

Chief Finance Officers / Chief Accountants,
Local Housing Authorities,
Treasury advisers

1 February 2012

Dear Chief Finance Officer/ Chief Accountant / Head of Housing

Determinations to implement self-financing for council housing

I wrote to you on 21 November 2011 to draw your attention to a consultation on a set of legal determinations which would implement self-financing for council housing.

Under section 173 of the Localism Act 2011, the Secretary of State is required to consult representatives of local government and each affected local authority before making determinations to implement self-financing for council housing. Consultation on amendments to the 2011-12 Housing Revenue Account Subsidy Determination and the 2011-12 Item 8 Determinations and the Item 8 Determinations which will apply from April 2012, took place under powers conferred by sections 80 and 87 of the Local Government and Housing Act 1989.

The consultation concerned:

- The **Settlement Payments Determination**. This sets out the amount each local authority will either pay Government or receive from Government on 28 March 2012 as a requirement of moving to self-financing, and the way in which the payments will be made.
- The **Limit on Indebtedness Determination**. This places a cap on the amount of housing debt each council may hold.
- The **Housing Revenue Account Subsidy Amendment Determination** for the 2011-12 financial year. This adjusts the subsidy entitlement for this financial year in order to take account of the interest costs or savings arising from the settlement payments. These payments will be made before the end of the financial year.
- The **Item 8 Credit and Debit Amendment Determination** for the 2011-12 financial year. This enables the appropriate charges to be made between the Housing Revenue Account and a council's General Fund to reflect the borrowing costs or savings in this financial year arising from the settlement payments.
- The **Item 8 Credit and Debit Determinations** for 2012 onwards. This provides a framework for the Housing Revenue Account ring-fence to continue to operate under a devolved system of funding.

The consultation has now closed and we have considered the responses. I am now writing to draw your attention to the final determinations which we are publishing today. These determinations will implement self-financing from April this year.

Alongside these determinations, we are publishing the spreadsheet models which have been used to calculate the self-financing valuations, settlement payments and debt limits set out in the determinations. All these documents are available on the Department for Communities and Local Government website at:

<http://www.communities.gov.uk/housing/socialhousing/councilhousingselffinance/>

A summary of the issues raised in the consultation and our decision on each of these is attached to this letter.

We are not making any changes to the policy or underlying methodology as a result of the consultation. There are however a number of changes to the drafting of the determinations. These are technical in nature and designed better to deliver our policy objectives.

The self-financing valuations and settlement payments for councils have changed from those indicated in the draft determinations. This reflects changes and updates to the data used in the self-financing model, not changes to the underlying methodology. This has reduced the national valuation of the stock by around £400m (1.3%). About half of this is due to stock transfers and half to other data changes and updates. Other than two authorities, both of whom submitted revisions to their data, every council will start out under self-financing with slightly less debt under these final determinations than we indicated in the consultation.

In addition to updates to the data for individual councils there are a few updates to data which affect all or a group of councils:

- the Gross Domestic Product (GDP) deflator forecast for 2012, used in setting costs, has been updated to reflect the latest official forecast. This has increased from 2.5% to 2.7%
- we have added an estimate of Right to Buy sales in 2011-12. This was missing from the model published in November
- we have corrected a few minor errors in the model.

My team and I will continue to stay in close contact with councils about the practical arrangements for delivering self-financing successfully in April. I attach a short note on the arrangements for those authorities who are making payments to Government.

We will talk directly to the named contacts in councils due to make a settlement payment to DCLG over the next few weeks to ensure that the transition to self-financing runs smoothly. We are also happy to speak to local authorities where debt is being written-down if there are specific issues or concerns.



Peter Ruback

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