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Funding self-financing: the DCLG perspective

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Overview of presentation

- Context
    - Key financial aspects of the settlement
    - Key legislative aspects of the settlement
- What's in it for you?
- Managing the Transaction
- What you need to consider
- Timetable

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Self-financing: the settlement

A good overall settlement - especially given the tight parameters of the Spending Review:

•a discount rate of **6.5** per cent

• realistic expenditure for **management, maintenance and major repairs** increasing the costs to an average of £956 per dwelling per year for major repairs and an average of £2061 per dwelling per year for management and maintenance. This represents a 14% increase in cost assumptions (compared with 11% in the March 2010 consultation)

•**£116 million** of extra funding each year to pay for **disabled adaptations**

• funding for **Treasury Management costs** and to reflect **planned demolitions** over the first couple of years

• predicted **stock losses from Right-to-Buy sales** built into the valuation

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Self-financing: the legislative framework

- **Abolition of the Housing Revenue Account subsidy system in England**

- **Settlement payments** to be set out in determinations (both from and to central government)

- Ability to **re-open the settlement** if there has been a change in the matters originally taken into consideration in setting the settlement payments (eg. rental income or expenditure needs). Ministers have put on record that this would only be used in exceptional circumstances

- A **limit on housing borrowing** for each council - borrowing must be affordable nationally as well as locally

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What's in it for you?

- **More generously funded:** on average 14 per cent higher than under current system
- **In control:** Able to effectively manage and maintain stock for the long-term based on certainty of income. Able to develop real asset management plans
- **More effective accountability to tenants** based on local income and expenditure

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Managing the Transaction

- Flows of £20bn between 171 LAs and Govt
  - £13.4bn from LAs to DCLG
  - £5.6bn from DCLG to PWLB to pay-off whole/part debt
  - £0.2bn from DCLG to pay off non-PWLB debt
  - £1.2bn in premia payments to PWLB
- Managed in context of Government's top priority – reducing the budget deficit
- Exploring options around Transaction Date

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Principles

- Working closely with PWLB and HMT on preparations for the transaction.
- Important for LAs surface any concerns whilst we still have time to work through
- In everyone’s interest to avoid surprises – open communication and collaboration around shared objectives
- Working group with LGA to work through issues
- Need to manage macro-economic impacts – will want to work with sector, HMT and PWLB to monitor borrowing plans

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What you need to consider

- DCLG not advising on specific routes – LAs should seek the best deal
- Ensure you have sufficient treasury management skills
- Borrowing options
  - PWLB
  - Bonds or other private sector routes
  - Own reserves
  - Mixture of above
- Need to consider all costs and risks

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Timetable

Jun 2011: Up-to-date information sought from councils

Aug 2011: Stock data to be returned to DCLG

Nov 2011: Consultation on self-financing determinations

Jan 2012: Final self-financing determinations issued

Apr 2012: Start of self-financing

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