

Changes to Revenue and Capital Rules for new council housing – CLG consultation

Ruth Lucas, Policy Consultant
Local Government Association

- The Consultation
- The questions
- Potential response
- Timetable and process

The Consultation

- Issued by Communities and Local Government Department (CLG)
- Contains proposals to remove revenue and capital disincentives for councils investing in new council housing
- Applies to English authorities only

- Housing Green Paper 2007
- Ministerial statements
- Economic crisis
- Housing supply and demand

Purpose of consultation

- Delivering national policy context
- Giving councils a bigger role in securing new affordable housing
- Removal of some of the disincentives to council's investing in new council housing
- Changes cover both revenue and capital rules

The changes

- Section 80B of the Local Government and Housing Act 1989 inserted into the Housing and Regeneration Act 2008 (s313)
- Provides for the exclusion of specified properties or descriptions of property, including future properties, from the HRA subsidy system
- Properties still in HRA, though outside of the subsidy system
- Capital receipts regulations

Properties intended to be covered by the proposals

- Newly built
- Newly acquired
- Derelict/uninhabitable properties that can be brought back into use with significant council investment

What properties the CLG propose won't qualify

- Properties temporarily vacated to allow for refurbishment or remodelling
- Properties vacant whilst waiting for minor work to make them suitable for occupation
- Social housing transferred from one social landlord to another

Process for acquiring a section 80B agreement

- CLG propose that councils should apply for exclusion for schemes or bundles of schemes
- When properties are acquired one at time, CLG want them bundled into one agreement
- Secretary of State consent will need to be sought and granted
- They will expect evidence of robust options appraisal and that exclusion provides value for money
- The application will need to include details of the scheme, design and quality standards, and information on rents and allocations policies
- Proposed that the HCA will review all agreements and advise the Secretary of State on their suitability.

Questions in the consultation

- Qu 1 – Given the objectives of the policy, what types of properties should qualify to be excluded from the HRA subsidy system and pooling requirements
- Qu 2 – In your view, what types of properties should not qualify to be held outside of the HRA subsidy system and pooling requirements?
- Qu 3 – Do you think that the proposed process for applying for a section 80B exclusion is the right one to adopt? If not, what would be better alternative
- Qu 4 – What factors should be taken into account by the Secretary of State in considering whether to enter into an agreement to exclude properties?

Questions (con't)

- Qu 5 – What terms and conditions do you think should be included in exclusion agreements?
- Qu 6 – Do you agree that properties excluded from the HRA subsidy system under section 80B should also be exempted from the requirement to pool capital receipts?
- Qu 7 – Do you agree with the proposed conditions attached to the exemption from pooling, which require receipts to be used for affordable housing and regeneration?

- Is there anything else you would like us to say?

- Welcome the changes
- Provides more financial freedom for councils
- Danger of creating a two tier system
- Needs to be a permanent change
- Concerns over robustness of Sect 80B
- Need to resolve HRA issues – HRA review

Proposed response to the specific questions

- Qu 1 – these are appropriate, but should it be extended? – link to EDMO's
- Qu 2 – categories appropriate
- Qu 3 – councils should only have to apply once
- Qu 4 – need to streamline – HCA make the decision or go straight to Minister – should be one stage
- Qu 5 – should assist regeneration, affordable provision and deliver on the council's strategic objectives
- Qu 6 – Yes, retain locally
- Qu 7 – Yes, ringfence to housing and meeting the criteria of the council's community plan.

Timetable and Process

- 12 week consultation
- Closing date for responses to CLG – **17th April 2009**
- ARCH and LGA submitting responses
- Please copy your response to ARCH and LGA ggibson@wandsworth.gov.uk (ARCH) and caroline.green@lga.gov.uk or info@lga.gov.uk (LGA)

Contact details

- Ruth Lucas

Policy Consultant, Local Government Association

ruth.lucas@lga.gov.uk

www.lga.gov.uk