

HOUSE OF COMMONS

LONDON SW1A 0AA

5 March 2004

Dear Sir/Madam,

I am writing on behalf of the newly formed House of Commons Council Housing Group of MPs to ask whether your authority would support the proposal for a 'fourth option' of an investment allowance to improve council homes as an alternative to stock transfer, PFI or ALMOs.

In August 2002 the Office of the Deputy Prime Minister (ODPM) issued a consultation document 'The Way Forward for Housing Capital Finance'. This included a proposal to "provide councils with an 'investment allowance' as part of the calculation of their HRA (Housing Rent Arrears) debt."

"The 'investment allowance' would be an amount calculated on the basis of some assessment of need which would provide 'headroom' within the HRA which an authority could use to take advantage of the new prudential borrowing regime. This would compensate for the fact that headroom to support additional borrowing will generally be less than within the HRA than the General Fund."

'ODPM: The Way Forward for Housing Capital Finance', Page 12, 32 (ii).

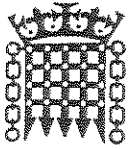
http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_601718.pdf

An investment allowance would enable local authorities to carry out repairs and improvements to their homes. This, we believe, would give tenants real choice in the stock options appraisal that the ODPM wants all councils to carry out.

The ODPM Select Committee is currently carrying out an enquiry into 'decent homes', 'stock options' and 'tenants' choice'. Our group submitted written evidence. On January 28th the Committee took oral evidence from the Housing Minister, Keith Hill. The Minister was asked about the 'investment allowance' option and surprised members of the Committee by stating:

"We floated this proposal [for an investment allowance] in our earlier consultation two years ago and there were simply no takers"

Keith Hill, ODPM Select Committee 28 Jan 2004



The Parliamentary Council Housing Group of MPs would like to collate evidence to demonstrate that this option has the support of many local authorities.

I would be very grateful if you could state whether your authority did respond to this earlier consultation, what its view was then, and whether you would welcome a new 'fourth option' today.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Austin Mitchell'.

Austin Mitchell MP

Chair, House of Commons Council Housing Group