



*promoting better local government*

**Local Government Association**

*From the Chairman of the Association  
Councillor Margaret Eaton*

Rt Hon John Healey MP  
Minister for Housing and Planning  
Communities and Local Government Department  
Eland House  
Bressenden Place  
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24 February 2010

Dear John

HRA subsidy review

I read with interest your recent article in First magazine. If I may say so, it seemed to me to reflect very well the useful discussion we had in December, and I welcome your commitment to issue your further detailed proposals later this month.

Ahead of that, I thought it might be helpful to you if I wrote to outline the key expectations of our member councils which will enable them to make sensible judgements about the proposals.

First, as you know, we would continue to argue that there is a case for writing down some or all of councils' existing debt. However, as an absolute minimum, I know our membership, on a cross party basis, we propose that Government only redistributes the amount of debt currently supported by the subsidy system. I read your article as indicating you understood this point. I would also suggest that the settlement offer should be such that councils should be provided with the headroom they need in order to develop sustainable, long term business plans, without recourse to ongoing capital grant from Government.

Second, our membership believes the transition to self-financing should be on a basis which is as consistent as possible with transfer to a housing association. They will therefore be expecting the discount rate for the debt calculation should be equivalent to recent LSVT discount rates of 6.5%.

Third, there is a very strong view that (like a stock transfer) the move to self-financing should be irrevocable and not subject to re-opening by the Government. The only circumstances in which this would be acceptable (and indeed necessary) would be if any Government were to hold rent increases below that implied and agreed in the settlement.

Finally, the LGA would comment that there should be no need after the settlement for

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Government to dictate any elements of the Housing Revenue Account on an annual basis – any more than it concerns itself on that kind of basis with the finances of housing associations. With support from LGA, there is now a strong independent regulator for all social housing landlords. Especially bearing in mind the powers of direction Government has retained over it, we believe that in a self-financing system there is no need for direct controls by Government in addition to the regulator.

I hope you will take these issues on board when shaping the offer to councils and I look forward to reading the offer with interest. If you would like to discuss the issues raised in this letter I would be happy to discuss them further.

Yours sincerely

A handwritten signature in black ink that reads "Margaret". The letters are cursive and slightly slanted to the right.

Cllr Dame Margaret Eaton DL  
Chairman of the Local Government Association