Implementing self-financing for council housing

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Department for Communities and Local Government

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1. Scope and status of this publication

1.1 This document sets out the rationale, methodology and financial parameters for our reforms to the council housing finance system in England – 'self-financing'. It also outlines the wider policy context, including those policies that will support the successful implementation of this devolved system. The document's purpose is to provide local authorities with the information they need to begin their detailed preparations for self-financing. It is also intended to support Parliament's deliberations as it scrutinises the powers necessary to introduce self-financing set out in the Localism Bill.

1.2 The methodology set out here builds on that which was proposed – and broadly supported - in the Department for Communities and Local Government's March 2010 consultation. For a summary of the responses received to this consultation see: www.communities.gov.uk/publications/housing/realfutureresponses

This publication is accompanied by the following documents:

- A model which applies the settlement methodology to the data to provide indicative figures for each local authority.
- A user guide to accompany this model.
- A report on the model inputs, assumptions and outputs.

1.3 At a number of points in the document local authorities are encouraged to contact the Department for Communities and Local Government if particular issues are of relevance to them. More broadly we would welcome any questions or comments on the details contained in this document from local authorities, tenant organisations or tenants themselves. If you have any queries or suggestions you would like to make please contact councilhousingfinance@communities.gsi.gov.uk.

2. Introduction

2.1 The reform of council housing finance was a Coalition Agreement commitment which we aim to implement in April 2012. The Housing Revenue Account subsidy system will continue until then. Transitional arrangements are set out in chapter 9.

2.2 The objectives of these reforms are:

- To give local authorities the resources, incentives and flexibility they need to manage their own housing stock for the long-term and to drive up quality and efficiency.

- To give tenants the information they need to hold their landlord to account, by replacing the current opaque system with one which has a clear relationship between the rent a landlord collects and the services they provide.

2.3 These reforms are based on a calculation of the individual value of each local authority's housing business. This is compared to their existing housing debt in order to give each a sustainable self-financing settlement. The reforms do not redistribute a fixed amount of debt between local authorities.

2.4 These reforms have been developed in partnership with stock-owning local authorities over a number of years and have been the subject of two public consultations. Responses to the second consultation in March 2010 showed strong support for implementing the principles of self-financing and the broad methodology proposed.

2.5 The Government has introduced legislation in the Localism Bill now before Parliament which would commence self-financing and abolish the Housing Revenue Account subsidy system.

2.6 These reforms only have implications for each stock-retaining local authority's ring-fenced Housing Revenue Account, and will not impact on their general finances, or on other local authorities. Chapter 5 has more information on the arrangements which keep money for housing separate from money spent on other services.

2.7 These reforms are supported by capital funding provided at the Spending Review to tackle the Decent Homes backlog. The Homes and Communities Agency will very shortly announce how this funding will be allocated to local authorities.

3. The self-financing settlement

This chapter summarises what self-financing will mean for local authorities. It then sets out the key elements of the self-financing settlement.

Overview

3.1 Self-financing will put all local authority landlords in the position where they can support their own stock from their own income. In order to bring about this change, there will be a readjustment of each local authority's housing debt. This will give each local authority a level of debt it can support, based on a valuation of its council housing stock. If this valuation is lower than the amount of housing debt which is currently supported through the Housing Revenue Account subsidy system, Government will pay off the difference. If the valuation is higher than the debt supported by Housing Revenue Account subsidy, the local authority will be required to pay Government the difference. Payments from central Government will in most cases not go to local authorities directly, but will be used to redeem debt held with the Public Works Loan Board.

3.2 Valuations will be based on assumptions about each local authority's income and need to spend over 30 years. Assumptions about income will follow from the Government's social rent policy. The assumptions about expenditure needs will reflect evidence commissioned by Government in 2009 and 2010 about the costs of managing, maintaining and repairing the stock. This 30-year cash flow of income and expenditure will then be converted into a capital sum using standard discounted cash flow techniques.

Key components of the self-financing settlement are addressed in the following sections:

- **income and interaction with rent policy**
- **spending on management, maintenance and repairs, including disabled adaptations**
- **private finance initiative subsidy payments**
- **the discount rate**
- **settlement payments**
- **the limit on borrowing**
- **circumstances under which we might re-open the settlement**

3.3 A spreadsheet model, technical report and user guide published alongside this document provide more details of the methodology and indicative valuations for each local authority.

Income

3.4 The only income included in the valuation is rental income. Service charges cover the costs of specific services not funded in the Housing Revenue Account subsidy system and are therefore not part of the valuation. The self-financing valuation will assume that local authorities will follow national social rent policy, which comprises a number of different components:

(i) A 'formula rent' for each property, based on property values, property size and local earnings. Over time, all social landlords are expected to move their rents in line with this formula. At present most housing associations set rents at or close to the formula level, but council rents were on average approximately 8 per cent below this in 2010-11.

(ii) A 'guideline rent' which converges with the formula rent by 2015-16. The valuation will assume convergence with formula rents by 2015-16, followed by rent increases of just above inflation year on year - set at the Retail Prices Index + 0.5 per cent per annum.

(iii) A limit on individual rent rises of RPI + 0.5 per cent + £2 each year. This limit prevents excessively high increases in the rents of individual properties as they are moved over time to the formula rent. It will prevent some rents converging with formula rent in 2015-16. An estimate will be made for each landlord about the number of tenants whose rents could not move to the formula by 2015-16 without breaching this element of rent policy. We will then reduce the assumed income in the valuation by this amount. As this shortfall in income will be reflected in the settlement price, all landlords should apply the rent limit in setting actual rents and pass this benefit on to their tenants.

3.5 It is our intention to continue the policy of a Housing Benefit 'limit rent' which limits the amount of rent a landlord can recover through the Housing Benefit subsidy system. The limit rent will be set in line with current policy, converging with the formula rent in 2015-16 at the same time guideline rents converge with the formula rent. Rents charged above this rate cannot be recovered by landlords through the Housing Benefit subsidy system. As part of the abolition of Housing Benefit and the introduction of the Universal Credit, the Government will consider the operation of the limit rent.

3.6 We will use the same assumptions about rent collection rates and voids that are used in assessing entitlement to Housing Revenue Account subsidy under the current system. These assume that landlords will collect 100 per cent of rent owed by tenants and that properties will be void for 2 per cent of the time.

Expenditure

Major and minor repairs

3.7 The spending needs built into the valuation are based on independent research about costs. They are significantly higher than those under the present subsidy system. DCLG commissioned research by consultants BRE and HQN into the costs of managing, maintaining and repairing council housing stock. Their reports were published as part of a Government consultation in July 2009. DCLG commissioned further work from PricewaterhouseCoopers as to how these additional spending needs could be incorporated into a self-financing valuation. PricewaterhouseCoopers' report on this was published as part of the March 2010 consultation.

3.8 We consider the methodology proposed by PricewaterhouseCoopers for distributing the level of funding identified in the BRE and HQN reports is fair and will use it in calculating the valuation. We will also adopt the recommendation in the PricewaterhouseCoopers report to fund 100 per cent of works rather than the 95 per cent proposed in the BRE report.

3.9 This approach to costs will give all local authorities more money to spend on managing, maintaining and repairing their stock than under the current system. In aggregate this works out at an increase to £545m per year for 30 years or a national average Major Repairs Allowance of £956 per dwelling per year and average management and maintenance allowances of £2,061 per dwelling per year.

Disabled adaptations

3.10 In addition to the extra funding for management, maintenance and repairs, the new system will provide additional funding for local authorities to pay for disabled adaptations to council housing stock as the needs of tenants change in future. The BRE work noted that 3 per cent of all current capital expenditure relates to disabled adaptations but said that this probably reflected available funding rather than need. BRE estimated the cost of meeting newly arising need for disabled adaptations at £60 per dwelling per year across the whole stock. Although this forecast is based on widely differing local estimates of costs, we nevertheless propose to fund this estimate of costs in full in the self-financing settlement. The annual value of this extra funding is around £116m.

3.11 It is our assessment that there is no robust way of forecasting how need for this expenditure might arise over the next 30 years in different local authorities. In addition, the costs of adaptations do not vary significantly depending on the type of property being adapted. We will therefore allocate the funding on a simple per dwelling basis.

3.12 Once the additional funding for disabled adaptations is taken into account, funding for management, maintenance and repairs under the new system is 14 per cent higher than under the current subsidy system. We do not propose to include an arbitrary minimum uplift for a local authority, paid for by top-slicing other local authorities' uplifts, which would override this evidence of spending needs.

Other factors taken into account in the valuation

3.13 Treasury management: Some local authorities will take on new responsibilities for managing debt as part of these reforms. The valuation includes funding for consequential overheads, for example employing treasury managers. The funding is made up of a fixed sum plus a variable sum linked to the opening level of housing debt under self-financing. This means that local authorities with larger levels of housing debt will receive more funding for treasury management. This follows the principles used in the current system for those local authorities with housing debt.

3.14 Planned demolitions: Many local authorities raised concerns that the valuation method assumed all stock would be retained for 30 years. In principle this is the right approach as over the longer-term it is right that decisions to demolish or remodel estates should take account of the full costs and benefits to landlords. However, we wish to avoid a situation where the reform prevents the completion of regeneration schemes which are at an advanced stage. For this reason, where there are firm plans to demolish homes within the next few years, the valuation will exclude any assumed income or costs from those homes after the scheduled demolition date (see Chapter 4 for more information on this).

3.15 Right-to-buy sales: We have announced that the payment to Government of 75 per cent of the net receipts from Right-to-Buy sales will continue for at least the Spending Review period. However, we recognise that under self-financing, local authorities will take on an amount of debt linked to the operating surpluses their entire stock is expected to generate over 30 years and that, on a sale, a local authority will lose some of this surplus. We have therefore built into the valuation a forecast for losses of income and costs when properties are sold under the Right-to-Buy scheme. This forecast is based on national forecasts for house sales issued by the Office for Budget Responsibility. These have been disaggregated to local authority level using recent historical data about regional levels of Right-to-Buy sales.

3.16 This change reduces the amount of housing debt held by every local authority under self-financing to take account of lost income resulting from sales. Local authorities will in addition continue to retain 25 per cent of net Right-to-Buy receipts, with full local flexibility to use for any capital purpose.

3.17 Private Finance Initiative: The consultation in March 2010 proposed to include the subsidy local authorities currently receive for Housing Revenue Account Housing Private Finance Initiative schemes as an additional cost in the calculation of the self-financing valuation. This proposal was unanimously opposed by the affected local authorities in their responses as it would result in them having lower initial debt but a high ongoing obligation. We have therefore decided to continue paying Private Finance Initiative subsidy separately as a revenue subsidy. As a result, the self-financing valuations for the local authorities with these schemes will be higher than originally proposed and in turn so will their opening level of housing debt. This will increase the headline national debt figure but will have no impact on the valuations or starting debt levels of those local authorities without these schemes.

3.18 Other costs met by the existing subsidy system: There are some additional costs currently met through the subsidy system which relate to charges for the early redemption of loans and the costs of some leases. These costs will be included in the valuation so that local authorities continue to receive funding for them. Local authorities will be asked to provide evidence about these costs to DCLG.

Discount rate

3.19 The assumed rents and costs will be used to produce a notional 30 year business plan of income and expenditure for each local authority landlord's business. This will be converted into a stock valuation using standard discounted cash flow principles, using a 6.5 per cent discount rate. The PricewaterhouseCoopers report suggested 6.5 per cent as the rate appropriate for the self-financing valuation and it is consistent with rates used in valuing stock in housing transfers. This relatively high discount rate takes account of the range of risks to the business, including risks to future income and uncertainty about future costs.

Settlement payments

3.20 In order to calculate the payment to or from Government, the valuation will be compared with the notional amount of housing debt supported by Housing Revenue Account subsidy (the Subsidy Capital Financing Requirement). If the valuation is higher than the subsidy debt figure, the local authority will be required to pay Government the difference. If the valuation is lower, the Government will pay the difference to the local authority. Payments from Government will in most cases not go to local authorities directly, but will be used to redeem debt held by the local authority (see Chapter 6 on the transaction for more details).

3.21 In most local authorities, the notional debt figure supported by subsidy is higher than the actual amount of debt. By using the subsidy debt figure, most local authorities will make a smaller payment to Government or receive a larger payment from Government than they would have done if the payment was based on the actual debt figure. This will benefit local authorities who have found ways to reduce their borrowing by, for example, electing to use capital receipts to pay down debt or fund investment or who have delivered capital programmes at a lower cost.

Example 1: Local authority making a self-financing payment to Government		
Rental Income in Year 1	£30m	Increasing 0.5% pa in real terms
Costs in Year 1	£20m	Fixed in real terms
Surplus in Year 1	£10m	Increasing 1.3% pa on average in real terms over 30 years
Sum of surpluses over 30 years	£370m	
Valuation = present value of surpluses at 6.5% discount rate	£170m	
Notional debt	£110m	
Payment to central Government [valuation less notional debt] £170m - £110m	£60m	

Example 2: Local authority with self-financing payment from Government		
Rental Income in Year 1	£30m	Increasing 0.5% pa in real terms
Costs in Year 1	£20m	Fixed in real terms
Surplus in Year 1	£10m	Increasing 1.3% pa on average in real terms over 30 years
Sum of surpluses over 30 years	£370m	
Valuation: present value of surpluses at 6.5% discount rate	£170m	
Notional debt	£250m	

Self-financing payment from Government [notional debt less valuation] £250m - £170m	£80m	

Borrowing limit

Overview

3.22 Self-financing will give council landlords direct control over a very large rental income stream. The prudential borrowing rules help ensure that any borrowing is affordable locally. However, our reforms must not jeopardise the Government's first priority, which is to reduce the national deficit. Borrowing by local authorities for housing purposes is included as part of the Public Sector Borrowing Requirement and so the borrowing arising from self-financing must be affordable nationally as well as locally. The prudential rules do not address this and so we will therefore limit the borrowing for council housing in each local authority.

3.23 We recognise that limiting borrowing will place pressures on some landlords, particularly in the early years of self-financing. These pressures should however be seen in the context of a very tight fiscal position across the public sector over the next few years and in the context of a deal which significantly increases the spending power of all local authority landlords through the uplifts in the allowances. We expect all councils to be able to manage these pressures.

How will it work?

3.24 We will make a determination which sets out:

- How the **Council Housing Borrowing Requirement** is to be calculated. This will be very similar to the calculation currently called the Housing Revenue Account Capital Finance Requirement. It will measure the amount of actual borrowing a local authority uses to finance its council housing.

- A **Council Housing Borrowing Limit** for each local authority. This will set a limit on the Council Housing Borrowing Requirement for each local authority.

3.25 The limit will for most local authorities be set at the level of their self-financing valuation. This means that if a local authority now has less actual housing borrowing than we assume in making the annual subsidy determination, that council will retain this difference as headroom to increase borrowing under self-financing.

3.26 Some local authorities currently borrow more for housing than we assume in the subsidy system. If the borrowing limit was set at the valuation, those councils would have a limit lower than their actual opening debt under self-financing. So, subject to some conditions set out below, for those local authorities the limit will be set at the valuation plus the difference between their actual borrowing and the amount of borrowing assumed for subsidy purposes. This will give them a limit which is equal to their opening borrowing under self-financing.

3.27 We do not want to incentivise an increase in borrowing in the period before the limit is in place. For this reason, the limit will not take account of prudential borrowing beyond the end of 2010-11 unless agreement is reached with the Department to include this. We will only agree to include borrowing which is being used to fund in-year works on an existing capital programme, for example a Decent Homes or new build programme. In particular, we will not raise the limit to accommodate prudential borrowing which is intended simply to increase the borrowing capacity of the local authority under self-financing. That will include any such borrowing undertaken in the remainder of 2010-11.

3.28 The borrowing limit should provide a stable framework within which local authorities can plan and manage their housing business. However, we do not want to create incentives for some local authorities to set up unusual credit arrangements to avoid the limit. We also want to retain flexibility to respond to big external changes which affect council housing. For these reasons, the Localism Bill includes powers to vary the definition or calculation of the Council Housing Borrowing Requirement and the Council Housing Borrowing Limit for one, some or all local authorities.

Example 3: Borrowing limit if actual debt is equal to notional debt	
Valuation = present value of surpluses at 6.5% discount rate	£170m
Actual debt	£250m
Notional debt	£250m
Self-financing payment from Government	£80m
Actual debt post self-financing	£170m
Borrowing limit = valuation	£170m
Borrowing headroom	£0m

Example 4: Borrowing limit if actual debt is less than notional debt	
Valuation = present value of surpluses at 6.5% discount rate	£170m
Actual debt	£230m
Notional debt	£250m
Self-financing payment from Government	£80m
Actual debt post self-financing	£150m
Borrowing limit = valuation	£170m
Borrowing headroom	£20m

Example 5: Borrowing limit if actual debt is greater than notional debt	
Valuation = present value of surpluses at 6.5% discount rate	£170m
Actual debt	£260m
Notional debt	£250m
Self-financing payment from government	£80m
Actual debt post self-financing	£180m
Borrowing limit = valuation + (actual – notional debt) £170m + (£260m - £250m)	£180m
Borrowing headroom	£0m

The borrowing limit for local authorities with new build schemes

3.29 Local authorities who received grant funding to build new homes under the National Affordable Housing Programme have usually part-financed the new homes with prudential borrowing. This borrowing is not supported by Housing Revenue Account subsidy and is not reflected in the self-financing valuation or the assessment of borrowing needed to fund the council housing business plan. However, it would not be fair if local authorities who participated in Government-supported new build schemes lost some of their capacity to borrow to fund their existing stock.

3.30 The borrowing limit for local authorities who have participated in these national new build programmes will therefore be set at the higher of:

- The self-financing valuation plus the prudential borrowing for those new build schemes; or

- The actual borrowing attributed to the Housing Revenue Account after the self-financing settlement payment

3.31 This will ensure that these local authorities do not lose borrowing headroom which they had built up to fund improvements to the existing stock. However, we will only make this adjustment to the limit where this prudential borrowing has taken place before the start of self-financing as part of a national grant-supported new build programme.

Example 6: Borrowing limit if actual debt is lower than notional debt	
Valuation = present value of surpluses at 6.5% discount rate	£120m
Actual debt	£190m
- of which new build borrowing	*£5m*
Notional debt	£200m
Self-financing payment from Government	£80m
Actual debt post self-financing settlement	£110m
Borrowing limit = valuation + £5m for new build	£125m
Borrowing headroom	£15m

Example 7: Borrowing limit if actual debt is higher than notional debt	
Valuation = present value of surpluses at 6.5% discount rate	£120m
Actual debt	£220m
- of which new build borrowing	*£5m*
Notional debt	£200m
Self-financing payment from Government	£80m
Actual debt post self-financing settlement	£140m
Borrowing limit = valuation, plus the greater of: i) Actual debt pre self-financing less notional debt [£20m] ii) Borrowing for new-build [£5m]	
Borrowing limit	£140m
Borrowing headroom	£0m

Example 8: Borrowing limit if actual debt is slightly higher than notional debt	
Valuation = present value of surpluses at 6.5% discount rate	£120m
Actual debt *- of which new build borrowing*	£202m *£5m*
Notional debt	£200m
Self-financing payment from government	£80m
Actual debt post self-financing Borrowing limit = valuation plus the greater of: i) actual debt pre self financing less notional debt [£2m] ii) Borrowing for new-build [£5m]	£122m
Borrowing limit	£125m
Borrowing headroom	£3m

Reopening the settlement

3.32 The powers to implement self-financing in the Localism Bill provide for further settlement payments between local authorities and Government under certain circumstances. It limits such payments to cases where there has been a change in one of the factors taken into account in calculating the previous payment (ie. expenditure, income and debt). This provision is necessary to protect both the Government and local authorities from being locked into a deal that, because of changes to policy affecting either a landlord's income or costs, no longer reflects a fair valuation and could have a material impact on viability. This could be a major change in national rental policy or a significant increase in the environmental standards expected of council housing.

3.33 In exercising the power in this clause, the Government would have to issue a further determination and consult on it. We only intend to use this power if a change is made which would have a substantial, material impact on the value of the landlord's business.

4. Ensuring an accurate valuation

It is critical that each local authority's valuation is based on accurate and up-to-date information on its stock and associated financial position.

This chapter will examine:

- **The data we will use to set up self-financing.**
- **The treatment of forecast demolitions.**

Data for the self-financing settlement

4.1 Payments to or from Government under the subsidy system are based on data supplied by local authorities on base data forms B1 and B2. These contain much of the information that will be required for the calculation of the self-financing valuation. In the interests of consistency and certainty we propose to adopt a very similar approach as regards timing and auditing, with a few minor additions to the information provided.

4.2 Form B1 will be issued to local authorities, as usual, in June 2011 for return to DCLG by 31 August. Form B2 will then become available to local authorities' auditors for certification and return to DCLG to the usual timetable (full guidance will be published with the B1 form).

4.3 In addition to the usual data requested, local authorities will be asked to submit data on the following, which will form part of the self-financing settlement calculation:

- Net premiums for the early redemption of loans that are currently being supported through the subsidy system, for as long as these would have continued to be eligible for support. Under the subsidy system this data is collected on an annual basis

- Other Reckonable Expenditure, for as long as this would have been eligible for support under the current subsidy system. Under the subsidy system this data is collected on an annual basis.

- Data on planned demolitions in the early years after implementation (see paragraphs 4.6 to 4.10 for more details)

- Prudential borrowing undertaken to match-fund grant for new build, to ensure that this is added to the borrowing limit where appropriate (for more details of the programmes and borrowing in question see paragraphs 3.29-3.31)

4.4 We will write to local authorities in June 2011 when we send out the base data forms with more detail as to how local authorities should provide this additional information and how it will be used.

4.5 This data will be used in the draft settlement and borrowing limit determinations that will be issued for consultation in late 2011.

Demolitions and reduced dwelling numbers

Before self-financing

4.6 The successful implementation of self-financing requires a valuation based on accurate property numbers. These will be based on the stock numbers as at 1 April 2011, as collected through the B1 base data form. Some properties are likely to be demolished or otherwise disposed of between this date and the start of self-financing, and other properties will be demolished or disposed of after that date.

4.7 Void properties which the local authority has resolved before 1 April 2011 will be demolished or disposed of between the issuing of the B1 (April 2011) and up to and including 31 March 2012 should not be included in the stock numbers entered on the B1. This is consistent with the approach taken for the collection of data in the existing Housing Revenue Account subsidy system.

After the start of self-financing

4.8 We are also prepared to take account of firm plans to demolish properties in the early years of self-financing. Otherwise we would unreasonably value the contribution to future income from demolished stock. Councils will need to provide evidence that firm plans have already been developed. We expect to require, at a minimum, evidence to show that property-specific consultation with affected tenants has been undertaken, or is underway, by September 2011.

4.9 Data on expected demolitions will be requested through the B1 data form for 2012-13, and will be audited through the B2. However authorities expecting to submit supporting evidence of planned demolitions must contact us at
councilhousingfinance@communities.gsi.gov.uk
by the end of March 2011. The Department's initial view is that it will make the adjustment for demolitions planned for the first three years after implementation. We will make a final decision based on discussions with local authorities.

4.10 The Localism Bill includes powers to re-open the settlement in cases where there has been a change in one of the factors taken into account in calculating the original valuation and settlement payment. This could be used where the valuation has been adjusted to take account of planned demolitions but these do not in fact take place. For more information on this re-opening provision and the circumstances under which it could be used see paragraphs 3.32-3.33.

5. The surrounding policy framework

Self-financing will be supported by a regulatory and accounting framework that is robust and transparent.

This chapter explains our approach to:

- **The Housing Revenue Account ring-fence**
- **The accounting and regulatory framework**
- **Disposals**
- **Right-to-Buy**
- **Transfer**

The Housing Revenue Account ring-fence

5.1 Abolition of the subsidy system does not end the requirement for local authorities to maintain a statutory, ring-fenced Housing Revenue Account. Local authorities will still be required to account to their tenants for income from and expenditure to council housing separately from income and spending on other functions and services. This ensures that council taxpayers do not subsidise services specifically for the benefit of tenants and that rent is not used to subsidise functions which are for the benefit of the wider local community.

5.2 In line with our emphasis on localism we do not intend to issue new guidance on the operation of the ring-fence. We expect local authorities to take their own decisions, rooted in the principle that 'who benefits pays'.

Accounting and regulatory framework

Accounting arrangements

5.3 We invited the Chartered Institute of Public Finance and Accountancy to develop new guidance on an accounting framework for council housing under self-financing. They are publishing draft guidance for consultation to accompany this policy document. This draft guidance, titled *HRA Reform: Treasury Management and Accounting Issues* can be ordered from their website at http://www.cipfa.org.uk

5.4 The draft guidance proposes a new method for charging depreciation to the housing account and a proposed method for separating housing debt from other local authority borrowing. These are important issues to resolve ahead of implementing self-financing. We hope local authorities will carefully consider the proposals and respond to the Chartered Institute of Public Finance and Accountancy's consultation.

5.5 Self-financing provides an opportunity to make the housing account much more transparent to tenants and general taxpayers. The Chartered Institute is working with Government to improve the transparency of local authority accounts and to put information in a form that helps tenants understand how money is raised and spent. This includes ideas for an annual memorandum balance sheet and income and expenditure account presented in a way that will help tenants and local taxpayers hold their landlord to account. This could form part of the annual report landlords are required to make to their tenants.

5.6 A robust approach to depreciation will be a vital part of a strong self-financing asset management strategy. It will help ensure that landlords make appropriate provision to invest in their stock over the long term, including provision for any future peaks in spending need. The approach proposed by the Chartered Institute of Public Finance and Accountancy should also help local authorities meet accounting requirements and international standards, including the use of component values.

5.7 The proposed method for splitting housing debt from other local authority debt will support effective planning within the housing account and in a local authority's other services. For many local authorities, self-financing will involve a large one-off movement in debt. It will also require local authorities to have a long term business plan for housing which includes the costs of borrowing (under the current system, movements in interest rates are absorbed by Government). By separating out housing debt, treasury management decisions can be made which support the housing business plan without an impact on other parts of the local authority, and vice versa.

Regulation

5.8 Regulation of council housing under the regulatory framework for social housing will continue to focus on consumer protection. In line with the recommendations of the Government's recent review of social housing regulation, and subject to the passage of the Localism Bill, the Regulator's consumer protection role will be refocused on setting clear service standards for social landlords and intervening to address serious failures against those standards. Tenants will have access to stronger tools to hold landlords to account on service delivery, with the Regulator acting as a backstop where problems cannot be resolved locally, or where a pattern of problems gives rise to broader concerns. Issues related to governance and viability of council landlords are not part of the remit of the housing regulator. Housing is a service within a local authority and is therefore covered by the wider local government regulatory framework. It is also subject to the democratic scrutiny of elected members.

5.9 The Regulator's existing standard on Value for Money does however cover all social landlords, including local authorities. The Government expects landlords to use the new flexibility provided by HRA reform to drive up efficiency and value for money. Landlords should be able to show how they are improving value for money in service provision to their tenants, taxpayers and to the regulator.

Disposals

5.10 We wish to enable effective asset management. In particular we want local authorities to consider what to do with their stock, whether to redevelop or to maintain it, bearing in mind future need and the costs associated with maintenance. We therefore propose to reform the current statutory framework under which local authorities must first seek the consent of the Secretary of State before disposing of council housing assets. We will remove the requirement to seek the specific consent of the Secretary of State to a disposal at market value except where a local authority proposes to dispose of a dwelling occupied by a secure or introductory tenant or disposal is to a subsidiary of the local authority. We also propose greater freedom for local authorities to dispose at less than market value. This will come into effect to coincide with the beginning of self-financing.

5.11 We will, in parallel, up-date the regulations governing the pooling of receipts to ensure that our proposed greater freedom to dispose does not inadvertently disadvantage any authority. Receipts from sales of vacant land or empty homes will be retained by local authorities provided they are spent on affordable housing, for regeneration purposes, or for paying off Housing Revenue Account debt.

Right to Buy

5.12 Seventy-five per cent of the receipts from sales made under the Right to Buy (and other similar sales to sitting tenants) will continue to be pooled. See paragraphs 3.16/17 for an explanation as to how we will take account of this in the valuation.

Claw-back for Commission for New Town properties

5.13 The current position is that two local authorities, Basildon and Milton Keynes, are contractually obliged to pay 95 per cent of net receipts from the sale of former New Town properties to the Homes and Communities Agency. Both local authorities argued this placed them at a disadvantage in their responses to the March 2010 consultation. We have decided to waive the requirement for these payments to be made to the Homes and Communities Agency. This means that Right to Buy receipts received by these two local authorities will be treated in the same way as receipts received by other councils. This change will take effect from the implementation of self-financing. We will also make any necessary amendments to the regulations governing pooling to take account of the fact that these payments are no longer required to be made.

Full or partial stock transfer

Overall approach

5.14 Some local authorities may be considering taking forward full or partial housing transfer proposals with their tenants in advance of or post self financing. In order to agree a transfer in future, the financial terms of any proposals will need to be clearly comparable with what self-financing would provide. This means that Government will consider any transfer proposals against the costs assumed under self financing including dealing with backlogs, the costs of future management, maintenance and major repairs and the costs of essential refurbishment or regeneration works due to be undertaken through the proposed transfer. Allowance would also be made within the valuation to account for taxation impacts.

5.15 There will be an expectation that councils must provide significant financial support for transfer proposals, and no assumptions of financial benefit should be made where some measure of Government support may be required. Proposals will be subject to a rigorous value for money assessment.

5.16 The Government is minded to abolish the Large Scale Voluntary Transfer levy after the implementation of self financing and invites views on this. This is in recognition of the fact that the local authority will already have paid a valuation for the stock and this will be reflected in the debt they hold. Please contact us at councilhousingfinance@communities.gsi.gov.uk if you have views on this proposed change.

5.17 At present tenant groups can undertake a small scale voluntary transfer with the support of their local authority. This policy will continue until the Government has consulted on and made regulations for a ‘Right to Transfer’ under powers introduced in the Housing and Regeneration Act 2008. We aim to issue this consultation shortly. The regulations will require local authorities to co-operate with tenant groups that want to consider transfer of their homes unless the local authority applies to the Secretary of State for a determination that the transfer would have an adverse impact on the needs of the remaining tenants or wider community. The process and approach for tenant-led transfers is the same as for local authority-led transfers and the same value for money assessments will apply.

Gaining consent to transfer social housing stock

5.18 The Homes and Communities Agency and DCLG will be reviewing, with the intention of re-issuing, the guidance within the current Housing Transfer Manual. In the meantime, the expectation is that any local authority wishing to dispose of tenanted homes under voluntary arrangements will follow the Statutory Guidance issued in July 2009. This guidance can be accessed at: www.communities.gov.uk/publications/housing/tenantconsultationguidance.

5.19 There will remain a requirement for councils to make a transfer application to the Homes and Communities Agency, and to clear consultation material as part of the statutory process for consulting tenants. Ultimately an application to the Secretary of State will be required for consent to dispose of tenanted dwellings under Section 32 of the Housing Act 1985.

6. Planning the transaction

Self-financing will involve the payment of approximately £19bn between 171 local authorities and Government, so it is essential that we have suitable mechanisms in place to ensure that this happens as smoothly as possible.

This chapter gives an overview of the transaction, followed by a more detailed breakdown of the key stages involved.

Overview

6.1 Self-financing will be implemented through a one-off settlement payment. Some local authorities will take on additional debt, while others will receive a payment from Government.

6.2 The scale of the transactions required to implement self-financing is substantial. Based on current data, it would affect 171 local authorities and involve:

- thirty authorities taking on new Public Works Loan Board debt of £3.7bn
- one hundred and six authorities adding to existing Public Works Loan Board debt totalling £9.5bn
- thirty-one authorities having £4.6bn of Public Works Loan Board debt paid off
- four authorities having both Public Works Loan Board and market debt paid off (£0.9bn of Public Works Loan Board debt and £0.2bn of market debt)

6.3 Where councils incur net premium costs for early debt repayment, these will be met by Government.

6.4 Payments from the Government will in most cases not go to local authorities direct, but will be used to redeem debt owed to the Public Works Loan Body. The Public Works Loan Board is a statutory body operating within the Debt Management Office and is responsible for lending money to local authorities and other prescribed bodies, as well as for collecting the repayments.

6.5 In those cases where this debt is being redeemed in part or wholly, local authorities will be responsible for paying accrued interest from the date of the last payment to the date of implementation of self-financing. Local authorities borrowing from the Public Works Loan Board will be charged a fee in accordance with the standard lending arrangements.

6.6 For a small number of local authorities, the payment from Government will exceed the amount of debt which they hold with the Public Works Loan Board, as they also hold market debt. In these cases, the Government will discuss the best arrangements for debt redemption with the local authority, with a view to seeking a fair arrangement which provides good value for money.

Our proposed approach

6.7 Chapter 4 explains how the data for the self-financing settlement will be collected. We plan to issue details of draft settlement payments in late 2011 and the final determinations in January 2012. Local authorities are encouraged to seek their own financial advice as early as possible to ensure a smooth transition to self-financing.

6.8 Local authorities taking on new or additional debt may apply to borrow from the Public Works Loan Board, the market, or fund it from other sources such as reserves or investments.

6.9 For local authorities due to receive a payment from the Government, we will repay an equal percentage of each loan that the authority has with the Public Works Loan Board. This ‘top-slicing’ is in line with our policy on dealing with overhanging debt in housing stock transfers and ensures a consistent approach across all authorities. This will have a neutral effect on local authorities’ average interest rates and, therefore, the General Fund. The potential costs of future risks to the business are reflected in the discount rate. The costs of premiums associated with redeeming Public Works Loan Board debt early will be met by Government.

6.10 In response to the March consultation, a very small number of local authorities questioned whether there would be scope to determine their own debt commutation solution, on the basis that the ‘top-slicing’ approach used in housing transfers would leave them with a high average interest rate. We recognise that the debt profile varies between local authorities and that another approach, such as repaying the highest rate loans or the earliest expiring loans, could be used to have an impact on local authorities’ average rate of interest. However we are satisfied that the methodology for the settlement that we have set out above, including the discount rate, provides a fair and sustainable settlement for all local authorities.

6.11 Further advice will be issued in due course about when and how the final arrangements for the self-financing payments will be made.

In order to facilitate the successful implementation of self-financing, local authorities are encouraged to get in touch with the Public Works Loan Board now if there is a possibility they will be seeking additional loans from them in order to meet their settlement payment.

Transaction details

- Nov 2011 onwards – draft self-financing determinations published.

- Dec 2011 onwards – DCLG and Public Works Loan Board issue joint letter to local authorities setting out further details of arrangements for loans and debt redemption.

- Jan 2012 – final self-financing determinations published.

- Jan 2012 – local authorities making payment to the Government are asked to identify the source of the funding and apply for loans from either the Public Works Loan Board or the market where necessary.

- Jan–Mar 2012 – the Public Works Loan Board to set up arrangements for handling loan applications.

- March 2012 – Public Works Loan Board will calculate top-slicing ratio for each local authority and issue a schedule of sums required.

'On the day':

- The Public Works Loan Board draws funds from the National Loans Fund and advances loans to authorities as appropriate.

- Local authorities pay settlement sums to DCLG.

- DCLG monitors receipt of settlement sums from local authorities.

- Where local authorities are due to receive a payment from the Government, DCLG makes payment to the Public Works Loan Board to redeem part or all of their loans.

- DCLG makes payments to those local authorities where the settlement amount from the Government exceeds the outstanding Public Works Loan Board debt.

- Local authorities with Public Works Loan Board loans redeemed pay any accrued interest to them.

- DCLG meets premium costs for early debt redemption.

7. The implementation timetable

This chapter sets out a timetable for the implementation of self-financing in April 2012. It is indicative at this stage and some dates are liable to change. We will keep in touch with local authorities over significant changes to the timetable.

7.1 The proposed timetable is as follows:

Date	Activity or deadline
March 2011	Stakeholder events with local authorities Local authorities planning to submit evidence on demolitions are advised to contact DCLG
June 2011	Forms sent out to collect data on stock
August 2011	Data for self-financing provided to DCLG
August 2011 onwards	Data verified
Nov 2011 onwards	Consultation on self-financing determinations
Dec 2011 onwards	DCLG and PWLB issue joint letter to each local authority setting out arrangements for loans and debt redemption
Jan 2012	Final self-financing determinations published Local authorities asked to tell Public Works Loan Board how much they wish to borrow
April 2012	Series of transactions between DCLG and local authorities enable the start of self-financing
March 2013	Cut-off for final payments to end the subsidy system

8. Ongoing data requirements

This chapter sets out our expectations for the ongoing data requirements that will be placed on local authorities following the implementation of self-financing in April 2012. We will discuss these proposals in more detail during 2011 with local authorities and through the Central Local Information Partnership.

The current position

8.1 Under the current subsidy system, local authorities submit data to DCLG using forms B1 and B2. These forms include information on authorities' stock, capital charges and some expenditure items such as leases and premia. For the financial year 2011-12, we will continue to collect data on these forms.

8.2 They also submit broader housing data via the Housing Strategy Statistical Appendix and the Business Plan Statistical Appendix which provides a lot of data on the stock. Some financial information is also collected as part of Local Government Finance statistical returns.

Reducing the data burden

8.3 The Government is committed to reducing the data burden on local authorities. As part of this general commitment, DCLG has published a draft list of the data central government needs from local authorities. Consultation on the list will conclude on 4 February. See: www.communities.gov.uk/localgovernment/decentralisation/tacklingburdens/databurdens/ for more information on the single data list.

8.4 The consultation on the single list is taking place with a view to significantly reducing the data burden on local authorities, including data required at present on council housing. Self-financing should also support this objective to reduce data burdens. For example there are quarterly claim forms to underpin the subsidy payment systems, which will not be needed beyond December 2012 (see the next chapter on the last year of the subsidy system).

Ongoing data requirements

8.5 For ongoing policy reasons and to feed into the National Accounts we expect to continue to require local authorities to submit some data including:

- The number of dwellings and the number of those which meet the Decent Homes standard

- The amount of borrowing for council housing purposes, in order to check compliance with the borrowing limit

- Council stock composition and property values, in order to calculate the limit rent used in Housing Benefit Rent Rebate Subsidy Limitation

- Average actual rent levels

9. The subsidy system for 2011-12

Overview

9.1 Subject to Parliament's approval, the mechanisms will be in place for self-financing to be implemented in April 2012. The existing subsidy system will continue for 2011-12, using the same arrangements for processing payments and claims based on the subsidy claim forms and for data collection according to the same timescale as previous years.

9.2 Provision will be made for outstanding payments and adjustments to be made up to the end of March 2013 in respect of years up to and including 2011-12.

9.3 The subsidy team remains available to deal with queries from local authorities about the existing subsidy system.

Subsidy arrangements for the financial year 2011-12

9.4 The timetable for the issue and return of data return and subsidy claim forms and the arrangements for the payment of subsidy will be the same as in previous years:

- February 2011 - 201101 Claim form issued, for return by 31 March
- June 2011 - 201102 Claim form issued, for return by 31 August
- July 2012 - 201103 Claim form available, for return by 30 September
- September 2012 - 201104 Claim form available, for return by 31 December

Annex A. Mapping the changes to the valuation and net receipt to Central Government since the March 2010 consultation document

1. The forecast net receipt for Government has changed since the March consultation. The change in the valuation has been driven by changing economic assumptions, updated data and policy changes agreed with the Treasury. The detail and impact of these changes are laid out in the table below. Whilst the methodology for calculating the net receipt are now fixed the figures provided are still indicative estimates and will change in the final self-financing determination where the latest economic assumptions and data from councils will be utilised.

2. The change in net receipt has been driven by both changes in the valuation and changes in the notional Housing Revenue Account debt figure (Subsidy Capital Finance Requirement) as the net receipt is the difference between the valuation and the debt we assume local authorities currently hold.

3. The main drivers increasing the valuation have been:

    - Later implementation and the updating of rent and cost inflation assumptions.
    - The decision to meet Private Finance Initiative costs centrally rather than as part of the settlement.

4. A number of changes have also reduced the valuation including:

    - Using the latest data on stock.
    - Additional funding for disabled facilities adaptations.
    - Estimating Right to Buy sales and reducing the valuation by this estimate.
    - Adding debt management expenses and forecasting early planned demolitions.

5. The net effect of all these changes has been to increase the valuation by around £1,786m.

6. The notional debt has also changed since the March consultation document. This has been reduced by the removal of debt associated with stock transfers. However, it has been increased by the disregarding of negative subsidy capital financing requirement and the funding allocated in the Spending Review for the Decent Homes backlog programme. Overall, this has increased our subsidy capital finance requirement assumption by around £57m.

7. The net effect of these changes has been to increase the receipt to Government by £1,844m.

Diagnostic table tracing changes to the valuation and net receipt for Government since the March consultation document **£m**

Valuation in the March consultation document, based on a 6.5% discount rate and 2011 implementation		**26,352**
Change	**Impact on valuation**	**Valuation post-change**
Moving the implementation date to 2012 (assuming no other changes to variables)	1,749	28,101
Updating rent and cost inflation assumptions to reflect latest Office of Budget Responsibility forecasts	3,375	31,476
Adding costs of early redemption premiums and leases which are currently funded in the subsidy system	-212	31,264
Updating local authority data including stock numbers, stock types and rents	-1,322	29,942
Removing Private Finance Initiative subsidy from the valuation (this will continue to be paid separately)	1,183	31,125
Removing cost of proposed 10% minimum combined uplift to allowances	50	31,174
Including funding for disabled facilities adaptations of £116m per year. This is distributed on a per dwelling basis.	-1,611	29,563
Including a 30 year forecast of stock losses from Right to Buy sales	-862	28,702
Including debt management expenses	-283	28,418
Including stock losses from planned demolitions - current forecast is based on responses to March consultation	-280	28,138
Approx core 2012 valuation at 6.5% discount rate		**28,138**

National Housing Revenue Account debt figure in March consultation		**21,485**
Change	**Impact on national debt figure**	**Debt after change**
Updating the HRA debt figures for councils with stock	43	21,528
Removing debt associated with stock transfers	-813	20,715
Spending Review funding for Decent Homes in 2011/12	260	20,975
Spending Review funding for Decent Homes in 2012/13	352	21,327
Removal of negative SCFR from opening debt	101	21,428
New forecast for national HRA debt at April 2012		**21,428**

Forecast net receipt for Government in March consultation	**4,867**
New forecast receipt for 2012 implementation	**6,711**

Annex B. Indicative figures by local authority

Local Authority	Stock for Rent	Self-financing Valuation £m	Subsidy Capital Financing Requirement £m	Self-financing Settlement Payment £m	Indicative Borrowing Limit £m**	Debt per Dwelling £	Combined Uplift to Allowances, including Disabled Adaptations
Adur	2,660	58.9	12.9	46.0	63.0	22,146	14%
Arun	3,454	77.3	10.8	66.5	77.3	22,370	13%
Ashfield	6,973	74.3	89.4	-15.2	74.3	10,650	13%
Ashford	5,013	117.4	6.0	111.5	120.0	23,421	15%
Babergh	3,503	91.0	9.6	81.5	91.0	25,988	15%
Barking	19,199	281.3	0.0	281.3	281.3	14,652	19%
Barnet	10,993	257.8	139.9	117.9	257.8	23,453	17%
Barnsley	19,095	281.0	275.2	5.8	281.0	14,714	14%
Barrow	2,717	30.3	19.0	11.4	30.3	11,156	10%
Basildon	11,395	219.0	157.2	61.7	219.0	19,216	14%
Bassetlaw	6,946	97.7	74.1	23.5	97.7	14,061	14%
Birmingham	64,720	1079.0	682.5	396.4	1079.0	16,671	13%
Blackpool	5,363	34.9	66.3	-31.4	34.9	6,504	8%
Bolsover	5,376	109.9	18.0	91.9	109.9	20,437	14%
Bournemouth	5,118	68.2	23.6	44.6	68.2	13,318	15%
Brent	9,225	212.4	397.3	-184.9	212.4	23,024	17%
Brentwood	2,544	65.4	3.6	61.8	65.4	25,709	11%
Brighton & Hove	12,304	146.4	137.1	9.3	146.4	11,897	14%
Bristol	28,226	280.3	210.7	69.7	280.3	9,931	16%
Broxtowe	4,619	78.0	15.8	62.2	78.0	16,894	11%
Bury	8,308	136.2	57.6	78.6	136.2	16,391	12%
Cambridge	7,405	230.1	10.5	219.6	230.1	31,067	12%
Camden	23,890	474.8	548.2	-73.3	474.8	19,875	15%
Cannock Chase	5,482	88.0	25.8	62.2	88.0	16,047	14%

Local Authority	Stock for Rent	Self-financing Valuation £m	Subsidy Capital Financing Requirement £m	Self-financing Settlement Payment £m	Indicative Borrowing Limit £m**	Debt per Dwelling £	Combined Uplift to Allowances, including Disabled Adaptations
Canterbury	5,214	105.7	15.8	89.9	105.7	20,280	14%
Castle Point	1,537	35.6	1.0	34.6	35.6	23,162	12%
Central Bedfordshire	5,215	158.8	0.0	158.8	158.8	30,441	14%
Charnwood	5,846	83.5	6.0	77.5	83.5	14,281	12%
Cheltenham	4,601	53.9	25.4	28.4	53.9	11,712	17%
Cheshire West	5,667	105.5	16.0	89.5	105.5	18,618	13%
Chesterfield	9,737	156.0	38.4	117.6	156.0	16,022	14%
City of London	1,887	21.0	14.1	6.9	21.0	11,119	14%
City of York	7,955	135.8	23.8	112.0	135.8	17,074	13%
Colchester	6,310	131.9	66.6	65.3	131.9	20,900	12%
Corby	4,776	68.7	1.3	67.4	72.9	14,393	14%
Cornwall	10,542	127.8	44.5	83.3	127.8	12,120	17%
Crawley	8,177	253.7	2.8	250.9	253.7	31,026	14%
Croydon	14,058	309.0	105.0	203.9	309.0	21,978	17%
Dacorum	10,620	343.5	0.0	343.5	343.5	32,339	15%
Darlington	5,453	60.0	32.7	27.3	60.0	10,998	9%
Dartford	4,344	83.2	0.0	83.2	83.2	19,152	14%
Derby	13,575	226.4	208.4	17.9	226.4	16,677	14%
Doncaster	20,780	252.1	312.8	-60.7	252.1	12,132	14%
Dover	4,471	87.9	0.3	87.6	87.9	19,660	14%
Dudley	23,048	432.8	97.4	335.5	432.8	18,779	15%
Durham	18,823	178.8	169.4	9.4	178.8	9,497	13%
Ealing	13,079	214.3	398.2	-183.9	214.3	16,387	16%
East Devon	4,290	87.3	2.8	84.5	87.3	20,358	18%
East Riding	11,006	214.0	18.9	195.1	214.0	19,442	11%
Eastbourne	3,726	39.8	70.5	-30.7	39.8	10,673	14%
Enfield	11,583	203.7	155.2	48.5	203.7	17,590	17%

Local Authority	Stock for Rent	Self-financing Valuation £m	Subsidy Capital Financing Requirement £m	Self-financing Settlement Payment £m	Indicative Borrowing Limit £m**	Debt per Dwelling £	Combined Uplift to Allowances, including Disabled Adaptations
Epping Forest	6,578	181.0	0.0	181.0	203.8	27,511	13%
Exeter	5,046	58.6	0.0	58.6	58.6	11,604	16%
Fareham	2,408	54.2	7.2	47.0	54.2	22,511	12%
Gateshead	21,308	310.6	353.0	-42.4	310.6	14,577	13%
Gloucester	4,544	62.5	59.9	2.6	62.5	13,766	15%
Gosport	3,219	53.8	0.0	53.8	57.9	16,720	14%
Gravesham	5,883	111.6	10.7	100.9	111.6	18,970	15%
Great Yarmouth	6,063	87.1	31.6	55.4	87.1	14,358	12%
Greenwich	23,745	262.7	435.5	-172.8	262.7	11,062	16%
Guildford	5,357	192.8	2.3	190.5	194.8	35,994	14%
Hackney	22,707	106.9	887.4	-780.5	106.9	4,706	15%
Hammersmith	13,070	242.2	452.0	-209.8	242.2	18,530	16%
Haringey	16,312	301.2	542.4	-241.2	301.2	18,463	18%
Harlow	9,915	209.2	0.0	209.2	209.2	21,097	14%
Harrogate	3,933	80.2	16.2	64.0	80.2	20,383	10%
Harrow	5,055	135.7	51.0	84.7	139.2	26,846	18%
Havering	10,088	203.1	34.6	168.5	203.1	20,134	16%
High Peak	4,105	62.9	30.8	32.2	62.9	15,330	14%
Hillingdon	10,350	277.6	105.5	172.1	277.6	26,817	17%
Hinckley	3,398	69.4	4.3	65.1	69.4	20,423	13%
Hounslow	13,419	254.9	264.1	-9.3	254.9	18,992	18%
Ipswich	8,187	146.8	45.3	101.6	146.8	17,936	15%
Isles of Scilly	108	0.8	0.8	0.0	0.8	7,059	10%
Islington	25,927	442.1	859.6	-417.5	442.1	17,053	15%
Kensington	6,924	208.8	196.6	12.2	208.8	30,163	14%
Kettering	3,812	74.5	6.2	68.3	74.5	19,538	13%
Kingston upon Hull*	25,717	294.5	228.0	66.5	313.1	11,450	13%

Local Authority	Stock for Rent	Self-financing Valuation £m	Subsidy Capital Financing Requirement £m	Self-financing Settlement Payment £m	Indicative Borrowing Limit £m**	Debt per Dwelling £	Combined Uplift to Allowances, including Disabled Adaptations
Kingston upon Thames	4,850	138.8	33.8	105.0	138.8	28,615	15%
Kirklees	23,122	235.2	277.0	-41.8	235.2	10,173	11%
Lambeth	25,941	386.2	566.3	-180.1	386.2	14,888	15%
Lancaster	3,810	59.0	29.0	30.0	59.0	15,476	14%
Leeds	58,429	695.7	830.0	-134.3	695.7	11,906	13%
Leicester	22,297	192.2	224.3	-32.1	192.2	8,622	15%
Lewes	3,258	68.9	16.3	52.7	68.9	21,154	15%
Lewisham	17,921	155.2	291.2	-135.9	155.2	8,663	15%
Lincoln	7,944	60.3	41.1	19.2	60.3	7,586	14%
Luton	8,197	124.8	40.4	84.4	124.8	15,226	14%
Manchester	17,419	167.5	441.2	-273.6	167.5	9,619	13%
Mansfield	6,665	87.6	42.9	44.7	87.6	13,143	13%
Medway Towns	3,050	42.3	26.7	15.6	42.3	13,875	13%
Melton	1,897	31.9	5.9	26.0	31.9	16,842	13%
Mid Devon	3,091	54.5	7.1	47.4	54.5	17,631	20%
Mid Suffolk	3,433	78.0	20.5	57.5	78.5	22,720	18%
Milton Keynes	12,511	249.6	88.9	160.8	249.6	19,954	15%
NE Derbyshire	8,189	168.4	42.6	125.8	168.4	20,565	17%
New Forest	5,017	152.3	12.8	139.4	152.3	30,352	16%
Newark	5,431	104.4	74.3	30.1	104.4	19,215	14%
Newcastle upon Tyne	29,396	330.9	663.6	-332.7	330.9	11,256	12%
Newham	18,341	234.1	786.7	-552.6	234.1	12,763	15%
North Kesteven	3,797	74.1	18.9	55.2	74.1	19,515	17%
North Tyneside	15,668	261.6	142.4	119.2	261.6	16,697	12%
North Warwick	2,724	64.4	3.4	61.0	64.4	23,651	16%
Northampton	12,250	194.5	15.5	179.0	194.5	15,880	15%
Northumberland	8,526	82.7	95.2	-12.5	82.7	9,703	14%

Local Authority	Stock for Rent	Self-financing Valuation £m	Subsidy Capital Financing Requirement £m	Self-financing Settlement Payment £m	Indicative Borrowing Limit £m**	Debt per Dwelling £	Combined Uplift to Allowances, including Disabled Adaptations
Norwich	15,710	225.6	81.2	144.4	225.6	14,362	14%
Nottingham	28,638	286.9	360.6	-73.8	286.9	10,017	14%
Nuneaton	5,931	89.4	18.2	71.2	89.4	15,068	14%
NW Leicester	4,383	85.0	13.6	71.4	85.0	19,398	14%
Oadby & Wigston	1,262	20.5	3.7	16.9	20.5	16,262	13%
Oldham*	1,963	32.4	30.0	2.4	209.0	16,488	10%
Oxford City	7,772	234.4	34.5	200.0	234.4	30,166	16%
Poole	4,620	89.7	45.9	43.8	89.7	19,411	14%
Portsmouth	15,177	172.9	91.5	81.4	172.9	11,394	13%
Reading	7,298	208.1	54.2	153.9	208.1	28,519	13%
Redbridge	4,691	92.7	33.9	58.7	92.7	19,756	16%
Redditch	6,041	100.1	0.0	100.1	112.6	16,577	14%
Richmondshire	1,591	26.9	6.2	20.7	26.9	16,925	13%
Rochdale	13,777	125.4	240.8	-115.4	125.4	9,102	12%
Rotherham	20,910	310.7	314.7	-4.0	310.7	14,858	13%
Rugby	3,920	82.9	10.0	72.9	82.9	21,141	13%
Runnymede	2,988	100.8	0.2	100.6	100.8	33,743	16%
Salford	10,522	100.5	114.3	-13.8	100.5	9,555	14%
Sandwell	30,317	512.5	477.2	35.2	512.5	16,904	13%
Sedgemoor	4,133	62.4	8.5	53.9	62.4	15,102	17%
Selby	3,172	59.6	5.3	54.3	59.6	18,797	14%
Sheffield	41,803	338.2	905.4	-567.2	338.2	8,089	13%
Shepway	3,444	57.9	21.3	36.6	57.9	16,820	15%
Shropshire	4,249	90.3	5.9	84.3	90.3	21,245	15%
Slough	6,488	168.7	41.6	127.2	168.7	26,010	14%
Solihull	10,423	181.5	109.7	71.7	181.5	17,410	12%
South Cambridge	5,482	205.6	0.0	205.6	205.6	37,500	19%

Local Authority	Stock for Rent	Self-financing Valuation £m	Subsidy Capital Financing Requirement £m	Self-financing Settlement Payment £m	Indicative Borrowing Limit £m**	Debt per Dwelling £	Combined Uplift to Allowances, including Disabled Adaptations
South Derby	3,057	64.2	9.4	54.8	64.2	21,006	14%
South Holland	3,901	70.5	7.2	63.3	70.5	18,079	17%
South Kesteven	6,279	129.8	13.5	116.2	129.8	20,666	14%
South Lakeland	3,184	77.7	13.1	64.6	77.7	24,404	11%
South Tyneside	18,187	251.9	204.6	47.3	251.9	13,852	12%
Southampton	17,050	185.7	122.0	63.7	185.7	10,893	14%
Southend-on-Sea	6,137	97.3	62.3	35.0	97.3	15,848	13%
Southwark	39,337	500.9	775.1	-274.1	500.9	12,735	15%
St Albans	5,154	186.5	10.8	175.7	186.5	36,182	14%
Stevenage	8,298	211.0	0.0	211.0	211.0	25,425	15%
Stockport	11,483	150.3	172.9	-22.6	347.7	13,089	11%
Stoke-on-Trent	19,297	197.7	109.6	88.2	197.7	10,247	14%
Stroud	5,229	97.8	4.0	93.8	97.8	18,709	17%
Sutton	6,471	170.1	22.7	147.4	170.1	26,290	19%
Swindon	10,490	176.6	31.1	145.5	176.6	16,838	17%
Tamworth	4,540	78.4	34.7	43.7	78.4	17,277	15%
Tandridge	2,675	70.8	2.4	68.4	71.3	26,471	12%
Taunton Deane	6,085	117.8	30.6	87.2	117.8	19,356	17%
Tendring	3,246	57.0	24.3	32.7	57.0	17,565	11%
Thanet	3,120	27.6	28.3	-0.7	27.6	8,847	16%
Thurrock	10,322	180.2	24.2	156.0	180.2	17,456	15%
Tower Hamlets	12,643	156.5	410.6	-254.1	156.5	12,377	14%
Uttlesford	2,872	86.7	0.5	86.2	86.7	30,174	15%
Waltham Forest	10,489	186.2	312.0	-125.8	186.2	17,753	17%
Wandsworth	17,202	489.0	106.4	382.6	489.0	28,426	15%
Warwick	5,621	147.3	13.8	133.4	147.3	26,199	14%
Waveney	4,596	87.1	19.0	68.1	87.1	18,950	14%

Local Authority	Stock for Rent	Self-financing Valuation £m	Subsidy Capital Financing Requirement £m	Self-financing Settlement Payment £m	Indicative Borrowing Limit £m**	Debt per Dwelling £	Combined Uplift to Allowances, including Disabled Adaptations
Waverley	4,940	189.0	3.2	185.7	189.2	38,250	14%
Wealden	3,106	63.6	16.4	47.2	63.6	20,490	12%
Welwyn Hatfield	9,335	296.4	0.0	296.4	296.4	31,753	16%
West Lancashire	6,318	96.6	3.6	93.0	96.6	15,294	13%
Westminster	12,307	308.0	257.1	50.9	308.0	25,025	14%
Wigan	22,794	357.8	254.5	103.2	357.8	15,696	14%
Wiltshire	5,382	123.2	3.8	119.4	123.2	22,895	17%
Winchester	5,055	161.4	9.8	151.6	161.7	31,926	14%
Woking	3,464	99.3	4.2	95.1	118.2	28,651	13%
Wokingham	2,771	100.4	6.8	93.6	100.4	36,242	15%
Wolverhampton	23,539	370.1	381.4	-11.3	370.1	15,721	13%
Wycombe	6,128	197.8	0.0	197.8	197.8	32,272	14%
Unallocated Decent Homes funding (2011/12 & 2012/13)†			612.0				
Estimate of the value of future demolitions‡		-280.0					
Total	**1,730,004**	**28,138**	**21,428**	**6,711**	**28,887**		
Average						**18,679**	**14.24%**

** The indicative borrowing limit is based on debt taken on plus the higher of Subsidy Capital Financing Requirement or 2010 opening Housing Capital Financing Requirement
*Partial Stock Transfer: The valuation figure is based on the stock number following the partial transfers. Current estimates suggested that Oldham will have approximately £30m and Kingston upon Hull approx £228m of debt following these transfers. The actual level of debt associated with the remaining stock has not yet been determined.
† £634m of funding for Decent Homes backlog has not yet been allocated to individual councils. This unallocated funding has been added to the Subsidy Capital Financing Requirement for the purpose of calculating the total figure.
‡ This table does not reflect the fact that for some local authorities future demolition will change their valuation. Our estimate of the overall effect of accounting for future demolitions (reducing the valuation by £280m) has been included for the purpose of estimate the total figures.

Department for Communities and Local Government

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