



APPENDIX 1

AGENDA ITEM: 21

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE:
29 SEPTEMBER 2011**

**CABINET:
15 NOVEMBER 2011**

Report of: Director of Transformation

Relevant Head of Service: Assistant Director Housing and Regeneration

Relevant Portfolio Holder: Councillor Mrs V Hopley & Councillor A Owens

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

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To advise Members of the debate that is taking place between Officers and the Department of Communities and Local Government (CLG) and to endorse the response to the consultation document.

2.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

2.1 That the proposed response to the CLG's consultation on 'Streamlining Council Housing Asset Management: Disposals and Use of Receipts', set out in Appendix A to the report, be noted and agreed comments be referred to Cabinet for consideration on 15 November 2011.

3.0 RECOMMENDATIONS TO CABINET

3.1 That the proposed response to the CLG's consultation on 'Streamlining Council Housing Asset Management: Disposals and Use of Receipts', set out in Appendix A to the report, be approved, subject to consideration of the Minutes of Executive Overview and Scrutiny Committee (Appendix B) on 29 September and the Landlord Services Committee (Cabinet Working Group) (Appendix C) on 9 November 2011.

- 3.2 That call in is not appropriate for this item as the report has been considered by the Executive Overview and Scrutiny Committee and the consultation deadline is 17 November 2011.

4.0 BACKGROUND

- 4.1 Prior to 2004 the Government's capital regulations required 75% of capital receipts arising from the sale of eligible dwellings under the Right to Buy (RTB regulations) to be set aside for the purpose of redeeming debt and the remaining 25% to be available for local capital investment
- 4.2 The Local Government Act 2003 introduced new pooling arrangements for capital receipts arising from the sale of council dwellings. This requires Councils that sell dwellings under the RTB to pass 75% of the receipt, after allowing incidental costs of disposal and investments made in last three years, back directly to central government.
- 4.3 Since 2004 total revenue from RTB receipts in England has exceeded £6.2 billion nationally, of which more than £4.7 billion has gone back to central government.
- 4.4 The Government's justification for pooling has traditionally been based on the premise that capital receipts through the pooling rules are used to support other housing and capital programmes in England, that these receipts have not arisen in areas that need capital investment, and as central government had provided a large part of the initial investment to acquire or build these dwellings, the Government should benefit from a share of the receipt.
- 4.5 However, a Government Select Committee on the Future of New Towns in 2003 specifically looked at the issues relating to Skelmersdale and concluded that whilst the Council has engineered out much of the defects of the non-traditional building construction the design and layout of estates in Skelmersdale was dysfunctional and required significant investment to address.
- 4.6 In the period 2004/2005 to 2010/11 the Council has seen a net reduction in HRA income relative to HRA subsidy of 4.4% (£0.67m).
- 4.7 The cumulative HRA subsidy withdrawal since 1995/96 has been in excess of £76m.
- 4.8 In the period 1 April 2004 to 30 June 2011 the amount of capital receipts passed to central government has amounted to £12.7m.
- 4.9 Under the HRA Financing Reforms, Councils will be taking on direct responsibility for supporting debt on their operating assets. It would be sensible that Councils should also keep the capital receipts arising on disposal of those operating assets.

- 4.10 The former Administration proposed the removal of RTB receipts pooling under their HRA Self-Financing proposals.
- 4.11 However, the current Administration have, in the interests of the national economy, announced, as part of their Comprehensive Spending Review that RTB capital receipts pooling would continue until the end of the current Spending Review period.
- 4.12 Following a period of consultation, in February the Government issued its proposals with regard to implementing HRA Self-financing setting out, amongst other things, that RTB capital Receipts pooling would continue indefinitely.
- 4.13 On 26 August, 2011, Government issued a consultation document regarding the pooling of RTB capital receipts reinforcing the message that RTB receipts pooling will operate beyond the current spending review period. Details of the consultation are provided in Section 5 below.

5. CLG CONSULTATION

- 5.1 The Housing Minister Grant Shapps has indicated that the new proposals outlined in the above consultation provide councils more flexibility to trade their housing assts, use receipts to enable further investment in new homes and enable regeneration in the local area. Under the these proposals the Housing Minister believes it will provide Local Authorities with greater discretion to use and improve their council housing assets in a way that best suits the community.
- 5.2 A copy of the full consultation document may be accessed using the link below
<http://www.communities.gov.uk/documents/housing/pdf/1961898.pdf>

6. PROPOSED RESPONSE TO THE CONSULTATION

- 6.1 The closing date for this consultation is 17 November 2011.
- 6.2 For consideration and comment I have attached a proposed draft response to the consultation at appendix A

7. STAKEHOLDER CONSULTATION

- 7.1 This Report is being considered by the Tenants Services Evaluation Group (SEG) on 14th October which will feed into the Landlord Services Committee (Cabinet Working Group) on 9th November.

8. SUSTAINABILITY IMPLICATIONS / COMMUNITY STRATEGY

- 8.1 The results of the consultation will need to be fed into the assumptions contained within the Councils HRA Self-Financing Plan when Government announces its decision in 2012

9. FINANCIAL AND RESOURCE IMPLICATIONS

9.1 As this is a consultation there are no immediate financial implications.

10. RISK ASSESSMENT

10.1 There are risks associated with the proposals if they are carried through by Government.

10.2 Of particular concern is the inability to offset the cost of redeeming the debt from the capital receipt prior to pooling and the low volume and value of Right to Buy Sales assumed in the Governments debt settlement model which could make the Council's HRA Self-financing Business Plan unsustainable in the longer term.

10.3 Other areas of concern are the practicalities of opening up vacant properties to tenants who may wish to exercise a desire to purchase using their existing Right to buy discount which could accelerate estate decline as the more desirable properties are sold. And the proposal to allow tenants without the qualifying Right to Buy to be able to purchase property thereby disadvantaging those that have waited for their opportunity to buy.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision to respond to the consultation does not have any direct impact on members of the public, employees, elected members and/ or stakeholders. Therefore no Equality impact Assessment is required.

Appendices

- A Proposed Response to the consultation
- B Minute of the Executive Overview and Scrutiny Committee – 29 September 2011 (Cabinet only)
- C Minute of the Landlord Services Committee (Cabinet Working Group) – 9 November 2011 (Cabinet only)