

# Business Planning and Financing for Housing

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# The Benefits of Self-Financing

- The modelling work (2006-2008) concluded that the key benefits of a move to self-financing would be :
  - Enabling planning for the long-term, by removing unpredictability
  - Enhancing local decision-making by allowing greater freedom to allocate rental income between services and stock investment
  - Enabling more effective active asset management, facilitating long-term decisions, including reuse and redevelopment
  - Improved access to private finance, allowing private finance to be levered-in through partnerships with developers and shared ownership
  - Delivery of greater efficiency, through long-term partnering arrangements and better packaging of works and more effective programming
- Effective business planning will be key to achieving such benefits

# Timescales

- It will be important to use the time available effectively
- Data will be required to support calculation of the settlement
- Further data will be required to complete an effective business plan
  - This may include schemes for remodelling, reprovision, etc
- Early thought needs to be given to how any additional debt will be funded e.g. PWLB, market, use of reserves or investments (n.b. CLG are recommending early contact with PWLB)

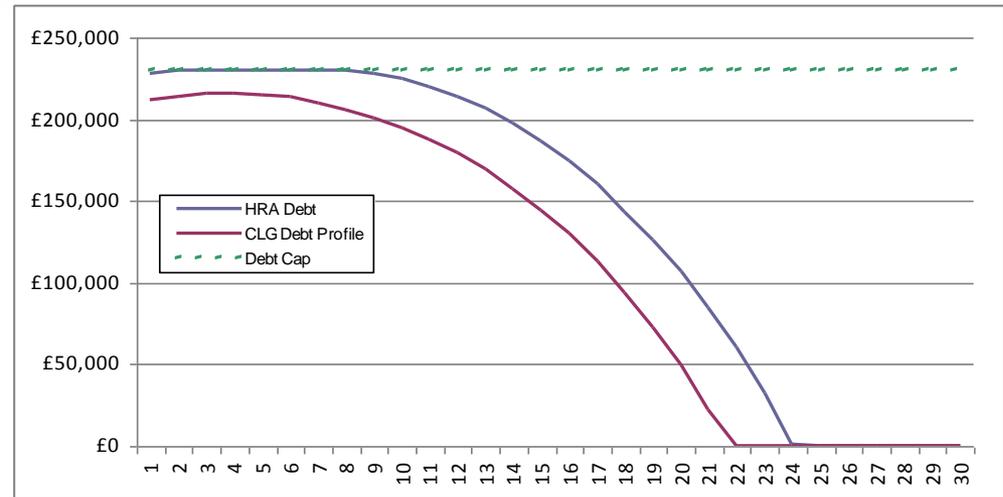
Date	Activity or deadline
March 2011	Stakeholder events with local authorities  Local authorities planning to submit evidence on demolitions are advised to contact DCLG
June 2011	Forms sent out to collect data on stock
August 2011	Data for self-financing provided to DCLG
August 2011 onwards	Data verified
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

# Funding Self-Financing (1)

- The determination will include a Council House Borrowing Limit for each authority, to keep PSBR under control
- The self-financing valuation will result in adjustments to each authority's debt
- Where actual debt exceeds the level assumed in the subsidy determination, the difference will be included in the limit (subject to conditions)
  - New prudential borrowing in 2011/12 or in the remainder of 2010/11 will only be included with the specific agreement of CLG, so as not to incentivise further new borrowing

## Funding Self-Financing (2)

- Where actual debt is lower, the resulting headroom will be available to allow increased borrowing



- The localism Bill includes powers to vary the calculation of the Council House Borrowing Requirement and Borrowing Limit for one or all authorities in order to:
  - Avoid incentivising ‘unusual credit arrangements’
  - Retain flexibility to respond to ‘big external changes’

# Reopening the Settlement

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- A key benefit of the new system was expected to be certainty over future finances, however ....
- The Localism Bill provides for further settlement payments in certain circumstances.
- This is limited to changes in factors taken into account in calculating the previous settlement
- In exercising this power the Government would issue a further determination and consult on it
- Government has said it would only use this power if a change is made which would have a “substantial material impact on the value of the landlord’s business”

# Key Issues to Consider

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- Skills Audit – is there a need for new / updated skills (e.g. procurement, treasury management, etc) ?
- Existing data sets – are they sufficiently complete and accurate to allow effective scoping and programming of works ?
- Risk appetite – does the associated risk assessment match the authority's appetite ?
- Review and updating – do you have effective processes to ensure the Business Plan will remain current and viable ?
- Consultation – who are the key stakeholders and what is the proposed level and timing of consultation ?
- Ring-fencing – does current practice reflect the required principle that “who benefits pays” ?

# Summary

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- Self-financing provides a range of new challenges and opportunities
- Fundamental will be the move from short-term thinking and decision-making to long-term planning
- Making the best of this new opportunity will require effective business planning
- Effective consultation with all key stakeholders will be essential in determining a vision and business plan for the new HRA
- Key to delivering this for April 2012 will be effective project planning and management



# Question Time

