

# Streamlining council housing asset management – disposals and use of receipts consultation

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CIPFA

3 Robert Street

London

WC2N 6RL

**Contacts: Lesley Lodge**

Finance and Policy Manager

01582 882193

[lesley.lodge@cipfa.org.uk](mailto:lesley.lodge@cipfa.org.uk)

## **General**

CIPFA welcomes the opportunity to comment on the Government consultation on streamlining council housing asset management – disposals and use of receipts.

In terms of our general principles, CIPFA believes in promoting proper accounting practices, good financial administration and local discretion in decision making.

## **Detailed Response to the Consultation Questions**

### **Consultation Question 1**

**Do you think there are situations where such disposals should not require the consent of the Secretary of State? If so, what are they?**

Answer: CIPFA considers that as a general rule, disposals should not require the consent of the Secretary of State

### **Consultation Question 2**

**Do you think there are situations where such disposals should require the consent of the Secretary of State? If so, what are they?**

Answer: As in our answer to Question 1, CIPFA considers that as a general rule, disposals should not require the consent of the Secretary of State

### **Consultation Question 3**

**Do you agree that local authorities should not require the consent of the Secretary of State to dispose of such interests? If not, why not?**

Answer: As in our answer to Question 1, CIPFA considers that as a general rule, disposals should not require the consent of the Secretary of State. Matters should only be referred to the Secretary of State if there is some very compelling reason. In our view, Local Authorities are best placed to decide local priorities.

### **Consultation Question 4**

**Do you think that a limit should be placed on the amount of discount a local authority can offer on vacant land? If yes, what should it be?**

Answer: No, in our view there should be no limit but an authority should be able to demonstrate the advantage to the community of disposing of an asset at less than market value would be sufficient to cover the loss of potential capital receipt.

### **Consultation Question 5**

**Do you think that such disposals should be limited only to such situations where the land will be used for certain specified purposes? If yes, what are they?**

Answer: In CIPFA's view, this should be a matter for local discretion. Local authorities are best placed to decide local priorities, eg perhaps affordable housing. Nevertheless, if such disposals are to be limited only to such situations where the land will be used for certain specified purposes, in our view, those specified purposes should be ones which result in some clear community benefit.

### **Consultation Question 6**

**Do you think that these discounts are appropriate? If not, what do you think they should be?**

Answer: We cannot see any clear advantages accruing to the community in return for foregoing the market value of a house

### **Consultation Question 7**

**Do you think that there are other situations where local authorities should be permitted to dispose of council housing assets at a discount? If yes, what are they and what should the discount be?**

Answer: We cannot see any clear advantages accruing to the community in return for foregoing the market value of a house

### **Consultation Question 8**

**Do you think that there are situations included in the list above where local authorities should not be permitted to offer a discount? If yes, what are they?**

Answer: See our response to Question 6 - We cannot see any clear advantages accruing to the community in return for foregoing the market value of a house

### **Consultation Question 9**

**Do you agree that local authorities should not require the consent of the Secretary of State to dispose of such interests? If not, why not?**

Answer: Yes, in CIPFA's view, this should be a matter for local discretion. Local authorities are best placed to decide local priorities

### **Consultation Question 10**

**Do you agree that local authorities should be free to grant such leases? If not, why not? Should such leases be granted to local authority subsidiaries? If yes, why?**

Answer: Yes, local authorities should be free to grant such leases and yes such leases should be granted to local authority subsidiaries because, in our view, this should be a matter for local discretion. Local authorities are best placed to decide local priorities

### **Consultation Question 11**

**Do you think that there are situations where a local authority should require the consent of the Secretary of State before entering into a shared ownership arrangement with an individual? If yes, what are they?**

Answer: No, in CIPFA's view, this should be a matter for local discretion. Local authorities are best placed to decide local priorities

## **Consultation Question 12**

- a. Does any part of the Proposed Amendment Regulations explained below fail to effect the six aims listed above?**
- b. Can any further provisions be introduced that would effect the six aims more successfully?**

Answer: In our view, the six aims are appropriate.

### **Further Comments:**

With regard to Section 3: the pooling of housing capital receipts, we suggest that this section will need to be re-drafted in light of the recent announcement about increased RTB discounts and the use of the receipts for new affordable housing.

Also on the issue of the recent announcement, we would welcome further clarification. As we understand it, it is proposed that 75% of ALL receipts from disposals to council tenants be pooled. One problem with this is that it would also affect plans to sell new build homes to tenants, (except by exemption). We know of at least one authority which is doing major estate regeneration and would want to give first choice of any new build for sale on the estate to existing tenants - but would be unable to do this if they lose 75% of the receipt.

A further practical problem is that if any property is sold on the open market, the authority would need to ascertain whether a purchaser was a council tenant in order to establish the pooling rules. We are not clear how this could work, for example, at an auction.

We suggest that perhaps these problems could be resolved simply by amending proposed capital regulation 14(2) a and b, to refer only to "secure tenants of the property being disposed" rather than "any secure tenant".