



The Chartered Institute of Housing

# HOUSING 2011 CONFERENCE



## Housing 2011 Session Information

# Preparing for self financing – not long left

**Local Authority housing self financing has been long in the making. However, the time where local authorities are free from the unpopular and discredited subsidy system and able to control and manage their own resources is now approaching. The settlement has been outlined and the legislation is being debated. The challenges are great but the rewards could be greater. The time for 'playing around' with HRA business plans is coming to an end – it's time to deliver.**

### KEY FACTS

- HRA subsidy is being abolished.
- One-off settlement to end the current system.
- The indicative settlement:
  - values LA housing business at £28.4 billion
  - has 135 LAs taking on £13.2 billion of additional debt
  - has 36 LAs having £5.8 billion of debt paid off.
- Receipt to Government of £6.5 billion.
- Final settlement figures consulted on in November.
- New arrangements to start in April 2012.
- Increased allowances built into settlement.
- Continued pooling of right to buy receipts.
- Cap on LA debt levels following settlement.



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### BACKGROUND

On February 1st 2011, DCLG issued a policy document, Implementing Self-Financing for Council Housing. This supports the clauses in the Localism Bill which will allow the abolition of the HRA subsidy system and the introduction of a new system of self-financing for council housing. This document moves us on from the 'prospectus' put on the table by the previous government in March 2010 to a definite plan to implement self-financing for all authorities in April 2012, assuming Royal Assent to the bill in the autumn.

In addition to the policy document, DCLG also published a detailed model that shows the financial settlement which would be the outcome of applying the policy assumptions to each local authority.

The DCLG policy document was accompanied by a CIPFA consultation looking at the key accounting issues arising from the move to self financing – debt management and depreciation. The consultation proposed a splitting of debt and ring fencing HRA debt in the future, and the adoption of a suitable method of depreciation in line with proper accounting practice.

CIH has been supportive of the process of HRA reform, is in regular dialogue with DCLG and wants to maximise the degree of local financial control available to authorities, ALMOs, their tenants, members and officers. The DCLG publication and the ongoing process is a significant step in this direction.

### UPDATE

Since the publication of the DCLG and CIPFA documents, there has been a great deal of thought and effort going into understanding the settlement and how it applies to individual local authorities. This continues to highlight a set of issues that will need to be worked through locally to ensure HRA business plans are set to deliver.

Over the coming months, each local authority will need to arrive at the answers to a number of key questions. How will our debt be split and additional debt funded? What approach will we take to charging depreciation? How will our future headroom be used? How will our service delivery policies be reviewed in light of the new framework? What is the shape of our capital programme? What is affordable to us under self-financing?

It is expected that further guidance from DCLG and CIPFA will be available soon to guide on these issues. However, it is clear, the answers to these questions and more will need to be crystallised into a business plan discussed and developed with tenants, members and other stakeholders. It is through the development of the plan that the opportunities afforded by greater local control can be highlighted and ultimately delivered.

### OTHER INFORMATION

DCLG implementing self financing for council housing  
<http://www.communities.gov.uk/documents/housing/pdf/1831498.pdf>

CIPFA consultation on accounting arrangements  
[http://www.cipfa.org.uk/pt/download/HRA\\_Review\\_Consultation\\_2011.pdf](http://www.cipfa.org.uk/pt/download/HRA_Review_Consultation_2011.pdf)

CIH Member briefing  
<http://www.cih.org/policy/HRAreform-implementbriefing-Feb11.pdf>



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