



Department for  
Communities and  
Local Government

# **Consultation on proposed amendments to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 in relation to the use of capital receipts**

Summary of Responses and Government Response



© Crown copyright, 2017

*Copyright in the typographical arrangement rests with the Crown.*

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This document/publication is also available on our website at [www.gov.uk/dclg](http://www.gov.uk/dclg)

If you have any enquiries regarding this document/publication, complete the form at <http://forms.communities.gov.uk/> or write to us at:

Department for Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/CommunitiesUK>

October 2017

ISBN: 978-1-4098-5117-2

# Contents

<b>Introduction</b>	<b>4</b>
<b>The proposals</b>	<b>5</b>
<b>Overview of Consultation Responses</b>	<b>6</b>
<b>Summary of Responses and Government Response</b>	<b>7</b>
<b>Annex 1 – Respondents to the Consultation.</b>	<b>10</b>

# Introduction

1. In January 2017 the Department for Communities and Local Government published its consultation paper seeking views on the amendments to the Schedule to the Local Authorities (Capital Finance and Account) (England) Regulations 2003 (“the 2003 Regulations”) governing the use of receipts arising from the disposal of council housing assets and use of the receipt arising from such disposals. The Government set out in the consultation paper that the proposed amendment to the regulations should take effect from the financial year 2017-2018.
2. The purpose of the proposed amendments to the Regulations was to enable local housing authorities to calculate the “poolable” amount derived from the disposal of assets for the years 2017-2018 to 2020-2021 as the 2003 Regulations (as amended) set out the position up to 2016-2017. It was therefore necessary to put in place new amending regulations from 2017-2018.
3. The proposals in the consultation document applied to all England’s 326 local housing authorities, although in practice only those authorities that continued to maintain a Housing Revenue Account would be affected.
4. The consultation document included a summary of the consultation questions at Annex A and these are also reproduced below:

## **Consultation Question 1:**

In the context of no significant changes to the pooling system:

- a) are you content for the existing arrangements for the calculation of assumed debt to continue, and
- b) has the formula been calculated correctly?

## **Consultation Question 2:**

In the context of no significant changes to the pooling system:

- a) are you content for the existing arrangements for the calculation of the local authority share caps to continue, and
- b) has the formula been calculated correctly?

## **Consultation Question 3:**

In the context of no significant changes to the pooling system:

- a) are you content for the existing arrangements for the calculation of the share ratio to continue, and
- b) has the formula been calculated correctly?

## **Consultation Question 4:**

Are you content with the proposed adjustment for Cambridge City Council?

# The proposals

5. Reform of the treatment of Right to Buy receipts was outside the scope of the consultation document and our proposed change to the Regulations was to set out for local authorities the formulae to calculate the poolable amount for the financial years 2017-2018 to 2020-2021, given that the existing Regulations only made provision for the financial years up to 2016-2017.
6. We made it clear in the document that we were not seeking views on the principle of pooling itself. Instead, the proposed amendments set out in the consultation document covered the following matters in respect of financial years 2017-2018 to 2020-2021:
  - a. calculation of stock-holding local authorities' own share caps;
  - b. calculation of share ratios;
  - c. calculation of local authorities' assumed debt;
  - d. adjustments for Cambridge City Council.
7. The closing date for receipt of responses was 03 March 2017.
8. We received 24 responses with the vast majority from local housing authorities. The Department would like to thank everyone who responded. A full list of those who responded is at Annex 1.
9. Enquiries about this document should be addressed to:  
[hrapooling@communities.gsi.gov.uk](mailto:hrapooling@communities.gsi.gov.uk).

# Overview of Consultation Responses

10. The following sections summarised the comments received on each question, the Government's response to comments, and how the Government has proceeded.
11. A total of 24 responses were received by the consultation closing date from organisations falling into the categories as follows:

	<b>Number of Respondents</b>	<b>Percentage Rate</b>
Local housing authorities	20	83.3%
Representative/ professional bodies	4	16.7%
<b>Total</b>	<b>24</b>	<b>100%</b>

12. As evident in the table above local housing authorities represented the majority of responses received.
13. Not all respondents commented on, or responded to, all of the questions raised as part of the consultation exercise. We also received a small number of informal enquiries about the Regulations which are not included in the above figures. These sought clarification on aspects of the consultation.

# Summary of Responses and Government Response

14. A summary of the general comments that were made and the responses to each consultation question and the Government response are set out below.

## General Comments

15. Given that the consultation was not about making any significant change to the pooling system, respondents were generally content to continue with the method for calculating the poolable amounts, and did not identify any errors in the formula.
16. However, a number of respondents commented that, in their view, councils should be allowed to retain all of the receipts from the sale of right to buy homes and that the pooling system should be ended. Some respondents acknowledged that these comments were outside the scope of the consultation, and confirmed that they were generally content with its proposals.
17. Some respondents suggested that, in order to make it possible to abolish pooling should circumstances change, Regulations should only be made for one year, 2017-2018, and not four years as proposed.
18. A few respondents suggested that, in order to reduce the costs of administering the system, pooling payments should be annual, instead of quarterly.

## Government Response

19. Whilst the Government continues to support the provision of new affordable housing through a range of policy and fiscal measures, the consultation was not about ending the pooling system at this time.
20. On the issue of making regulations for four years, rather than one year, if, during the four-year period, the method for calculating poolable amounts needed to be amended, the necessary change could be made through revised regulations.
21. Changing the pooling payment arrangements from quarterly to annual payments would be incompatible with the approach suggested by the Public Accounts Committee and committed to by the Government (see paragraph 3.3 of the Thirty-Eighth Report of Session 2015-16). It would also lead to an unjustifiably large disruption to the Exchequer's cash flow, reduction in investment income and increase in debt servicing costs. Regulations therefore came into force putting into effect the provisions which were consulted on (weblink attached: <http://www.legislation.gov.uk/ukxi/2017/536/contents/made> ).

# Comments and Government response to the individual consultation questions

## **Consultation Question 1:**

**In the context of no significant changes to the pooling system, are you:**

- a) content for the existing arrangements for the calculation of assumed debt to continue, and**
- b) has the formula been calculated correctly?**

22. 18 of the 24 respondents said that, in the context of no significant changes, they were content that the existing arrangements for the calculation of assumed debt to continue and that the formula was calculated correctly.

## **Government Response:**

23. As the majority of respondents said that they were content that the existing arrangements for the calculation of assumed debt should continue and with the proposed formula, the Government has proceeded to make the necessary changes to the Regulations.

## **Consultation Question 2:**

**In the context of no significant changes to the pooling system:**

- a) are you content for the existing arrangements for the calculation of the local authority share caps to continue, and**
- b) has the formula been calculated correctly?**

24. 17 respondents said that, in the context of no significant changes, they were content for the existing arrangements regarding the calculation of local authority share caps to continue and confirmed that the formula had been calculated correctly.

25. A few respondents said that it was inappropriate to continue to use RTB sales and receipts data from 2008 to 2011 in the calculation of share caps, because the distribution of RTB sales and receipts between authorities had changed significantly since then.

## **Government Response:**

26. Data from 2008 to 2011 was used in the calculation of each local authority's Self-Financing Settlement of 2012. To recalculate share caps in the light of subsequent RTB sales and receipts would raise questions as to whether the Self-Financing Settlement itself should be re-opened, thereby creating uncertainty for local authorities in managing their housing business plans. One local authority, though not supportive of the pooling system itself, welcomed the stability which the consistent calculation of share caps offered and would continue to offer.



27. As the majority of respondents were content that the existing arrangements for the calculation of share caps should continue, using the proposed formula, the Government has proceeded to make the necessary changes to the Regulations.

### **Consultation Question 3:**

**In the context of no significant changes to the pooling system:**

- a) are you content for the existing arrangements for the calculation of the share ratio to continue, and  
b) has the formula been calculated correctly?**

28. 18 respondents said that, in the context of no significant changes, they were content that the existing arrangements for the calculation of the share ratio to continue and confirmed that the formula was calculated correctly.
29. As the majority of respondents said that they were content that the existing arrangements for the calculation of the share ratio should continue and with the proposed formula, the Government has proceeded with the necessary changes to the Regulations.

### **Consultation Question 4:**

**Are you content with the proposed adjustment for Cambridge City Council?**

30. Cambridge City Council confirmed that it was content with the proposed adjustment. None of the other respondents expressed discontent with this proposal.

### **Government Response:**

31. As none of the respondents were unhappy with the proposed adjustment for Cambridge City Council, the Government has proceeded with the necessary change to the Regulations.

# Annex 1 – Respondents to the Consultation.

The Local Government Association  
London Councils  
Chartered Institute of Public Finance Accountancy  
Reeveswood Consulting Limited  
Babergh District Council and Mid Suffolk District Council (joint response)  
Bassetlaw District Council  
Brighton & Hove City Council  
Cambridge City Council  
London Borough of Camden  
Cheshire East Council  
Derby Homes  
London Borough of Enfield  
Metropolitan Borough of Gateshead  
Gosport Borough Council  
London Borough of Hackney  
London Borough of Hounslow  
Royal Borough of Kensington & Chelsea  
Kettering Borough Council  
Leeds City Council  
Newark & Sherwood District Council  
Newcastle City Council  
Norwich City Council  
Poole Borough Council  
Thanet District Council