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DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:

13 February 1985

R14

Dear Mr Mason

I expect you will have received a copy of a brief circulated by the London Tenants Organisation to all Members of the Standing Committee on the Local Government Bill and to all other London Members as well. The London Tenants Organisation appears to have received financial assistance from the GLC in the past, and their brief concerns the arrangements we propose should be adopted after abolition in respect of ex-GLC housing. They have arranged a meeting with tenants for London Members on 13 February.

The LTO's brief does not in my view properly represent either the existing position or the intended new arrangements. You may therefore find it useful to look at the enclosed briefing note we have prepared, bringing together a number of statements which have been made elsewhere and adding one or two further points.

The note emphasises our intention to ensure that the financial position of Borough Councils with ex-GLC dwellings is broadly unchanged by abolition, but also to see that the Boroughs become fully responsible for their own stock. The arrangements will not compel Boroughs to undertake particular renovation works; this must be a matter for local decision in the light of local priorities. They will, however, provide that abolition has little if any effect on the net cost to individual authorities of those works they do undertake. In my view, these arrangements are fair and reasonable.

My officials are sending copies of the note to the local authority associations in London.

I am writing in similar terms to the other recipients of the LTO's brief.

Yours sincerely
George Young

SIR GEORGE YOUNG

EX-GLC HOUSING STOCK

POST-ABOLITION ARRANGEMENTS IN LONDON

GOVERNMENT BRIEFING FOR MEMBERS REPRESENTING LONDON CONSTITUENCIES
AND FOR MEMBERS OF THE STANDING COMMITTEE ON THE LOCAL GOVERNMENT
BILL (HOUSE OF COMMONS)

BACKGROUND

1. THE LONDON TENANTS ORGANISATION (LTO) HAS CIRCULATED A BRIEF ABOUT THE GLC RENOVATION PROGRAMME TO THE TRANSFERRED STOCK, AND HAS INVITED MEMBERS TO A MEETING ON 13 FEBRUARY. GLC PAPERS INDICATE THAT THE LTO HAS ITSELF RECEIVED SUBSTANTIAL FINANCIAL ASSISTANCE FROM THE COUNCIL. THIS NOTE CONSIDERS SOME OF THE POINTS MADE BY THE LTO AND SETS OUT THE GOVERNMENT'S VIEWS AND PROPOSALS.
2. THE GLC HOUSING TRANSFER ORDERS MADE BETWEEN 1980 AND 1983 CONFER ON THE COUNCIL A NUMBER OF RIGHTS AND OBLIGATIONS. ONE SUCH OBLIGATION IS TO MAKE PAYMENTS TO THE BOROUGH COUNCILS TO COMPENSATE FOR WHATEVER REVENUE DEFICITS THE BOROUGHS ARE INCURRING ON THE TRANSFERRED STOCK; THE WAY IN WHICH DEFICITS ARE CALCULATED IS DEFINED IN THE ORDERS. ANOTHER OBLIGATION IS TO UNDERTAKE WORKS OF REPAIR AND RENOVATION TO THE TRANSFERRED STOCK. THE REVENUE COSTS OF THESE WORKS ARE MET INITIALLY BY THE BOROUGHS, BUT ARE INCLUDED IN THE CALCULATION OF ANY DEFICIT PAYMENT TO BE MADE BY THE GLC.
3. IN THE CASE OF ONE ORDER - THAT MADE IN 1981 INVOLVING COMPULSORY TRANSFER OF DWELLINGS TO 8 BOROUGHS - THE GLC HAVE AN OBLIGATION TO THE BOROUGHS TO COMPLETE THE RENOVATION AND REPAIR WORKS TO A DEFINED STANDARD BY 1992. THIS PROVISION WAS MADE IN VIEW OF THE POOR CONDITION OF MUCH OF THE TRANSFERRED STOCK, AND SO AS TO REASSURE THOSE BOROUGHS THAT THE GLC WOULD DISCHARGE THEIR RESPONSIBILITIES WITHIN A SPECIFIED TIME.

COUNCIL'S ANNUAL MONEY BILL. SUBJECT TO THE BILL THEY ARE ALSO ABLE TO INVEST UP TO THE "PRESCRIBED PROPORTION" OF THEIR CAPITAL RECEIPTS FROM THE SALE OF COUNCIL HOUSES AND LAND, REDEMPTION OF MORTGAGE LOANS, ETC.

8. ABOLITION WILL LEAVE ESSENTIALLY UNAFFECTED THE TOTAL VOLUME OF THESE RESOURCES. THE ENTIRE HIP ALLOCATION FOR LONDON WILL BE DISTRIBUTED AMONG THE BOROUGHs, WITHOUT A SHARE BEING PRE-EMPTED BY THE GLC. THE DISTRIBUTION WILL TAKE FULL ACCOUNT OF THE INCIDENCE OF EXPENDITURE LIABILITIES INHERITED FROM THE GLC. THE PRESCRIBED PROPORTION OF VIRTUALLY ALL HOUSING RECEIPTS RECEIVED BY THE LONDON RESIDUARY BODY WILL ALSO BE DISTRIBUTED AMONG THE BOROUGHs, INCLUDING THE RECEIPTS ASSOCIATED WITH THE MORTGAGE ACCOUNT. SO THERE WILL BE NO NET LOSS OF RESOURCES TO LONDON. FURTHERMORE, BY SEEKING TO RE-FINANCE EX-GLC MORTGAGES THE RESIDUARY BODY MAY BE ABLE TO UNLOCK RESOURCES FOR ADDITIONAL PUBLIC INVESTMENT IN LONDON'S HOUSING.

9. IT WILL, OF COURSE, BE FOR THE BOROUGHs TO DETERMINE HOW THEY USE THE RESOURCES AVAILABLE TO THEM. THEY ARE ALREADY LONDON'S PRIMARY HOUSING AUTHORITIES, AND ARE BEST PLACED TO KNOW LOCAL CIRCUMSTANCES AND NEEDS AND TO ESTABLISH THEIR OWN PRIORITIES FOR EXPENDITURE. GIVEN THE POOR CONDITION OF MUCH EX-GLC STOCK, SOME BOROUGHs MAY EVEN WISH TO DEVOTE ADDITIONAL RESOURCES TO ITS IMPROVEMENT; IT WILL BE THEIR DECISION.

10. IT HAS BEEN SUGGESTED THAT THE BOROUGHs SHOULD BE REQUIRED TO CARRY OUT THE GLC'S PROGRAMME TO EX-GLC STOCK, AND THAT PART OF THEIR HIP ALLOCATIONS SHOULD BE EAR-MARKED FOR THAT PURPOSE BY THE GOVERNMENT. IT WOULD, HOWEVER, BE QUITE INAPPROPRIATE STATUTORILY TO REQUIRE THE BOROUGHs TO CARRY OUT OBLIGATIONS TO THEMSELVES. AND EAR-MARKING RESOURCES WOULD INVOLVE CENTRAL GOVERNMENT IN TAKING DETAILED DECISIONS ABOUT RELATIVE NEEDS FOR EXPENDITURE WITHIN THE AREA OF EACH BOROUGH, WHICH SHOULD BE A LOCAL MATTER.

11. FURTHER, THERE IS A FINITE TOTAL OF RESOURCES AVAILABLE FOR LOCAL AUTHORITY HOUSING INVESTMENT IN LONDON. EAR-MARKING PART FOR EX-GLC STOCK AND REQUIRING BOROUGHs TO UNDERTAKE WORKS WOULD BE

TO CREATE A PRIVILEGED CLASS OF DWELLINGS WITHIN BOROUGH'S OWN STOCK, IRRESPECTIVE OF RELATIVE CONDITIONS AND NEEDS FOR EXPENDITURE, WHICH COULD NOT BE JUSTIFIED.

12. THE LONDON TENANTS ORGANISATION RECOGNISE THAT THE GLC DO NOT HAVE AN ASSURED SUPPLY OF RESOURCES TO COMPLETE THE RENOVATION PROGRAMME. THE GOVERNMENT HAVE INDEED HAD FULL REGARD TO THE GLC'S OBLIGATIONS IN DETERMINING THEIR HIP ALLOCATIONS, BUT SO TOO HAVE THEY HAD TO HAVE REGARD TO THE COMPETING NEEDS OF OTHER HOUSING AUTHORITIES. THE LTO QUOTE TWO COMMENTS MADE BY THE THEN SECRETARY OF STATE, MICHAEL HESELTINE, DURING THE DEBATE OF 31 MARCH 1981. THEY OMIT TO MENTION, HOWEVER, HIS OTHER COMMENTS:

"THE GLC HAS MADE REQUESTS OF ME, AS ONE WOULD EXPECT, BUT THE TERMS OF THE REQUESTS THAT IT HAS MADE WOULD ASSUME THAT I AM ABLE TO GIVE COMMITMENTS ABOUT THE HOUSING INVESTMENT PROGRAMME ALLOCATIONS FOR YEARS TO COME. THAT IS QUITE WITHOUT PRECEDENT, AND I CANNOT DO IT."

(COL 155)

AND, IN RESPONSE TO A QUESTION FROM MR CHRISTOPHER PRICE, MP, "I AM NOT ABLE TO COMMIT THIS OR ANY FUTURE GOVERNMENT OVER A PERIOD OF 10 YEARS WITH THE DEGREE OF PRECISION IMPLIED BY THE HON GENTLEMAN'S QUESTION."

THERE IS THEREFORE NO QUESTION OF AN ASSURANCE FROM THE GOVERNMENT BEING BROKEN, AS THE LTO SUGGESTS.

REVENUE FINANCE

13. NOR DO THE GOVERNMENT INTEND THAT BOROUGH'S SHOULD SUFFER WHEN THE REVENUE DEFICIT PAYMENTS THE GLC ARE OBLIGED TO MAKE ARE BROUGHT TO AN END ON ABOLITION. THE GOVERNMENT ARE COMMITTED TO ENSURING THAT THE BROAD FINANCIAL EFFECT OF THESE PAYMENTS IS MAINTAINED AFTER ABOLITION BY ADJUSTMENT TO BOROUGH'S ENTITLEMENT TO RATE SUPPORT GRANT, SUBJECT TO THE OUTCOME OF THE REVIEW OF THE PAYMENTS THE GLC ARE CURRENTLY UNDERTAKING. THE

GOVERNMENT WILL CONSIDER IN DUE COURSE WHAT ARRANGEMENTS SHOULD
MADE IN RESPECT OF THOSE PAYMENTS THE GLC MAKE AT THEIR
DISCRETION.

14. IT IS INTENDED TO PASS TO THE LONDON RESIDUARY BODY CERTAIN OF THE GLC'S LIABILITIES TO MAKE SPECIFIC PAYMENTS UNDER THE ORDERS. EXAMPLES INCLUDE THE ANNUAL PAYMENT TO BE MADE TO LB TOWER HAMLETS UNTIL 1987/88 FOR THE PURPOSE OF IMPROVING THE MANAGEMENT AND MAINTENANCE OF HOUSING ACCOMMODATION IN THE AREA (UNDER PARAGRAPH 1 OF SCHEDULE 3 TO SI 1981 No 644) AND THE LIABILITY IN RESPECT OF ACTS OR BREACHES COMMITTED BY THE GLC PRIOR TO TRANSFER (FOR EXAMPLE UNDER ARTICLE 9 OF SI 1981 No 289).

15. THE CALCULATION OF BOROUGH'S RSG ENTITLEMENT WILL ALSO TAKE ACCOUNT OF THE REVENUE COSTS OF NEW CAPITAL WORKS TO THE TRANSFERRED STOCK, NET OF HOUSING SUBSIDY. THE NEW METHODOLOGY FOR GRE FACTOR E7, INTRODUCED FOR 1985/86, PROVIDES FOR A GRE ASSESSMENT FOR THE ESTIMATED NET REVENUE CONSEQUENCES TO THE HOUSING REVENUE ACCOUNT OF CAPITAL EXPENDITURE ON THE BASIS OF EACH AUTHORITY'S HOUSING INVESTMENT PROGRAMME ALLOCATION, TOGETHER WITH THE PRESCRIBED PROPORTION OF NEW CAPITAL RECEIPTS. THIS WILL THEREFORE PROVIDE ADDITIONAL GRE AND HENCE RATE SUPPORT GRANT TO AUTHORITIES USING THESE RESOURCES TO CARRY OUT WORK TO THE TRANSFERRED STOCK.

16. IT IS INTENDED THAT BOROUGH'S SHOULD BENEFIT IN FULL FROM THESE ARRANGEMENTS, BOTH IN RESPECT OF THE EXISTING REVENUE DEFICIT PAYMENTS AND THE COST OF IMPROVEMENT WORKS, IRRESPECTIVE OF THEIR CURRENT LEVEL OF SPENDING IN RELATION TO THEIR GRANT RELATED EXPENDITURE ASSESSMENTS OR TARGETS (SHOULD TARGETS CONTINUE TO BE SET), AND IRRESPECTIVE OF ANY SURPLUS ACCRUING FROM ANY OTHER ELEMENTS OF THEIR HOUSING STOCK. THE NET COST TO THOSE TRANSFEREE BOROUGH'S NOT IN RECEIPT OF BLOCK GRANT OF MEETING DEFICITS NOW BORNE BY THE GLC WILL BE TAKEN INTO ACCOUNT IN THE CALCULATION OF THEIR CONTRIBUTIONS TO THE LONDON RATE EQUALISATION SCHEME.

CONCLUSION

17. IN THE GOVERNMENT'S VIEW THESE ARRANGEMENTS BALANCE FAIRLY THE INTERESTS OF THE BOROUGHs, THEIR TENANTS, RATEPAYERS AND TAXPAYERS. SUBJECT ONLY TO DECISIONS ABOUT THE GLC'S DISCRETIONARY PAYMENTS AND THEIR REVIEW, THE ARRANGEMENTS WILL ALLOW RENT LEVELS AND MANAGEMENT AND MAINTENANCE EXPENDITURE ON EX-GLC STOCK TO BE UNAFFECTED BY THE ABOLITION OF THE GLC, AND THEY WILL ENABLE THE BOROUGHs BROADLY TO MAINTAIN THE RENOVATION PROGRAMME TO EX-GLC STOCK IF THEY SO WISH, BUT DECISIONS ABOUT THE NATURE, SCOPE AND LOCATION OF RENOVATION WORKS MUST IN FUTURE BE FOR EACH BOROUGH TO TAKE. THIS IS INHERENT IN THE DEVOLUTION OF POWER TO BOROUGH LEVEL, WHICH IS FUNDAMENTAL TO THE GOVERNMENT'S ABOLITION PROPOSALS.