

**HRA Reform: the really big issues
CIH Briefing**



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Introduction

The government published its wide ranging consultation paper on the outcome of the Review of Council Housing Finance on 22 July 2009. The consultation follows the trailing of the review's outcomes in the ministerial announcement to parliament on 30 June in which the housing minister John Healey set out plans to radically overhaul the financial system for council housing in England.

This briefing follows an initial period in which CIH have been able to test the reactions of a range of authorities, tenants, agencies and other opinion formers so that we can set out the really big issues which are likely to form the key areas of debate within the consultation period (returns are required to CLG by 27 October) and into any future period of implementation.

Government's proposal is to dismantle the current national housing subsidy and finance system and replace it with one based on self-financing Housing Revenue Accounts (HRAs) following a one off adjustment to the debt held by each HRA. The government has also acknowledged that the system is under-funded and set out key research findings which support increases in assumed funding within the system.

It is the biggest opportunity for over a generation to reshape the future of the council housing sector. CIH, along with all other mainstream sector representative agencies, is strongly supportive of all moves to enable local people to take financial control over their homes and communities.

The proposals are genuinely radical, involving the localisation of council housing finance for the first time for generations and the keeping of rent and right to buy receipt income locally. Nonetheless, such radical proposals necessarily involve much detailed work to develop the architecture of the new system, to analyse and test the options for change and to understand their implications locally and nationally.

The consultation documentation sets out 17 questions for respondents to address. In the briefing below, we have focused a general discussion around the major issues which will inevitably be more contentious than others, and we have set out our headline responses to these key issues.

As always, we urge anyone with an interest in the future of social housing to respond to the consultation. CIH will continue to seek influence over the future of council housing finance and to ensure the interests of the sector are heard. If you work in an authority or ALMO and seek assistance with getting to grips with the possible impacts locally, ConsultCIH can provide a series of bespoke analyses to inform your response, update your HRA business plan, brief members and/or board and tenants, provide modelling to test alternative national options and develop what the key deal-breakers are likely to be for you.

This briefing is organised by the following key areas:

- Background
- The basis for the one-off settlement
- The accounting and technical/debt issues associated with implementing the settlement
- The ways the system could work after the settlement
- Other issues
- Summary.

Background: the problems with the current system

The consultation covers the main issues which have arisen as the housing subsidy system has come under increasing pressure in recent years. These include:

- The difficulty in making the right assumptions about resources for all authorities within the system. Because the aim of a national system is the fair and equitable distribution of resources within it according to spending needs, the calculation of the distribution has become increasingly complex as the business of housing management and maintenance has become more complex. There is an implicit recognition by CLG that this is no longer a business that is so easily determined in terms of needs.
- The majority of authorities are in 'negative' subsidy (that is, they make payments to the Exchequer from their housing revenue accounts, rather than receiving 'positive' subsidy), but the system itself is in overall surplus. This peaked at nearly £200m in 2008/09 but has reduced in 2009/10 to around £100m as a result of the reductions in planned rent increases effected late in the day.
- The system is deeply unpopular. As it moves further into surplus as rents increase to formula rent into the future, it is difficult to find any authority or stakeholder that would say that a) the system provides them with enough resources and b) the national approach remains the most efficient way of doing it.
- Volatility and changes at short notice, not only because of the late rent reduction last year but because the annual approach to determining resources means that it is very difficult to plan for the future. Actually housing is by its nature a relatively stable business based on assets with a long-term future and reasonably predictable income.
- Increasing complexity and lack of transparency. To an extent all of the above mean that the system has become too complex and is therefore understood fully by very few people. What should be a fair, simple and transparent system is perceived by all as unfair, certainly not simple and lacks transparency for those who work in council housing and those who receive homes and services.
- Lack of local accountability. This adds up to a fundamental lack of accountability in the system, where tenants are unable to fully hold their landlords to account because so much of the financial decision-making is undertaken by government and not the landlord.

The paper acknowledges that the government-council relationship is 'mired in operational detail' when it should be a strategic relationship. All other detailed redistributive mechanisms have been abandoned many years ago. Council housing finance is an anachronism with government intervening in microscopic detail to move money around, pressing buttons at one end with no predictability of what will happen at the other end.

CIH supports the dismantling of the current national subsidy system on the basis of a fair and viable one off settlement releasing all authorities to manage their finances locally.

The basis of the one-off settlement

The review has concluded that council housing finance is under-funded. There are four areas of under-funding. The dismantling of the system is also likely to lead to one-off costs (called 'transaction' costs).

In terms of future spending settlements, CLG must secure the support of the Treasury to finance the following four areas of costs at higher levels than those currently included within the council housing finance system.

Description	Amount	How it is proposed to finance the increase in costs
Management and maintenance	5%	Factored into the one-off debt settlement for all authorities
Ongoing major repairs	24%	Factored into the one-off debt settlement for all authorities
Outstanding decent homes backlog	£1.4-£2.9bn	Capital grants allocated according to need/bids
Improvement backlog	£6bn	Capital grants allocated according to need/bids
One off transaction costs include stock surveys, debt redemption and implementation costs		

The distinction between the 'pots' above is important both in the context of how the expenditure is treated in government terms and where the future funding allocations might be made from.

Research to inform the basis of the financing conclusions above was undertaken into management and maintenance costs and the Major Repairs Allowance, and the outcomes have been published with the consultation material.

The key research conclusions are summarised below.

Management and maintenance

Local authorities spend on average 5% more on services than they receive in subsidy (M&M) allowances; the balance is funded from other resources within the HRA. Management allowances are some 8% short and maintenance allowances 3% short.

Whilst there is some consistency across years and across regions for this level of shortfall, the London region shows as an outlier in terms of the gap. Allowances were increased for all authorities outside London in 2004 and, for inner London Boroughs in particular, real terms allowances have therefore reduced since. Whether the shortfall against actual costs is as a result of the allowances having been reduced too much or because London Boroughs have been slow to reduce their actual costs in line with allowances might be subject to further detailed research work.

In any event, the consultation paper sets out the prospect of a settlement based on an uplift of management and maintenance set at 5% nationally but possibly varying between region or authority types. There is obvious potential for contention between authorities and it will be important for the further research work to be rigorous and inclusive so that the scope for future disagreements between authorities which could delay the settlement is minimised.

Further, on average, local authorities spend 5% less on management and maintenance than housing associations (after adjusting for VAT and other technical matters). When there is real financial freedom, associations therefore choose to finance spending on services at a higher rate than local authorities, presumably on the basis that needs are greater. This might support a view that the assumed uplift to M&M allowances should be 10% (rather than 5%) although this has apparently not been accepted by government.

CIH supports the move to fund HRA services at an increased rate as current allowances fall short of needs and do not reflect the growing diversity of service provision. We believe the government should take a further look at factoring in a greater (10%) uplift for services to bring council housing funding in line with housing associations.

The HRA ring fence: core and non-core services

Work within the review considered the split between 'core' and 'non-core' housing services, the definitions for which have been with us for many years. The research estimated that up to 40% of gross housing management expenditure is on services which have been traditionally regarded as 'non-core', including supported housing, anti-social behaviour, personal advice etc. However many of these services are now regarded by tenants as core to their experience of the housing service. Therefore, an additional descriptor for 'core plus' services has been developed to distinguish between those additional services which are rightly landlord services and those 'non-core' which are properly 'non-landlord'. The implications are not easy to ascertain as there is no commitment to provide central/additional funding for 'core plus' services and it may be that the main outcome of this part of the research is to provide evidence about what should and should not be properly charged to the HRA.

The consultation therefore reaffirms a commitment to the HRA ring fence and recommends strengthening the guidance around what should and should not be charged to the HRA (and the General Fund, for other council services). The last guidance was issued in 1995 and is inadequate for the modern diverse pattern of housing services. Updated guidance is expected to be issued during or after the implementation and is essential to support a locally financed HRA in order to prevent leakage of resources to General Funds.

The principles for the operation of the ring fence are:

- Separate landlord account for capital and revenue (currently this operated only for revenue)
- Landlord services are definitively charged to the HRA
- There will be some services that will be defined as chargeable to the General Fund, including housing needs and advice, housing strategy
- All requirements for services through the Tenant Services Authority as regulator should be funded via the HRA
- Standards set for services should allow for tenant choice and influence.

CIH supports the absolute principle that housing resources should be used for housing and supports the general principle that landlords' resources should be used for spending on landlords' services. Where there is consensus locally around the more flexible use of resources to meet the full range of housing needs, there should be flexibility to act accordingly.

CIH supports the linking of funding to the requirements of the TSA as regulator. Cross domain regulation should be supported by a level financial playing field between the local authority and housing association sectors.

Major Repairs Allowance and Improvement backlogs

Research was undertaken by the Building Research Establishment into the level and coverage of the MRA and the outcomes support a long-held belief in the council housing world: that the MRA is significantly under-funded.

In particular, shortfalls are due to the following factors:

- The MRA excludes external components
- The MRA is based on an old formula which has not kept pace with costs
- Assumed lifetimes in the MRA methodology are different from those assumed in the Decent Homes Standard.

Wide ranging trailing of the outcome of the BRE research highlighted that the absolute minimum shortfall was 43%, the most likely level nearer 60%. The latter figure in particular confirms the work undertaken in the self-financing pilot project and the experiences of recent stock transfers.

However, the government has opted to split the 43% uplift into two: 24% for ongoing need and a 19% element for backlog Factoring in 24% rather than 43% increases the amount of debt settlement across the sector.

The 19% has effectively been converted into cash terms - estimated between £1.4billion and £2.9billion - and represents outstanding major repairs/decent homes works not yet financed by the system and which, according to the paper, will be financed through future capital grants. The distinction is important as future grant funding would be subject to successive spending review allocations whereas the ongoing element factored into the debt settlement would only need funding once.

Additional backlogs of work 'post-decent homes' are identified in the paper at £6billion, again following research by BRE. This covers such needs as environmental investment, energy efficiency, and non-traditional properties. This estimate is in line with work undertaken by the six pilot authorities in the self-financing project.

The paper makes reference to the pressures on disabled adaptations and recognises the anomalies of funding between adaptations in the private sector (funded by the General Fund) and those in the public sector – funded by the HRA. Research within the review identifies a possible backlog of £5billion but the issue is ducked and no account taken of this estimate in the main consultation paper.

Whilst all authorities will have some element of additional improvement backlogs, the distribution is likely to be quite uneven, with skewing towards larger urban and London authorities. The uplift to MRA is also likely to be unevenly distributed between authorities and property types. An illustration within the review papers provides some insight into the possible variations if such an approach was adopted. There is therefore the potential for differential uplifts to operate within the settlement calculation and for the future distribution of grants to be targeted to specific groups of authorities.

The paper envisages individual stock survey updates will be undertaken for the purposes of release from the system. These are expected to inform the requirement for future grant funding and could be used as the basis for a distribution of these grants.

CIH supports a significant uplift in funding for future major repairs at the full level identified by BRE, a minimum of 43%. The splitting off of a large proportion of this uplift identified for grant funding risks under-funding the debt settlement and launching self-financing business plans with insufficient headroom to meet future needs.

CIH believes that the government must address what it acknowledges as significant funding pressures for disabled adaptations. More work is required to understand the potential shortfalls and to develop realistic proposals to meet future needs.

Calculation of the debt settlement

Research undertaken within the review identified a range of options for the calculation of 'opening debt settlements' for individual authorities. The consultation paper sets out proposals to undertake a 'Tenant Market Value' (TMV) calculation, commuting future net rental cashflows into a single debt amount which those cashflows are able to support in the future. The assumptions in this calculation will be nationally calculated and based on future rental income less allowances (uplifted as set out above).

The push by a few authorities, supported by the LGA, to have debt written off as part of the settlement is explicitly rejected as 'unfair to the taxpayer'.

The benefit of the TMV approach is that, as long as income and expenditure moves in line with the assumptions in the settlement, authorities will gain more and more headroom for additional investment as time moves on and as rental surpluses grow.

A critical issue however is the outcome of the TMV calculation, both locally and nationally. The outcome can vary considerably depending on the assumptions of rent convergence, uplift in allowances, and whether existing debt charges are factored into the calculation. A major and thorough piece of work is required to develop a methodology which will result in a settlement that balances the interests of tenants, taxpayers, central and local government, and which will allow HRAs to be viable when they are set free from the system.

To illustrate the point, if rent convergence is assumed at 2017 and there is no assumption of uplift in allowances, the commuted sum of rental surpluses will be something over £30billion at the national level. This compares to current debt levels of £17-18billion. Uplifts assumed in allowances would need to be quite significant in order to arrive at a commuted sum equivalent to the current debt levels of around £17-18billion. Such uplifts would almost certainly be in excess of the proposed 5% for M&M and 24% for MRA.

This leaves the risk that the outcome of the proposed debt settlement could be to 'reallocate' more debt than there actually is in the system. In other words, the settlement could provide additional resources for government, which could be used to finance transaction costs and future backlogs if recycled as capital grants. This in turn could reduce the call on existing capital funding (which is in the form of Supported Capital Expenditure) – currently around £800m per year.

Notwithstanding the obvious difficulties in a 'reallocation' which actually allocates more debt, there are very persuasive practical reasons as to why such a move is unjustified.

- Some authorities may end up having to take more debt on than would allow them to finance their own business plans, thereby reinforcing a continued dependency culture through future reliance on grants.

- Starting with more debt means that there will need to be more borrowing to meet investment needs: an analogy would be of a householder who has taken out a huge mortgage to buy a property then finds the roof leaking – there is no choice but to repair the roof for which the owner must borrow as all their spare income is consumed by the mortgage; a lower mortgage would allow the owner to pay for the roof through day-to-day income.
- The government could give no guarantees that resources collected from the settlement would be allocated to cover HRA backlogs in the future.

It might be argued that the government needs to distribute more debt to collect resources to cover transaction costs. However, such costs as premiums on overhanging debt write off (for Public Works Loan Board [PWLB] debt) are understood not to be factored into the costs of stock transfers.

CIH supports the principle of the redistribution of current debt within the system as a fair and equitable way of developing viable long-term self-financing business plans. Saddling authorities with too much debt will reduce the scope to meet tenants' needs and the needs of the stock without further reliance on borrowing. If authorities become self-financing, there must be an expectation that responsibility for stock condition rests with the authority; authorities will not have the choice of allowing stock to deteriorate.

CIH strongly opposes the allocation of more debt than is currently in the system. This would lead to unsustainable business plans and an over reliance on future grant allocations which no government could guarantee in advance to provide.

CIH strongly supports the continuation of Supported Capital Expenditure allocations converted into future capital grants as an appropriate contribution by the taxpayer to the long term sustainability of council housing neighbourhoods. To do otherwise would push the settlement too far in favour of the taxpayer with no guarantees to the rent payer that their investment would be returned to council housing.

CIH supports the principle that transaction costs should be treated in the same way as for stock transfers.

Some technical, debt and accounting issues

The move towards self-financing HRAs requires legislative change to underpin a long-term change in the way in which council housing is accounted for. The government has also proposed that legislation is required to 'enforce' the debt settlement (see below).

There are undoubtedly a very large number of technical and accounting issues which are thrown up by self-financing and the one off reallocation of debt and which merit a close examination in terms of legislative provision. To assist responses to the consultation, a number of the key ones are highlighted below.

The mechanism for debt reallocation

The paper implies that for authorities where debt is to be reduced, a certain number of loans will be identified, taken centrally and written off, incurring charges. Assuming the national redistribution of current debt only, approximately £7billion across around 50 authorities will need to be moved in this way. New debt will be issued to authorities where debt is to increase. This appears to suggest a 'top slice' approach as opposed to one

which takes all debt in and reissues it all out again. There are issues with the treatment of PWLB debt as opposed to market debt – it may be that some private lenders will be unwilling to have their loans moved and repaid. Interest rates could also provide an interesting dimension, particularly given that they could be rising in the future.

Which measure of debt? Could it be earmarked?

There are several measures of housing debt applying to each HRA – arising from the operation of a single loans pool for each authority and the level of debt in the subsidy system being different to the actual level locally. An authority with large prudential borrowing on the books might look at things differently to one which is debt free. Those with high interest historic rates may see an opportunity to clear down some old high coupon loans. Those with low interest rates would not want to take on debt at higher rates. There could be indirect consequences for General Funds. The devil is very much in the detail and authorities will need to be clear as to which approach could benefit their circumstances.

One option that CIH believes merits exploration is the earmarking of specific housing debt to be ring fenced as the HRA debt. This could provide for extra clarity between what is HRA and what is General Fund expenditure and borrowing, although some economies of scale would be lost. Earmarking or ring-fencing HRA debt could also help to allay the fears of some low debt authorities that are concerned about the implications of taking on large levels of new debt.

Centralisation or redistribution

One option considered within the review was around the government taking all debt centrally and levying a fixed charge or contribution – a kind of ‘contribution to the historic housing debt as at...’. Some favoured this approach as it did not involve the actual taking of debt onto the books of authorities with low or no debt. Others felt that this would continue to provide government with too much power to alter future charges and would end up being a subsidy system in a new guise.

In the end, the government chose one-off redistribution. In fact true self-financing can only really come about when the debt is controlled locally. However, given the obvious uncertainties around future government and policy direction, CIH maintains that there could be some merit in exploring options to centralise first, then redistribute later, especially as some of the benefits of self-financing could then be put into operation straight away. It might be possible to carry out such a temporary centralisation through existing determination mechanisms, without waiting for legislation.

CIH supports the move towards self-financing and the long-term reallocation of debt as the only sustainable method for future council housing finance. Technical issues should be addressed as quickly as possible within the implementation period to minimise the potential for delays to the settlement.

CIH also believes that it is worth exploring using existing rules to implement elements of the settlement as soon as possible to keep up the momentum for change and so that some of the benefits of self-financing can be realised quickly.

After the settlement

The Housing and Regeneration Act 2008 contains an enabling clause allowing authorities to sign self-financing agreements with the government. It is not however clear from the consultation paper as to whether the government envisages a self-financing agreement signed with all authorities at the point of settlement.

It is clear, however, that there are critical issues around the future treatment of expenditure and investment in the public accounts which could have profound implications for the way in which a self-financing system operates.

Treatment of borrowing

Currently, housing borrowing of any type (supported or prudential) is treated as public borrowing. Other European countries treat housing borrowing differently as generally it is able to be repaid from a future income stream, and (as with housing associations) it is only government grant which really affects public borrowing levels. CIH is working with other organisations to reopen the case for a new policy on measuring public debt levels which would be consistent with those of other EU countries and would place borrowing for council housing investment on the same basis as housing association borrowing.

However, without a change in the rules of treatment for housing borrowing, all future borrowing undertaken in self-financing business plans will need to be publicly funded and will 'score' against CLG's housing budgets. The two key issues for Treasury are the level and predictability of that borrowing. The consultation refers to the need for 'fiscal compatibility' of self-financing with future government financial policies.

The paper can lead to an inference that Treasury would prefer there to be as little future borrowing as possible after the self-financing settlement and that any need for up front investment would be controlled through a bidding process for grants, or financed from revenue as happens to a large extent in Scotland. Their main concern is that if there is too much headroom, authorities will simply borrow against that headroom in huge amounts. The approach therefore might therefore be to restrict future headroom through authorities taking on higher debt. However, experience shows the opposite: that local authority finance professionals are risk averse and that a lower debt settlement could not only reduce the reliance on, but also reduce the extent of, future borrowing.

The real power of a self-financing plan is the ability to be able to match resources with spending needs as and when the need arises - borrowing in years when needs are high and repaying debt in years when needs are lower. There is a fundamental issue of understanding here between the sector on the one hand, which looks forward to raising resources locally, and the government on the other, which seeks to limit future borrowing. Urgent work is needed to begin to reconcile these positions.

One option would be for the TSA as regulator to assess the viability of borrowing and debt levels in line with the role it has for housing associations. Similar business plan analysis techniques could be employed.

CIH understands the government's need to control public expenditure and the need for proper and effective controls over future borrowing levels. However, for self-financing to deliver long-term sustainable investment, there must be an acceptance that authorities can borrow in accordance with prudential rules.

There is a strong case for a new policy on measuring public debt levels which would be consistent with those of other EU countries and would place borrowing for council housing investment on the same basis as housing association borrowing.

Future changes to self-financing plans

The consultation paper includes references to an interest in how authorities will use future surpluses and what might come to pass if business plans get into trouble.

Government interest in capturing future surpluses if these are 'too great' was prevalent throughout the self-financing pilot project. We fundamentally oppose an approach where government carries some reserve power to step in and capture future surpluses.

Step-in powers for failing business plans are more problematic given the obvious governance differences between housing associations regulated by TSA and local authorities/ALMOs. A key concern would be the implications for the wider local authority's finances if the HRA were to 'fail'. However, there is no reason why a properly regulated plan which began with a reasonable debt settlement should ever 'fail' – and how would failure be dealt with if not through the large scale reduction in expenditure to balance the books? This approach does not sound much different to the current circumstances of the HRA subsidy system, where if there is a large projected deficit in the HRA it has to be balanced by cutting costs or (within rents policy) by increasing income.

Self-financing borrowing agreement

CIH believes that an agreement signed by authority and government would give sufficient legitimacy to the self-financing plan and offer the ability to factor in the roles and responsibilities of all parties moving forward. Work will therefore be required on the format of such an agreement.

There will be a need to build capacity in some councils to manage the finances of a fully self-financing HRA.

Treatment of right to buy receipts

There is an acceptance by government that RTB receipts should be retained locally. The proposals implicit within the consultation paper suggest that 25% of these would be available for spending on any capital purposes (as now) and that 75% would be reserved for affordable housing and/or regeneration.

There will be a requirement for a proportion of receipts to be allocated to the HRA to compensate for lost income when a property is sold. The government is not envisaging being prescriptive about the actual percentage for the HRA in each authority although it is likely that there would need to be some certainty locally, certainly over the medium term.

The government has raised a point about possibly directing receipts utilisation to new or existing stock (although whether this is HRA or non-HRA is not stated). However, it is likely that most authorities will want to retain flexibility locally as to how to utilise the receipts as and when they arise.

CIH strongly believes in the principle of local receipts spent locally and the availability of 100% of RTB receipts locally is welcome, but long overdue. The government should act without delay and make the appropriate changes to the capital accounting regulations for the 2010/11 financial year.

Other issues

The consultation paper touches on alternative options and sets out a strong future for ALMOs alongside retained management authorities. The implications for future stock transfer proposals are potentially significant if a fully self-financing system is implemented:

- A better funded and sustainable HRA may not lead to proposals for transfer being developed in the first place (although local conditions might continue to lead to partial transfer proposals).
- Where transfer is a preferred whole stock option (for reasons other than funding), housing debt levels will not be subject to overhanging debt clearance – future stock transfer receipts would in this case need to cover housing debt.

Removing the financial favourability towards stock transfer as an option could bring to an end over two decades of whole stock transfers in which around one third of council housing has moved over to housing associations.

There is a short passage on sinking funds for leaseholder contributions towards future major repairs. Whilst many leases provide for funds to be established, the government is proposing to make this more explicit in legislation. *CIH believes that sinking funds are a positive tool for managing future repair obligations, subject to the local support of leaseholders.*

There are three questions raised around equalities impacts, in particular whether there could be a direct or indirect impact on equalities from the self-financing proposals.

Summary

Closing off stock transfer as a realistic whole stock option after a self-financing settlement provides a major argument against the reallocation of high levels of debt within the settlement. If more debt is allocated than is currently in the system, authorities may find their plans unable to sustain the stock, particularly if borrowing is artificially restricted in the future. Authorities may literally be left with 'nowhere to go' to meet future needs.

HRA self-financing has the potential to reverse decline and to place council housing on a long-term sustainable footing for the first time in well over a generation. The system is at a crossroads with rent income greater than revenue expenditure for the first time ever. Self-financing has the power to reconnect the tenant with the landlord in terms of local discussion about how to spend rent income and has the power to deliver huge efficiencies through the adoption of long term predictable plans.

But the devil is in the detail of the settlement. If debt levels are too high, authorities' self-financing plans will be hampered from the start, over reliant on future capital grants and unable to release the full potential of local financial control.

The government has undertaken a major review with large bodies of research and talked to thousands of stakeholders. Through this process, it has identified key and significant areas of under-funding which must be addressed. The government must make good on

the needs for more resources and find the route to self-financing which allows the greatest local choices in delivering the investment and sustainability needed.

This means reconsidering the uplifts for management and maintenance allowances and the Major Repairs Allowance, distributing no more debt than is currently in the system, covering the transaction charges in line with the treatment of stock transfers and allowing the TSA to regulate the viability of plans which include sensible and prudent borrowing to bring about the investment needed.

The impending general election causes potentially large challenges in terms of timing, particularly given the proposed need for legislation. The Housing Minister floated the prospect of an earlier settlement through consensus of all authorities. Since the consultation paper was published, several stakeholders have raised the potential for some authorities to leave earlier than others in order to 'pilot' the self-financing settlement. The adoption of a TMV approach to debt calculation is not incompatible with such a process. CIH will keep in close contact with government in assessing the potential for such a move.

The sector has debated financial flexibility and the end of subsidy for at least seven years. We have reached a milestone but not the end of the process. With all the debates and analyses which will be needed to get the detail right, it is critical that momentum is maintained and tenants see that the government is serious about change. Actions which can be taken now, including the retention of right to buy receipts locally, should be taken as soon as possible.

Please contact Steve Partridge on 07968 354948 or steve.partridge@cih.org to comment on this briefing and the government's consultation. Your views will inform our ongoing work to shape the future of council housing finance.

For assistance in modelling, briefings, capacity building and with responses, please contact Steve and the ConsultCIH team on 0844 5611758 or info@consultcih.co.uk. They can assist in facilitating your events and responses.

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