CITY OF YORK COUNCIL RESPONSE TO CLG CONSULTATION – REFORM OF COUNCIL HOUSING FINANCE

Q1
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?

Agree that the HRA ring fence should continue and be strengthened, although further guidance as to what can and can't be charged to the HRA would be welcome. The principle that council rents fund council housing is important to prevent tenants double funding services through rent and council tax.

Q2
Are there any particular ambiguities or detailed concerns about the consequences?

Clarity is required on the potential for the TSA to set additional standards, and how these might be funded if rent setting continues to be controlled centrally. How will the TSA "take into account the consequences for tenants, for new supply and for public expenditure" as described in paragraph 3.28? The impact of any changes on the funding balance between the HRA and the general fund needs to be understood and reflected appropriately.

Q3
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 extension of decent homes funding to include lifts and common parts is welcomed. However, the mechanism for identifying the costs associated with this and allocating any resources is key. Again, it is important to understand what tenants can reasonably expect in terms of general environmental works as a council tax payer and what is particular to the landlord function.

Q4
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?

Agree in the direction of travel on standards, however would argue that the current decent homes standard is too low and therefore the real funding gap (between current standards and tenant expectations) is much higher. The funding mechanism is irrelevant if the pot being distributed is not sufficient to deal with the actual costs.

Q5
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?

This should be taken up voluntarily with no need for an obligation to be placed on local authority landlords.

Q6
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?

The proposal for valuing the landlord business seems reasonable. However, the cash flows would need to be calculated using the actual need to spend otherwise business plans will not be sustainable.

The mechanism to redistribute the debt has not been included anywhere in the paper. Paragraph 4.22 mentions the idea of how debt would be distributed but does not describe if this will be new debt that the authority takes, if it has to be from the PWLB or can be taken from the market, if the debt is distributed from one authority to another, if the debt taken is new - who will pick up the debt to be redistributed from another authority, will the government pick up the premia / discount cost for repaying the debt early, will local authorities have a choice of when they can take the debt on the basis of their Interest rate forecast view?

Q7
Are there particular circumstances that could affect this conclusion about the broad level of debt at the district level?

Paragraph 4.28 is concerning in that the paper confirms that there would be a need to reopen the debt settlement if there were policy changes on rent or standards. This would lead to authorities not being able to continue to use their business plans as the goal posts are changing. If debt were re-opened the way to finance this debt would also have to be looked at.

It should also be noted from a treasury management view that the best option overall for the this Council is that the HRA and GF debt are managed as one. It would not be financially viable and it would create different administration burdens to hold the debt separately.

Q8
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?

The Government may choose to restructure this debt prior to redistributing it to local authorities. If this occurred, the government could then choose to include the premia impact as part of the debt (under new one off regulations) before it redistributed the debt to local authorities.

If new debt is not taken by a local authority and it is just pass-ported through via the government from another authority, the interest rate on that debt may be higher than a local authorities current Consolidate Rate of Interest. If that is the case restructure of that debt will be necessary, as the local authority will not want a higher level of interest rate debt on its books. Will the government be prepared to pay future premia costs in relation to the restructuring of this debt? Will there be a time limit that the government would be prepared to fund the first restructure. Potentially, local authorities should be able to choose the most beneficial time on the market in which to repay debt in accordance with their treasury management strategy.

Q9
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?

A mechanism similar to Item 8 determination is an OK solution. However, the cost of debt will be different in each council, due the differing CRI's in each council. Using an assumed interest rate for the life of a 30 year business plan leaves the interest rate risk with the HRA and any one off settlement made should reflect this risk.

Q10
Do you agree the principles over debt levels associated with implementing the original business plan and their link to borrowing?

The borrowing should remain inside the regulations of the prudential code. There would be no reason to do otherwise as even if borrowing were to increase it would still be affordable, sustainable and prudent.

Q11
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?

Tenants should be allowed to determine the of use any additional income generated within the HRA ring fence.

Q12
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)?

Agree with the ending of the pooling arrangement and do not believe there are any risks to leaving this resource with landlords. The receipts should be able to be used for housing expenditure in it broadest sense, including all aspects of local authority housing responsibilities.

Q13
Should there be any particular policy about the balance of investment brought about by capital receipts between new supply and existing stock?

There should be no specific policy as RTB receipts are volatile and no reliance can be placed on them.

Q14
Are there concerns about central Government giving up receipts, which it currently pools to allow their allocation to the areas of greatest need?

No.

Q15
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?
AND
Q16
What would be the direction (positive or negative) and scale of these effects and what evidence is there to support this assessment?
AND
Q17
What would be necessary to assemble the evidence required?

Without a final detailed proposal it will be difficult to carry out a proper equalities impact assessment. The decisions on debt redistribution and capital receipts could adversely impact on disabled tenants if it results in the council unable to afford to carry out disabled adaptations to it’s stock.