconsideration.

We look forward to hearing from you.

Yours sincerely

R V LIVERMORE  
**ASSISTANT DIRECTOR**  
**HOUSING AND REGENERATION**