



Joint statement by Grant Shapps, Minister for Housing and Local Government and Cllr David Parsons, Chair of the Environment and Housing Programme Board for the Local Government Group

## Self-financing for council housing

April 2012 will mark the most significant change in a generation to the way that council housing is financed. Subject to Royal Assent of the Localism Bill, a new local, devolved system will replace one that involves annual subsidies controlled by Whitehall.

This change is the culmination of a long held ambition for councils to manage their housing for the benefit of local residents in a transparent, accountable and cost effective way. Both of us see this as an opportunity to give councils the freedom they need to be innovative and ambitious in how they manage, maintain and improve the existing stock, and to invest in new homes.

The reforms are rooted in the principles of localism and decentralisation. We share the belief that councils are best placed to make decisions about how they spend money they raise locally. Under the new self-financing system, councils will need to put in place a long term, sustainable plan for housing in their area, developed with their tenants.

In developing this plan, councils will want to consider local needs and priorities, which include:

- The investment needs of existing homes and the scope to replace stock with new homes that better meet future needs.
- The rents councils will need to charge and how the income will be used.
- How information will be given to tenants and local taxpayers about income, spending and investment plans after the complexities of the subsidy system are removed.

Government will retain some controls over the rents councils charge and the amount of borrowing councils can undertake for housing. The housing benefit 'limit rent' will continue to set a maximum amount on the rent that can be reclaimed from Government, based on the social rent policy.

And there will be a new cap on the amount of housing debt that councils can hold under self-financing. This will constrain some investment decisions which councils might wish to make. The Government believes this is necessary to protect the national fiscal position. However, the reforms will give all councils much more freedom to run their housing locally in the best interests of local people.

Councils will also want to be aware that the Chief Secretary to the Treasury announced on 18 September that Government is reducing the interest rate charged by the Public Works Loan Board<sup>1</sup> for its lending to councils to fund their one-off payments to begin self-financing and leave the Housing Revenue Account subsidy system. This interest rate reduction is worth a saving of around £100m per year for the around 135 councils affected.

We want to help councils to make the most of these reforms. The Department has arranged two seminars on the reforms on 23 and 30 September which will provide key information to officers about the reforms and the process for implementing them. The Local Government Group will run a conference on self-financing for councillors on 14th December. This will be an important opportunity to ensure members are fully aware of the significance of the reforms. We hope all councils will all take up these opportunities to learn more about the reforms and help them plan for the new system.

There are also a number of different sources of information you can go to for further information:

- The Department has set out the methodology, indicative financial effects by council, the surrounding policy context and a timeline to implementation. This information can be found at <http://www.communities.gov.uk/housing/socialhousing/>
- The Chartered Institute of Housing and the Chartered Institute of Public Finance and Accountancy have recently set up a website to help councils take full advantage of the opportunities self-financing brings at <http://www.hraselffinancing.org.uk/>

If you would like to raise any questions, issues or concerns, please contact either the Local Government Group ([caroline.green@local.gov.uk](mailto:caroline.green@local.gov.uk)) or DCLG at [councilhousingfinance@communities.gsi.gov.uk](mailto:councilhousingfinance@communities.gsi.gov.uk)



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<sup>1</sup> The Public Works Loan Board is the public sector lending arm of the Treasury