Appendix 1

document/jc.NAF/Consultation Docs/ODPM – Hsg Capital Finance 171002

Theresa Donohue

Office of the Deputy Prime Minister

Zone 2/J3, Eland House

Bressenden Place

LONDON SW1E 5DU

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Dear Ms Donohue

THE WAY FORWARD FOR THE HOUSING CAPITAL FINANCE

(CONSULTATION DOCUMENT)

Thank you for allowing this authority the opportunity to respond to this consultation document.

In general Eastbourne supports the aims of active and better management, simplification, increased transparency, and fairer methods of distributing Housing Capital resources.

I have set out the comments of this authority following the order of the document itself.

The proposed Housing Capital Receipts Pooling Regime

Eastbourne supports the view that the Government exempts all housing capital receipts, that are not right to buy receipts, from the pooling mechanism. We would wish the Authority to use such receipts at its discretion, in line with its Housing Strategy, Capital Strategy, and Asset Management Plan. Eastbourne considers this method to be consistent with the Single Capital pot, only recently introduced.

Eastbourne is supportive of including debt free Authorities within the RTB pooling mechanism, providing that funds from this source are treated as an added resource to the housing "pot", and redistributed fairly according to need.

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If there is to be no change in the level of support for capital expenditure then there would be little room to change pooling rates. If there were to be any flexibility then Eastbourne would support the view that there should not be any set-aside for housing capital receipts that are not right to buy receipts.

The proposed pooling mechanisms would seem appropriate, depending on the outcome of the "blue sky" debate.

This authority notes your comments that there will be no transitional arrangements but would welcome some safeguard to reduce any extreme gains or losses arising from the change, perhaps based upon an individual application from an Authority.

Local Authority Social Housing Grant (LASHG)

This authority supports keeping local discretion through LASHG. It does not support the centralisation that would arise from redirecting all resources using ADP. To this end we believe that it is important the LASHG / ADP ratio is not skewed further towards an increased share of ADP.

Eastbourne welcomes the simplification that moving to a grant mechanism for paying LASHG would bring.

Main options for radical change

Eastbourne would welcome any mechanism that mirrors the certainty and flexibility of the Major Repairs allowance.

Considering the proposed alternatives.

a) Grant funding HRA Capital Investment. In principal this would be a simple alternative. Reflecting expenditure profile base on the Business Plan would complicate matters though. Allowing Authorities to carry forward unused grant allocations would be a simpler and preferable alternative.

b) The "Investment allowance" which places an emphasis on local decisions is welcome. Being similar to the ALMO approach we believe that this would bring some consistency in approach. A drawback would be that increases in interest rates would dilute the spending power of the allowance, unless the allowance was linked in some way to interest rates. This would be a particular issue if the allowance were calculated at a time like now when interest rates are extremely low.

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c) Debt restructuring has some positive points. It is important however, to ensure the Government does not penalise Councils, such as ours, which have future real decreases in rental income compared to Authorities that have real increases. Eastbourne would welcome the "hands off" stance the Government signals in the paper. Adoption for high performers only may cause an imbalance in redistributing resources, and how would this fit in with the ALMO regime? As with the investment allowance some protection for interest rate changes on future borrowings would be important.

Options for reforming debt service costs

Eastbourne supports fixing the subsidy for debt charges and using the Council’s consolidated rate of interest for calculating a set interest rate charge.

The Council has no strong view on either freezing the debt or repaying the principal over time.

Eastbourne has no principled opposition to the proposal of transferring of debt to the Government. However, moving the debt of all Authorities would be complex, and the Council does not see any substantial benefits, compared with the options of freezing the debt charges.

In conclusion, Eastbourne supports the paper’s objectives and those options that involve simplicity, fairness, and the freedom for local decision making and flexibility. In particular, we would wish to take advantage of any increased ability to deliver much needed investment to our housing stock, in a way that is not dependent upon the adoption of any particular stock options model.

In general however, we welcome the development of any mechanisms that reward performance and facilitate a) necessary investment in our own stock from a Decent Homes perspective and b) an increase in our ability to deliver desperately needed investment both for private sector housing and new affordable homes.

Thank you for consulting us on these proposals. Should you wish to discuss the content of this reply please contact either myself or Neil Fuller, Director of Housing, Health & Community Finance on 01323 415301 or email: neil.fuller@eastbourne.gov.uk.

Yours sincerely

Councillor Bert Leggett

Cabinet Spokesperson