Shelter's response to the CLG's consultation - Reform of council housing finance

October 2009

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Shelter is a national campaigning charity that provides practical advice, support and innovative services to over 170,000 homeless or badly housed people every year. This work gives us direct experience of the various problems caused by the shortage of affordable housing across all tenures. Our services include:

- A national network of over 20 advice centres

- Shelter's free advice helpline, which runs from 8am-8pm

- Shelter's website which provides advice online

- The Government-funded National Homelessness Advice Service, which provides specialist housing advice, training, consultancy, referral and information to other voluntary agencies, such as Citizens Advice Bureaux and members of Advice UK, which are approached by people seeking housing advice

- A number of specialist projects promoting innovative solutions to particular homelessness and housing problems. These include housing support services, which work with formerly homeless families, and the Shelter Inclusion Project, which works with families, couples and single people who are alleged to have been involved in anti-social behaviour. The aim of these services is to sustain tenancies and ensure people live successfully in the community.

- A number of children's services aimed at preventing child and youth homelessness and mitigating the impacts on children and young people experiencing housing problems. These include pilot support projects, peer education services and specialist training and consultancy aimed at children's service practitioners.

- We also campaign for new laws and policies - as well as more investment - to improve the lives of homeless and badly housed people, now and in the future.

Summary

National and local ring fence of housing revenue

For too long, the revenue and capital receipts from council housing have not been properly ring fenced. The council housing finance system has prevented all the rents collected by local housing authorities from being reinvested in maintaining and managing their housing stock. Around £1.1 billion of the £6.6 billion raised annually is collected by the Treasury to service the £18 billion notional housing debt owed by councils.

Since 2004, the system has also prevented 75 per cent of the receipts from the Right to Buy from being reinvested in building replacement stock or maintaining the housing that remains. Since 2004, revenue from Right to Buy receipts in England has totalled £6.2 billion, with £4.7 billion going to the Treasury for general spending.

The Local Government Association has estimated that if the system is reformed, up to 80,000 to 90,000 additional affordable homes could be built by councils over the next five years and 139,000 over the next ten years[1].

We strongly support the proposal that the HRA ring fence should be strengthened. The ring fence should operate at both national and local level to ensure that housing revenue and capital receipts are spent on housing. No local authority should be able to use housing revenue and receipts to benefit its general fund.

We strongly welcome the proposal (paragraph 3.25), that over time, non-core services should be regarded as services provided by the landlord but funded from sources other than rent.

We are concerned that the Tenants Services Authority might set standards that are beyond core services (for example, on dealing with anti-social behaviour) which would then have to be charged to the HRA and paid for via tenants' rents.

We support the view of the Chartered Institute of Public Finance and Accounting that the underlying principle behind a landlord account is that tenants should neither subsidise nor be subsidised by council tax payers. We therefore urge the Government to establish a clear set of accounting rules and standards for District Auditors to measure and enforce the apportionment of costs between the Housing Revenue Account and General Fund.

Leaseholder sinking funds

We believe that sinking funds should be set up on a voluntary basis following detailed consultation with leaseholders. We are concerned that some leaseholders may still be paying for past or current major works through loans or arrears agreements and so payments into a future sinking fund could cause financial difficulty.

Investment in modern standards

We support the provision of funding for items that were missing from the original Decent Homes standard, such as lifts and common parts, with backlogs dealt with through the capital grant programme. However, it is important that this is not achieved at the expense of continued

[1] Local Government Association (June 2009) *Local housing – local solutions: the case for self-determination*, page 15.

investment to increase the supply of new social housing, including investment to increase the level of new council housing.

We support the review's conclusion that future Government funding will be provided to at least continue to deliver the Decent Homes Standard for all social stock. The Government must be committed to meeting the backlog of work for Decent Homes.

We support the Government's commitment to ensure that social housing meets and, where possible, exceeds, the energy efficiency aims for all housing as set out in the Heat and Energy Saving Strategy. However, we are concerned by the suggestion that the cost of energy saving measures could be recovered from tenants who benefit from lower energy bills. Fuel poverty is a serious issue and, in our view, landlords should be required to ensure that the homes they provide are energy efficient. Tenants should not be expected to subsidise energy-saving improvements to their homes.

Historic debt, self financing and rent levels

We support the view of the Local Government Association, the House of Commons Council Housing Group and various local tenants groups that councils should be free from the constraints of historic 'notional debt'. We would like to see the Government remove 'notional debt' from the housing subsidy system altogether. We believe that this would create a fairer and much simpler housing finance system.

We would not support any system that put tenants at risk of future rent hikes to support the landlord's business plan. We concerned that the proposed calculation of opening debt requires assumptions being made about rent levels and rent revenues over the long-term via 30 year business plans. If these are incorrect, then rent revenues will be affected and councils may be forced to implement above-inflation rent rises.

A self-financing settlement would require councils to make business planning assumptions about inflation, interest rates, Right to Buy receipts and costs of services for the next 30 years. If a new system is based on self financing, then it must protect against business risks to tenants' homes and rent by providing a public sector safety net as part of the self financing agreement.

The consultation paper is not proposing any changes to rent policy, but says the Government expects to deal with future council rent policy separately, in the context of the Housing Revenue Account subsidy determination for 2010-11 and a future direction from the Secretary of State to the Tenants' Services Authority. The new system must ensure low rents and protect tenants from the risk of future rent hikes.

If a self-financing system were to go ahead, we would be unable to comment further about the sustainability of debt levels until we have seen more detailed calculations.

We understand that in the current financial climate, the Government is concerned about levels of public debt. We believe that the ability of councils to borrow to build new homes should be improved by changing the calculation of public sector borrowing rules. We understand that the Chartered Institute of Public Finance and Accounting is confident that, were this to be done, the provisions for prudential borrowing would continue to ensure that borrowing levels would remain sustainable. The Tenant Services Authority could monitor borrowing and report excessive borrowing to the Government, which could use reserve intervention powers to intervene in extreme cases.

Allowances for management, maintenance and major repairs

The consultation's proposed increases in Management and Maintenance Allowance and Major Repairs Allowance are at odds with the evidence of previous government estimates and research. We urge the Government to look again at the findings of the Review's research and increase allowances to a more realistic figure. It is also necessary to look at the formula for calculating allowances, including deprivation and inflation.

Reinvestment of capital receipts

We have concerns about ending the pooling of capital receipts. Whilst we strongly support stronger ring fencing of capital receipts to be reinvested solely in council housing, there is an argument for continuing to nationally pool receipts and allocating them to individual authorities on the basis of need for capital investment.

We urge the Government to recognise that the ring fenced reinvestment of capital receipts can make only a limited contribution to addressing housing need by investing in new council homes and/or improving existing stock: in 2008-09, approximately £160 million of capital receipts were pooled (paragraph 4.47).

The stronger ring fencing of capital receipts should not be used as a reason to reduce national, public investment in social housing. Increased investment in social rented housing via Social Housing Grant and other capital grants will also be required. Any system, whether based on national allowances or self financing must provide adequate funding.

The balance of reinvestment of capital receipts between new council housing and improvements to existing homes should be assessed on the basis of overall housing need. In our view, capital receipts should be nationally pooled and distributed to local authorities on the basis of need for capital investment.

Introduction

Shelter supports any measure that will lead to investment in new council homes and the maintenance and modernisation of existing homes. With nearly 1.8 million households on council waiting lists, it is vital that Britain builds more affordable housing. Council housing provides tenants with three important factors that people look for in rented housing: security of tenure, low rental costs and accountable management. It is also important that existing council housing, most of which was built over 30 years ago, is of a good standard, and continues to provide decent and energy efficient homes for the next generation of residents.

Tenants, quite rightly, expect their rent to be spent on the management, maintenance and modernisation of their homes. For too long, the revenue and capital receipts from council housing have not been properly ring fenced. The council housing finance system has prevented all the rents collected by local housing authorities from being reinvested in maintaining and managing their housing stock. Around £1.1 billion of the £6.6 billion raised annually is collected by the Treasury to service the £18 billion notional housing debt owed by councils[2]. Since 2004, the system has also prevented 75 per cent of the receipts from the Right to Buy from being reinvested in building replacement stock or maintaining the housing that remains. Since 2004, revenue from Right to Buy receipts in England has totalled £6.2 billion, with £4.7 billion going to the Treasury for general spending[3].

The Housing Revenue Account Subsidy System was designed in the 1980s to provide grant support to council housing. When it was introduced, no council had to pay money to Government, but now 153 out of 205 authorities are considered to have a surplus and therefore pay ‘negative’ subsidy to the Treasury. Within the next few years, even the remaining 52 councils that currently receive a subsidy will move into ‘negative’ subsidy until eventually all councils will be paying into the system. The system has become unsustainable and needs replacement.

The Local Government Association describes the Housing Revenue Account system as ‘the single largest barrier’ to building new council homes. In practice, when a council builds a new home, the assumed rented income generally exceeds the assumed need to spend, and the difference is deemed to be surplus, this reducing an authority’s subsidy. The Association has estimated that if the system is reformed, up to 80,000 to 90,000 additional affordable homes could be built by councils over the next five years which would also deliver approximately £35 billion additional investment to the English economy. Over a ten year period, it is estimated that 139,000 new homes could be built[4].

Shelter therefore welcomes the Government’s intention to dismantle the current Housing Revenue Account Subsidy System. We urge the Government to introduce a system that:

- allows all revenue and capital receipts to be reinvested in maintaining existing council stock and building a new generation of council homes in the areas where these are most needed;
- ensures low rents and protects tenants from the risk of future rent hikes – the consultation paper (paragraph 2.28) is not proposing any changes to rent policy, but says the Government expects to deal with future council rent policy separately, in the context of the HRA subsidy determination for 2010-11 and a future direction from the Secretary of State to the Tenants’ Services Authority;

[2] Consultation paper, paragraph 2.12.

[3] Local Government Association (June 2009) *Local housing – local solutions: the case for self-determination*, page 15.

[4] As (2) above.

- ensures that enough money is available to bring all council homes up to the Decent Homes standard and for the future management, maintenance and modernisation of council homes.

The Government thinks it will be possible to set out the detailed terms of an offer under the self financing proposal by spring 2010. Until there is further detail on how the proposals will be implemented in practice, our response is limited to responding to the broad proposals contained in the consultation paper.

Consultation questions

Core and non-core services

Question 1. We propose that the HRA ring fence should continue and, if anything, be strengthened. Do you agree with the principles for the operation of the ring fence set out in paragraph 3.28?

Yes, we strongly support the proposal that the HRA ring fence should be strengthened. The ring fence should operate at both national and local level to ensure that housing revenue and capital receipts are spent on housing. It is of great concern to us that a significant part of local authority services, such as tackling anti-social behaviour, debt and employment services, are being met by council tenants' rents[5]. In our view, rents should pay for core management costs alone: rent collection, repairs and lettings management. This should ensure that tenants receive a good standard of service from their landlord. We are very concerned that (paragraph 3.24) some of the ways in which landlords have made substantial and sustained efficiency improvements in the delivery of core services, may have resulted in poorer and less accessible levels of services for tenants. For example, the 'strong switch in provision from local offices to call centres', may have been unpopular with tenants, particularly immigrants and older people, who may find it easier to speak to someone in a local office than to telephone a call centre. Many of the cases dealt with by Shelter's Advice Centres relate to poor quality of service to tenants, particularly in relation to repairs and maintenance of their homes.

We therefore strongly welcome the proposal (paragraph 3.25), that over time, non-core services should be regarded as services provided by the landlord but funded from sources other than rent. We also welcome the proposal to establish a series of principles to enable local authorities to decide which services should be paid for through the HRA or the general fund. We support the proposal that:

- landlord housing services should be paid for through the HRA;
- some defined services – such as housing advisory services and the administration of housing registers – should be paid for by the general fund;
- standards should build in tenant choice and influence; and
- the costs of meeting standards set by the TSA should fall on the HRA.

We are concerned that the TSA might set standards that are beyond core services (for example, on dealing with anti-social behaviour) which would then have to be charged to the HRA and paid for via tenants' rents. We therefore support the need for standards to build in tenant choice and influence and for the TSA to take into account the consequences of its standards for tenants, new supply and public expenditure. We also support the principle that the test of the ring-fence should be 'who

[5] Communities and Local Government (July 2009) *Review of council housing finance: summary of commissioned research*. The research conducted for the review showed that at least 40 per cent of general management costs are additional to defined 'core management costs' and only a proportion of these 'non-core' costs are met from income streams such as the general fund or service charges.

benefits?' but with the caveat that the only costs that should be applied to the HRA are the costs of providing core services, normally associated with letting, managing and maintaining rental property.

In terms of local ring fencing, the enforcement mechanism needs to be tightened. District Auditors are responsible for checking that the ring fence is enforced but they do not require councils to account for how they apportion expenditure that benefits both tenants and non-tenants, such as refuse collection or grounds maintenance, between the Housing Revenue Account and the General Fund. We support the view of the Chartered Institute of Public Finance and Accounting that the underlying principle behind a landlord account is that tenants should neither subsidise nor be subsidised by council tax payers. We therefore urge the Government to establish a clear set of accounting rules and standards for District Auditors to measure and enforce the apportionment of costs between the Housing Revenue Account and General Fund. Tenants should decide on incurring extra charges for enhanced services.

2. Are there any particular ambiguities or detailed concerns about the consequences?

We cannot, at this stage, think of any concerns about the consequences of the proposals. They should generally be of benefit to tenants.

Standards and funding

Question 3. We propose funding the ongoing maintenance of lifts and common parts in addition to the Decent Homes Standard. Are there any particular issues about committing this additional funding for lifts and common parts, in particular around funding any backlog through capital grant and the ongoing maintenance through the HRA system (as reformed)?

We support the view of tenants that the Decent Homes standard has failed to focus on standards outside of individual dwellings, such as lifts, common parts, energy performance and improvements to the environment of neighbourhoods. We therefore support the provision of funding for items that were missing from the original Decent Homes standard, such as lifts and common parts, with backlogs dealt with through the capital grant programme. However, it is important that this is not achieved at the expense of continued investment to increase the supply of new social housing, including investment to increase the level of new council housing.

Question 4. Is this the right direction of travel on standards and do you think the funding mechanisms will work or can you recommend other mechanisms that would be neutral to Government expenditure?

We support the review's conclusion that future Government funding will be provided to at least continue to deliver the Decent Homes Standard for all social stock. We also support the Government's commitment to ensure that social housing meets and, where possible, exceeds, the aims for all housing in energy efficiency and heat and electrical supply as set out in the Heat and Energy Saving Strategy. However, we are concerned by the suggestion that the cost of energy saving measures could be recovered from tenants who benefit from lower energy bills. Fuel poverty is a serious issue and, in our view, landlords should be required to ensure that the homes they provide are energy efficient. Tenants should not be expected to subsidise energy-saving improvements to their homes.

Leaseholders

Question 5. We propose allowing local authorities to set up sinking funds for works to leaseholders' stock and amending HRA rules to permit this. Will there be any barriers to local authorities taking this up voluntarily, or would we need to place an obligation on local authority landlords?

We believe that sinking funds should be set up on a voluntary basis following detailed consultation with leaseholders. Sinking funds work best when major work is not projected for some years, thus making it easier for leaseholders to fund future major repairs or modernisation. However, we are concerned that some leaseholders may still be paying for past or current major works through loans or arrears agreements and so payments into a future sinking fund could cause financial difficulty.

Debt

Shelter supports the view of the Local Government Association, the House of Commons Council Housing Group and various local tenants' groups that councils should be free from the constraints of historic 'notional debt'. We would like to see the Government remove 'notional debt' from the housing subsidy system altogether. We believe that this would create a fairer and much simpler housing finance system. The consultation (paragraph 4.9) states that, because the debt was incurred in building and maintaining council housing, it is right that it should continue to be serviced from council rents and it is unfair and unaffordable to ask taxpayers to support the debt in future. We disagree with this argument for three main reasons:

- The debt is 'notional', based on 'notional' costs and 'notional' revenues. Councils are currently spending more than £1.3 billion a year servicing this historic debt and, within eight years, will have spent more money servicing the debt than the debt itself[6]. Councils have only been able to keep 25 per cent of the sale receipts from Right to Buy with, since 2004, the remaining 75 per cent going to the Treasury for general spending. Yet, they are still required to service 'notional' debt relating to when these homes were built. Since 2004, the revenue from council house sales under the Right to Buy in England has been £6.2 billion, of which councils have only been able to retain £1.5 billion. If councils had been able to use the additional £4.7 billion to reduce their debt, the 'notional' debt could have been reduced to less than £9.3 billion.

- In addition, council housing is a public asset and tenants have no financial interest, such as equity stakes, in their homes. It is therefore reasonable that the cost of building the homes should be borne by the taxpayer in the same way as public subsidy for housing in other tenures, such as investment in homes built by registered social landlords and private developers; subsidised low cost home ownership; or capital gains tax relief. Registered social landlords in England received a total of £33.5 billion between 1986-87 and 2007-08[7].

- The Government writes off overhanging debt when councils transfer their stock to a registered social landlord. Between 2000-01 and 2006-07, nearly £2.5 billion was spent writing off overhanging debt from councils that transferred their stock[8]. It is therefore reasonable that the debt is written off where councils and their tenants decide to retain their stock. This allows for a level playing field with registered social landlords.

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[6] Local Government Association (June 2009) *Local housing – local solutions: the case for self-determination*, page 15.

[7] *UK Housing Review*, 2008-09, table 59 – includes subsidy from the Housing Corporation and local authorities.

[8] Parliamentary Question, 25 February 2008.

Question 6. We propose calculating opening debt in accordance with the principles set out in paragraphs 4.22 - 4.25. What circumstances could lead to this level of debt not being supportable from the landlord business at the national level?

and

Question 7. Are there particular circumstances that could affect this conclusion about the broad level of debt at the district level?

Shelter has concerns about the Government's favoured option of a devolved (self-financing) system, whereby rents are retained by councils to spend on their own services, in exchange for a one-off reallocation of debt. Self-financing is more risky for local authorities and their tenants and the higher the opening debt, the greater the risk. The present national subsidy system protects tenants from macro-economic risks: the impact of interest rates or inflation increases is borne by central government. A self-financing settlement would require councils to make business planning assumptions about inflation, interest rates, Right to Buy receipts and costs of services for the next 30 years.

We would not support any system that put tenants at risk of future rent hikes to support the landlord's business plan. The consultation sets out proposals to undertake a 'Tenant Market Value' calculation, commuting future net rental cashflows into a single debt amount which those cashflows are able to support in the future. We are concerned that calculating opening debt in this manner requires assumptions being made about rent levels and rent revenues over the long-term. If these assumptions are incorrect, then rent revenues will be affected and councils may be forced to implement above-inflation rent rises. If a new system is based on self financing, then it must protect against business risks to tenants' homes and rent by providing a public sector safety net as part of the self financing agreement.

The consultation paper recognises (paragraph 4.48) that there are detailed accounting and treasury management issues to be worked through if self-financing is to be implemented and there would need to be a mechanism to re-open the debt settlement in the event of major policy changes on long-term rent policy or housing standards. We are unable to comment further about the sustainability of debt levels under a self-financing system until we have seen more detailed calculations reflecting these issues.

Question 8. We identified premia for repayment and market debt as issues that would need to be potentially adjusted for in opening debt. How would these technical issues need to be reflected in the opening debt? Are there any others? Are there other ways that these issues could be addressed?

We understand that the Chartered Institute of Public Finance and Accountancy believes there is a great deal of work required in relation to premia and related technical issues. We are unable to comment further on this issue.

In terms of other issues, we believe that the proposed uplift in Management and Maintenance Allowance and Major Repairs Allowance should not be included in any debt adjustment. Uplifts to these allowances should be introduced from 2010-11.

The consultation proposes that national provision for management and maintenance costs needs to increase by 5 per cent above current levels and that this should be reflected in future financial provision, but that further work is needed to understand how this should be distributed at the local level (paragraphs 3.6 – 3.7). The consultation also estimates that the Major Repairs Allowance should be uplifted by an average of 24 per cent and that after 2010 there will be a backlog of £6 billion that will require on-going capital grant separate to the HRA (paragraphs 3.14 and 3.17). This is at odds with the evidence of previous government estimates and research:

- 'The 2004-05 level of allowances would have to increase by about 67 per cent in real terms to reach the estimated level of need[9]'

- 'There is a need to raise M&M levels by a minimum of 10 per cent and the MRA by, at the very minimum, 43 per cent. Successive stock surveys and further BRE evidence show that an increase of at least 60 per cent would provide a sustainable long term platform for capital investment to meet the needs of the stock'[10].

- 'To fully fund allowances based on this evidence would need a 75 per cent uplift in MRA and a 5 per cent uplift in M&M.[11]'

We urge the Government to look again at the findings of the Review's research and increase allowances to a more realistic figure.

Question 9. We propose that a mechanism similar to the Item 8 determination that allows interest for service borrowing to be paid from the HRA to the general fund should continue to be the mechanism for supporting interest payments. Are there any technical issues with this?

We have no comment to make on this question.

Question 10. Do you agree the principles over debt levels associated with implementing the original business plan and their link to borrowing?

It is welcome that the Government has proposed, in its January 2009 consultation on changes to revenue and capital rules for new housing, to open up Social Housing Grant to councils and to allow them to retain 100 per cent of rents and receipts from new homes.

We understand that in the current financial climate, the Government is concerned about levels of public debt. Currently, local authority housing debt is included in the definition of public debt: the Public Sector Net Cash Requirement. We believe that the ability of councils to borrow to build new homes should be improved by changing the calculation of public sector borrowing rules. Local authority borrowing could be determined locally and treated like other social housing borrowing, such as borrowing by housing associations. We understand that the Chartered Institute of Public Finance and Accounting is confident that, were this to be done, the provisions for prudential borrowing would continue to ensure that borrowing levels would remain sustainable. The Tenant Services Authority could monitor borrowing and report excessive borrowing to the Government, which could use reserve intervention powers to intervene in extreme cases.

We also support the idea that any money left unspent by registered social landlords from the Affordable Housing Budget should be allocated to councils.

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[9] Parliamentary question 1705 03/04, 29 April 2004.

[10] Hall, D., Hilditch, S., Partridge, S, Perry, J and Wilcox, S (May 2009) *Paying its own way: a sustainable future for locally managed council housing – Submission to the Government's Review of Council Housing Finance*.

[11] House of Commons Council Housing Group (2009) Council Housing: *Time to Invest: Fair funding, investment and building of council housing – report to the Government's Review of Council Housing Finance*.

11. In addition to the spending associated with the original business plan, what uncommitted income might be generated and how might councils want to use this?

We believe that any uncommitted income should be invested on the basis of housing need, as assessed by the local housing strategy and local homelessness strategy.

Capital receipts

Question 12. We have set out our general approach to capital receipts. The intention is to enable asset management and replacement of stock lost through Right to Buy. Are there any risks in leaving this resource with landlords (rather than pooling some of it as at present)?

We have concerns about ending the pooling of capital receipts. Whilst we strongly support stronger ring fencing of capital receipts to be reinvested solely in council housing, there is an argument for continuing to nationally pool receipts and allocating them to individual authorities on the basis of need for capital investment. Capital reinvestment in the nation's housing stock should be assessed nationally and distributed to local authorities on the basis of need.

We also urge the Government to recognise that the ring fenced reinvestment of capital receipts can make only a limited contribution to addressing housing need by investing in new council homes and/or improving existing stock: in 2008-09, approximately £160 million of capital receipts were pooled (paragraph 4.47). We argue (page 5) that councils should be free of 'notional' debt. If this were the case, then there would be less of a case to end the pooling of receipts to allow councils to use receipts to pay off the debt.

However, the stronger ring fencing of capital receipts should not be used as a reason to reduce national investment in housing. Increased investment in social rented housing via Social Housing Grant and other capital grants will also be required. Any system, whether based on national allowances or self financing must provide adequate funding.

Question 13. Should there be any particular policy about the balance of investment brought about by capital receipts between new supply and existing stock?

The balance of reinvestment of capital receipts between new council housing and improvements to existing homes should be assessed on the basis of housing need. In most areas, the need for council housing is so acute that, if the policy of Right to Buy remains, it is likely that all receipts should be reinvested in new, replacement homes for those lost under the Right to Buy. However, in some areas, there may be less of a need to build replacement homes and a greater need to reinvest receipts in improvements to the existing stock. It is for this reason that we believe capital receipts should be nationally pooled and distributed to local authorities on the basis of need for capital investment (see question 12).

Question 14. Are there concerns about central Government giving up receipts which it currently pools to allow their allocation to the areas of greatest need?

Yes, we do have serious concerns about the ending of pooling of receipts. See question 12.

Equality impact assessment

Question 15. Would any of our proposed changes have a disproportionate effect on particular groups of people in terms of their gender or gender identity, race, disability, age, sexual orientation, religion or (non-political) belief and human rights?

Council housing tenants include some of the poorest and most socially deprived residents. If the calculation of the opening level of debt includes a substantial level of surplus for the Treasury, there could be a disproportionate impact on these households.

We are also concerned that there should be adequate funding for aids and adaptations and energy efficiency measures to combat fuel poverty. If these items are excluded from future funding calculations, there could be a negative impact on people in need of aids and adaptations and suffering from fuel poverty, including older people and disabled people.

16. What would be the direction (positive or negative) and scale of these effects and what evidence is there to support this assessment?

See question 15.

17. What would be necessary to assemble the evidence required?

We have no comment to make on this question.

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