Additional Housing Revenue Account Borrowing & Grants for Social Housing

June 2018

The Civic Centre in Newcastle-on-Tyne. Newcastle is one of 168 local authority areas that will be eligible under the new programmes for additional council borrowing and social homes.

Introduction

The Ministry for Housing, Communities & Local Government has finally announced how it intends to raise the housing revenue account borrowing cap by a total of up to £1billion in areas of high affordability pressure for local authorities that are ready to start building new homes.

Local authorities in England outside London will be able to bid for increases in their caps from 2019 to 2020, up to a total of £500million by the end of 2021 to 2022. The government states that the programme will help to deliver an increase in council housebuilding. A separate programme of £500million will operate in London with the Greater London Authority expected to announce how this will work soon. Of the total, £400million will be available in 2019/20, £300million in 2020/21 and £300million in 2021/22.

A prospectus inviting eligible local authorities to bid for additional borrowing under this programme was launched in June 2018, along with instructions to local authorities about the bidding parameters. The deadline for submitting bids is 5pm on Friday 7th September 2018.

However, the new borrowing flexibility for new council homes will be limited to areas where private rents are at least £50 a week more than social rents and the government has identified the 168 local authorities that meet this criterion. Councils will be able to use social housing grant, capital receipts and prudential borrowing to fund the new build. New homes will have to be social, affordable or shared ownership. The scheme cannot be used to fund housing that will be held by a local housing company, joint venture or other arms' length vehicle.

Bids will be assessed for value for money, deliverability and affordability and the bids that attract the highest scores will be prioritised.

Homes England has also announced an increase of £1,670million in the social and affordable housing programme for England outside London that follows the additional funding that was provided for London in March 2018. This takes the form of an addendum to the Shared Ownership and Affordable Homes Programme 2016 to 2021.

In his foreword to the prospectus, James Brokenshire MP, the Minister for Housing, Communities & Local Government wrote that:

"Like the Prime Minister, I want to see a new generation of council house building. Historically, local authorities have been a driving force in council house building in this country. You have the land, the planning responsibilities and you know what your communities need.

"Crucially, you also have the ambition. Local authorities often say they would build more houses, if only they could borrow more money. There are also repeated calls for greater flexibility when it comes to using this money. You have been keen to build, but held back for too long. We are listening and taking action.

"Last year the Chancellor said we would lift the Housing Revenue Account caps for councils in high-demand areas. Today, I am also enabling councils to combine borrowing with AHP grants or Right to Buy Receipts, so the money goes even further. This prospectus outlines a long-awaited chance for local authorities to show the government what can be achieved when money is there."

The purpose of this briefing paper is to summarise the government's prospectus, Homes England's addendum and the reaction to them of the sector and to provide some commentary.

Why should Local Authorities bid to this programme?

The government points out that Local authorities collectively had £3.5billion borrowing headroom in 2016/17, but this is not spread evenly. They recognise that some local authorities, with little or no borrowing headroom, have found it difficult to finance the building of new council housing or to replace homes sold under the Right to Buy scheme. Hence the proposal to allow local authorities in areas of high affordability pressure to bid for increases in their borrowing caps.

The primary objective that the Government wants to achieve through this Housing Revenue Account borrowing programme is to increase the supply of new council and affordable homes delivered by local authorities. They also wish to increase the number of new homes that local authorities build to replace homes sold under the Right to Buy scheme; and boost housebuilding skills and capabilities across the local government sector.

When the government first announced that it was considering this scheme, many in the sector expressed scepticism because a similar scheme in 2013 had not been fully subscribed and did not result is as many new homes being built as intended. At that time an additional borrowing programme of up to £300 million was available but, following a competitive bidding process, local authorities took up around £145million of that borrowing. Local authorities felt that the conditions attached to the programme were unnecessarily restrictive and the government has accepted this criticism.

The government state that they have used the learning from that programme to develop this new £1billion additional borrowing programme, and that it includes several flexibilities designed to make it easier to bid and get building as follows:

- Local authorities will be able to combine the additional borrowing secured through this programme with other funding sources which they could not use in the previous borrowing programme. To finance the development of new homes, local authorities will be able to use either grant funding from the Shared Ownership and Affordable Homes Programme 2016-21 (subject to the requirements in the Shared Ownership and Affordable Homes Programme 2016-21: Addendum to the Prospectus – see below) or retained capital receipts from the sale of council homes sold under the Right to Buy, together with the additional borrowing, to fund new housing.
- The bidding requirements have been streamlined, removing the requirements in the previous borrowing programme to report on progress in disposing of existing stock including the most expensive vacant housing, and requirements to demonstrate growth impacts and innovative partnership work.
- Alongside this programme, Homes England has published an addendum to the Shared Ownership and Affordable Homes Programme 2016-21, that invites local authorities and housing associations in areas of high affordability pressure to bid for grant funding for affordable housing, including for social rent.

How the Additional Borrowing Programme will operate

The £1billion of extra borrowing headroom is available £400million in 2019/20, £300million in 2020/21 and £300million in 2021/22. Half of the total in each year has been allocated to the Greater London Authority for London and the other half to Homes England for the rest of England. However, the actual allocation between London and the rest of England may alter in the light of bids.

Local authorities in areas of high affordability pressure will be able to bid for additional borrowing to build social rented housing, affordable rented housing, sheltered housing or supported housing. High affordability pressure areas are defined as those where there is a difference of £50, or more, per week between average social and private rents at the local authority level. A list of local authorities in high affordability pressure areas in line with this metric has been provided by the government. Local authorities that are not included in this definition will not be eligible to bid.

Local authorities will have three options when preparing their bids:

- Additional borrowing headroom only.
- Additional borrowing headroom to be used alongside grant funding from Homes England (subject to the requirements in the Shared Ownership and Affordable Homes Programme 2016-21: Addendum to the Prospectus -see below).
- Additional borrowing headroom to be used alongside their own unspent Right to Buy receipts.

Local authorities will be able to submit bids just to increase their additional borrowing head-room. In these bids local authorities will have to set out the additional homes that they can build from increased borrowing headroom.

Local authorities must indicate in their bids for additional borrowing whether they intend to use grant funding and, if this is the case, must make a separate bid for grant from Homes England that will be assessed independently, on its own merits, within the terms of Homes England's Shared Ownership and Affordable Homes Programme.

Local authority bids for additional borrowing that they would use alongside their unspent Right to Buy receipts to build new homes are designed to help those local authorities that have little, or no, borrowing headroom and are having trouble in financing replacement homes. Additional homes built because of bidding through this route will need to be clearly flagged at bid stage to be counted separately from homes built purely with additional borrowing or homes built with additional borrowing and grant funding.

Bids that combine additional borrowing alongside unspent Right to Buy receipts and the Shared Ownership and Affordable Homes Programme grant will not be accepted, because the government consider that this would not represent value for money.

Local authorities will be able to bid for additional borrowing as part of a regeneration scheme, but the government would need to be reassured about the additionality of such bids, and that they represented value for money. Only the net increase in the number of homes would be treated as additional housing.

Housing that will be ineligible for additional borrowing includes:

- Housing at intermediate rent / Rent to Buy.
- Market housing for sale or rent.
- Conversions.
- Acquisitions.
- Housing that will be owned by a Local Housing Company, joint venture or other type of housing vehicle.

There will be no limit on the amount of additional borrowing that a local authority may seek, although bids will need to confirm that the authority's Chief Financial Officer accepts that, if approved, the additional borrowing sought would be affordable.

Bids will need to demonstrate the three elements summarised below:

- Value for money – bids will need to demonstrate reasonable per unit scheme costs and should seek to maximise the numbers of units delivered for example through local authorities bringing forward their own land for scheme development to reduce costs or offering cross subsidy where possible.
- Deliverability - considering the annual profiles attached to this additional borrowing programme, the government considers that it is important that local authorities are ready to start building in relevant years and have the necessary capability to deliver to time and budget, as well as a track record of delivery.
- Affordability – the additional borrowing programme is targeted at areas of high affordability pressure, to help local authorities to build more of the right homes, in the right places, and ensure that the housing market works for all parts of the community. The government will rank bids according to the areas of the highest affordability pressure.

The Housing and Planning Act 2016 contains provision for councils to be obliged to consider the sale of vacant high value properties and to transfer much of the proceeds to central government. However, these provisions of the Act will not become operable until regulations are issued by ministers. The government's original intention was to use the proceeds of this scheme to fund the extension of the 'right to buy' to housing associations. In this prospectus, the government states that it is considering the implementation of the vacant higher value local authority housing legislation. In the meantime, they have confirmed that local authorities will not be required to make a payment in respect of their higher value vacant housing in 2018/19.

Local authorities that make successful bids will receive a new indebtedness determination to reflect the additional Housing Revenue Account borrowing up to the agreed amount, to finance capital expenditure on approved schemes during 2019/20, and/or 2020/21, and/or 2021/22.

Local authorities that receive additional borrowing must ensure that schemes undertake the necessary capital expenditure in the specified years. The government will agree quarterly monitoring arrangements with local authorities including progress on starts and completions. The government states that it will be essential that local authorities deliver to the agreed timetable and that if there is slippage the additional borrowing headroom may be reallocated.

How can Local Authorities bid for additional borrowing?

Local authorities can bid to draw down additional borrowing in 2019/20, and/or 2020/21, and/or 2021/22, subject to the annual profiles set out above. Bids will need to identify individual housing schemes separately.

Local authorities will be able to submit bids on their own or with partners, including joint bids with other local authorities, for example Combined Authorities, where they see advantages in unlocking additional housing at scale. However, bids will need to identify a single 'lead' local authority, and local authorities will be expected to carry out due diligence on any partners that they propose to work with to ensure viability and delivery of the scheme. Joint bids will be assessed at scheme level.

The government's list of local authority areas with high affordability pressure contains several local authorities that have transferred their housing stock to housing associations and therefore currently have neither housing revenue accounts nor borrowing caps. These authorities will be able to prepare bids to re-open their housing revenue accounts and construct new homes using a new borrowing cap. Local Authorities building new homes using the additional borrowing provided through this programme must account for them in a Housing Revenue Account.

Bidding authorities will have to set out their borrowing headroom and indicate the extent to which any such headroom is earmarked for other schemes or projects in their thirty-year Business Plan. For each scheme, the bid will have to include the following data:

- General scheme details: scheme description, address and X-Y coordinates - whether bid for housing revenue account borrowing only; housing revenue account borrowing plus 'right to buy' receipts; or housing revenue account borrowing plus Homes England grant - land ownership status – tenure.
- Characteristics of the homes to be provided: number of units - type of buildings (such as flat or house) and number of bedrooms - whether it is a section 106 site - number of beds - prospective rent per week (including service charges) - average market rent per week (for the house type and size).

- Financial details: total cost of the scheme broken down by acquisition costs, works cost and on costs - funding breakdown including housing revenue account borrowing requested and any existing housing revenue account headroom available and to be used - funding from other sources (such as ‘right to buy’ receipts or Homes England grant) - other local authority funding sources.
- Deliverability, key milestones and track record: actual or forecast planning consent date - forecast start on site and completion dates (between 1st April 2019 and 31st March 2022) - planning status - brief commentary on next steps and timetable to achieve planning consent (where relevant) - commentary on any recent track record of delivering affordable housing, together with any evidence.

Where approval is given to increase additional borrowing, the government expects that:

- Local authorities will drawdown the borrowing for the specified year.
- Development must start as soon as possible and at the latest within the year that the borrowing is drawn down.
- Schemes that involve a bid for Shared Ownership and Affordable Homes Programme grant alongside additional borrowing must ensure that starts on site take place by March 2021; hence they may wish to use grant in 2020/21 and additional borrowing in 2021/22.

Bids for additional borrowing will need to be signed off, and certified by, the local authority’s Chief Financial Officer. Bids will also be expected to confirm that (aside from Shared Ownership and Affordable Homes Programme grant, where applicable) schemes are not expected to receive other Government grant funding.

A scheme may facilitate the additional provision of market tenure housing, including for cross-subsidy purposes. Local authorities should clearly state this to allow consideration of wider value for money issues. Similarly, if additional borrowing will support associated infrastructure, in addition to enabling the delivery of council housing, this too should be clearly stated.

Under this programme, local authorities can use commuted sums arising from a developer contribution secured through a section 106 agreement generated on other sites. Commuted sums can be used alongside additional borrowing and Shared Ownership and Affordable Homes Programme grant.

Bid Assessment

The bid assessment will involve two stages:

- Stage I – Homes England will assess schemes to ensure that they represent value for money for the public purse; and are deliverable within the programme timeframe.
- Stage II – Homes England will rank bids according to the extent to which the local authority is in a high affordability pressure area, as measured by the difference between average social and private rents, at local authority level.

Assessment will be at scheme level. If a local authority submits a bid for additional borrowing for more than one scheme, it is possible that some or all scheme bids may not be successful.

The Stage I tests will be as follows.

Homes England will consider whether bids deliver reasonable value for money in terms of the extent to which they deliver new homes. The primary metrics that they will use for assessing the value for money of each bid will be:

- The overall per unit scheme costs.

- The level of additional Housing Revenue Account borrowing local authorities are requesting to deliver the scheme, per new affordable home, and as a proportion of total scheme costs. Local authorities will be able to enhance the value for money of their proposals where they bring forward land and can demonstrate procurement efficiencies in the delivery of new supply.

Homes England will seek evidence that local authorities are able to finance the scheme development, and bids will need to confirm that the local authority's Chief Financial Officer agrees that the borrowing is affordable.

In considering value for money the government recognises that, in some cases, there may be reasons why scheme costs or the resources available to bidders may vary and so Homes England will seek to take this into account where local authorities make this information clearly available.

Homes England will consider whether bids clearly demonstrate that they are deliverable. Factors which they will consider in assessing deliverability include:

- The stage of planning achieved;
- The status of land ownership;
- Forecast delivery in terms of numbers of units and draw down; and
- The local authority's track record of housing delivery.

The Stage II tests will be as follows:

Where bids demonstrate that they meet the value for money and deliverability requirements, Homes England will rank them according to affordability pressure. The metric they will use to measure affordability pressure at the local authority level is the difference between average social and private rents.

Homes England will rank and prioritise bids according to local authority areas where there are the highest affordability pressures in line with the above metric. If two local authorities put forward bids for the same amount of borrowing, the local authority with the highest affordability criteria would have priority.

Homes England will assess bids for Shared Ownership and Affordable Homes Programme grant separately under the existing continuous market engagement processes. Any bid for additional Housing Revenue Account borrowing will not be included in the assessment of value for money for Shared Ownership and Affordable Homes Programme grant.

Access to Housing Revenue Account additional borrowing headroom does not automatically secure access to Shared Ownership and Affordable Homes Programme grant. However, bids for additional borrowing relying on confirmation of grant funding from Homes England, will be assessed in isolation of grant funding requirements. The government will therefore conditionally approve a bid for additional borrowing that relies upon Shared Ownership and Affordable Homes Programme grant, subject to the grant bid being approved.

All bids for Housing Revenue Account additional borrowing will be assessed equally – regardless of whether the bid is seeking additional borrowing on its own, or additional borrowing to be used alongside Shared Ownership and Affordable Homes Programme grant, or additional borrowing to be used alongside unspent Right to Buy receipts. Homes England will not assess bids as having value for money for the purposes of the additional borrowing entitlement.

Homes England will assess schemes. Homes England and the Ministry of Housing, Communities and Local Government will moderate the assessment. Government Ministers will take final decisions on which schemes will be supported. If the programme is over-subscribed with high quality bids, a reserve list may be prepared setting out the schemes that could be taken forward quickly in the event of another scheme suffering significant slippage.

Local authorities will be responsible for ensuring that they use the additional borrowing in accordance with all applicable legal requirements. Local authorities must not use the additional borrowing to displace other sources of available funding or for purposes other than the building of new housing.

The closing date for submission of bids is 7th September 2018. Bids will be assessed and moderated and decisions will be taken during the autumn; following which decisions will be announced and successful local authorities will be issued with revised indebtedness determinations.

Shared Ownership and Affordable Homes Programme

In October 2017 the Government announced that social rent would once again became a tenure eligible for funding; to be focused in areas of high need. The statement announced an additional £2billion to deliver social rent across England including London, of which £1billion will be made available in London. Following these two announcements, in June 2018 Government confirmed a total additional budget for Homes England of £1.67billion to deliver social rent as well as tenures currently available through the Shared Ownership and Affordable Homes Programme. This funding is available to local authorities and housing associations.

James Brokenshire MP, the Minister for Housing, Communities & Local Government, in making the announcement, said that:

"The government has ambitious plans to fix the broken housing market and build the homes our communities need. Today's announcement is a further milestone. It will secure the delivery of an additional 23,000 much needed affordable homes as well as paving the way for a new generation of council houses. The majority of these new homes will be in high cost areas, helping to ease the burden of rent on hard working families and delivering stronger communities."

It has been reported that the £1.67billion comes from a total of £9billion set aside for affordable housing projects through to 2022, including the extra £2billion announced in October 2017. However, the government has not provided a breakdown for how that has been divided up.

This Addendum to the Prospectus invites bids against the available funding, for the range of tenures available including Social Rent. Bidding will be assessed on an ongoing basis in a process of Continuous Market Engagement. The Addendum sets out further details of this process.

Social Rent is defined as low cost rental accommodation that is typically made available at rent levels that are set in accordance with the rent component of the Social Housing Regulator's tenancy standard. Homes for Social Rent funded under the Shared Ownership and Affordable Housing Programme 2016 to 2021 must be let under the terms of the tenancy and rent setting arrangements set out in Homes England's Capital Funding Guide. Rent levels are calculated according to the government's social rent formula that is based on relative property values and relative local earnings.

The government states that it is a priority for them that funding for Social Rent is allocated to areas of greatest need. They are therefore only inviting bids for Social Rent funding from areas that can demonstrate that they are in a high affordability pressure area; although funding for all other tenures will remain national, and not be subject to geographical assessment.

All schemes bid through Continuous Market Engagement must be firm schemes, as defined in the Prospectus; bids for indicative schemes will not be accepted. The Prospectus sets out:

- Information requirements relating to firm schemes.
- Requirements (including Homes England's presumption against funding affordable homes provided under a Section 106 agreement, on a larger site developed as market housing, and the additional information requirements where an exception is proposed).

Bids via Continuous Market Engagement will be subject to the established assessment process considering both deliverability and value for money and in the case of Social Rent must also be in an area of high affordability pressure.

Homes England will assess the scheme proposals from each provider independently. Each scheme should therefore be able to stand alone, with no cross subsidy or interdependence with other schemes submitted by a provider, including where schemes are on the same site. Bid assessment will use the same quantitative and qualitative metrics set out in the Prospectus that emphasises value for money and deliverability.

As with the increases in the borrowing cap, social rent funding will only be available within a local authority that is subject to high affordability pressures. The key metric is the difference between average social rents and private rents and we will fund Social Rent in local authorities where the difference between these is £50 per week or more.

Quantitative assessment will also be used to determine the relative score of new bids against allocations made within the same Homes England Area in the initial bid round (for Shared Ownership and Rent to Buy) and in the subsequent Continuous Market Engagement for Affordable Rent.

Bids for all products will need to provide qualitative information on the use of innovative housing construction methods, as set out in the Prospectus. There are additional qualitative information requirements for social rent bids.

Housing Deals

The addendum also outlines the proposed approach to 'Housing Deals'. Homes England will open discussions with Registered Providers where there is evidence of their capacity to deliver at pace and scale over and above existing commitments. Registered Providers must be able to demonstrate what additionality to Affordable Housing supply a deal-based approach to funding would bring to their current contracted delivery profile.

Deal propositions will be taken forward on a bespoke basis that responds to local needs. Due diligence will be undertaken to test proposals. Interim targets for delivery on a quarterly and annual basis will be agreed as part of these discussions.

Response of the Sector

Responding to the announcement on the extra borrowing capacity, Jonathan Werran, the interim Chief Executive of 'Localis' told the 'Estate Agent News' that:

"The securing from the Treasury of this measure of extra financial flexibility – to areas of the country with the highest housing costs and affordability pressures – is a significant win for local government as it seeks to champion a beefed-up role for the sector in helping fix the national housing crisis.

"The reality of the situation remains challenging. Last year just 1,490 homes were started by local authorities – suggesting the majority of local government is not set up for the large-scale construction of housing anymore. In context, an extra 12,500 more council homes built per year would mean the sector uprating its output very considerably.

"This announcement is a positive step forwards to engendering the kind of mixed economy which worked well enough in the years following Harold Macmillan's successful tenure as housing secretary, when state and private builders didn't crowd each other out as much as mutually reinforce each other's ambitions.

"If government wants a new generation of new council homes it must continue down the track of empowering, resourcing and directing local authorities accordingly."

However, the response from within local government was less enthusiastic. Councillor Martin Tett (Conservative), Leader of Buckinghamshire County Council and Local Government Association housing spokesman said that:

"The Local Government Association has been clear that councils must be given greater freedom to borrow to build desperately-needed new homes in their local areas and play a leading role in solving our housing shortage. Today's announcement is a positive step in the right direction towards triggering the renaissance in council housebuilding that we urgently need to ensure more affordable, secure and stable homes for everyone.

"The next step for the Government now is to accept the calls of the Local Government Association and the influential Treasury Select Committee to scrap the cap on council borrowing in every community across the country. This would free councils to make the investment decisions that will boost housebuilding in their local areas unencumbered from rules and regulations created in Whitehall.

"It is generally accepted that the country needs to build 300,000 homes a year to keep up with demand. The last time this country built the amount of homes it needs each year, councils were responsible for forty percent of them.

"For councils to be able to resume their historic role as a major builder of affordable homes, we need to see initiatives that support housebuilding in local communities – that means borrowing to build with no added restrictions, keeping 100 per cent of receipts from Right to Buy sales and granting greater flexibilities on Right to Buy discounts to local communities."

And John Bibby, Chief Executive of the Association of Retained Council Housing told 'Inside Housing' that:

"While we welcome the lifting of the cap for some councils, we are pushing for the complete lifting of the cap for councils across the country. Housing need is a much more complicated story than a £50 difference between market rents and social rents. You need to look at homelessness figures and housing waiting list, and what people are actually able to pay."

Conclusions

The government has committed to building 27,000 new 'affordable' homes in London and 23,000 in the rest of England, as part of its £9billion investment in affordable housing. Of these 50,000 homes, roughly 22,500 will be for social rent, 12,500 outside of London and 10,000 within the capital. These numbers could increase if councils apply to the additional borrowing fund. However, they appear small in relation to council waiting lists. For example, there are 22,000 people on the waiting list in Lambeth alone.

It is generally accepted that there is a need to build at least 300,000 homes a year in England. Taken in this context, the government's programme is quite modest. The Local Government Association has consistently argued that the 'borrowing cap' should either be abolished or lifted significantly to enable local authorities to invest £7billion in new social housing but these proposals only offer one seventh of that borrowing to fund investment. They therefore fall short of the aspirations of those in local government.

The government's calculations show that there is 'affordability pressure' in all the London boroughs and in most local authority areas in Eastern England, the Southeast and the Southwest. However, there are only 23 local authority areas in the Midlands and only eleven in the North that are found to be facing 'affordability pressure'. 88% of authorities in the south (excluding London) will be eligible, compared with only 15% of authorities in the north. Furthermore, the government states that priority will be given to schemes that are in the areas of greatest 'affordability pressure'. It is therefore clear that most of the additional investment will be in London and in relatively affluent areas of the East, South and West.

However, there are currently 376,297 people waiting for social housing in the north of England – including the north-east, north-west and Yorkshire and the Humber – compared with 258,135 in the south-west and south-east - 118,162 more people on council housing lists in the north of England than in the south outside London. There are 243,668 people on waiting lists in London.

Some commentators have suggested that, these programmes will not necessarily provide additional homes where they are needed most, and that they will also contribute to the increasing divide between the relatively prosperous parts of England and those that are in relative decline. They suggest that extending the scheme across the whole of England would be preferable.

It is also the case that most of the unused 'headroom' in housing revenue accounts nationally is currently in London with some borough councils unable to use the 'headroom' that they already have because of a shortage of revenue resources in their housing revenue accounts. This situation was created by the initial self-financing settlement and exacerbated by the rent reductions required by the Welfare Reform & Work Act 2016. Whether such councils will be able to make use of the additional resources that are now being made available is therefore open to some doubt.

In January 2018, it was reported in the 'Local Government Chronicle' that HM Treasury had only set aside £880million in its budgets for this initiative claiming it did not expect councils to be able to take up all the additional borrowing capacity that is being offered. This may reflect the shortage of revenue resources to support additional borrowing, especially in London.

Some commentators have suggested that if the government was serious about housing people who are on waiting lists in social housing, they would also be reducing the number of social homes that are being lost through the ‘right to buy’ scheme. The Scottish and Welsh governments have already abolished the ‘right to buy’ but in England, the United Kingdom government is still pursuing a policy to ‘re-invigorate’ the ‘right to buy’ through increased discounts and, in practice, the homes that are lost are not being replaced.

Some commentators have also suggested that the government’s definition of ‘affordability pressure’ demonstrates that their ‘affordable homes’ programme is not actually affordable.

Research by Trust for London states that the average rent for a two-bedroom property in London is £1,730 per month. Therefore, an affordable rented property would be available for around 80% of that figure that is £1,384 per month. Local authorities in London rent two-bedroom social housing properties at an average of £470 per month. This means an average £914 per month gap between affordable rented and social rented housing.

The £50 / week that the government considers produces ‘affordability pressure’ equates to £217 / month. That gap suggests that any new affordable rents would cost over four times the level the government itself defines as creating ‘affordability pressure’ in the case of London. This analysis suggests that the ‘affordable rent’ product is not actually affordable.

Any increase in resources for social housing either through borrowing or grants is welcome as it will help local authorities and housing associations to tackle the housing crisis. However, it appears that the additional resources being offered are probably not sufficient and that the government’s plans to target them at areas of highest affordability pressure may not be appropriate.

Adrian Waite
June 2018.

Note: These programmes will be covered in our seminar: ‘Developments in Local Authority Housing Finance’ (see below). I am also available to assist local authorities with the submission of bids under these programmes.

Developments in Local Authority Housing Finance – Seminar

We are holding seminars on 'Developments in Local Authority Housing Finance' in July and October 2018. This seminar looks in depth at current developments in local authority housing finance in England – especially the implications of the policies of the government, the public finances, rent policy, welfare reform including universal credit, issues around the reinvigorated 'right to buy', changes to the funding of supported housing including the proposed sheltered housing rent and locally administered budgets for short-term accommodation, the implementation of the homelessness reduction act, the flexible homelessness reduction grant, the affordable housing programme (including the new funding for social housing), the selective raising of the borrowing cap, local housing companies (what they can offer, how to establish them and how to set one up) and new development. If you want to be up to date with the world of local authority housing finance, this is the seminar for you!

The seminar will address the following questions:

- What is the Political, Economic, Social and Technical Context?
- What are the implications for local authority housing finance of the government's policies on housing and welfare?
- How can councils address the housing crisis by developing new homes?
- How can councils develop effective self-financed business plans?

Who should attend?

All those with an interest in developments in local authority housing finance in England, including Managers in Local Authorities and Arm's Length Management Organisations, Elected Members, ALMO Board Members, Housing Accountants and Tenant Representatives. The session will assume a basic knowledge of local authority housing finance but will not assume that delegates are experts.

The session is accompanied by a very useful book entitled: **"Developments in Local Authority Housing Finance 2018"**

Prices:

- The cost of this seminar in London is £250 plus VAT making a total of £300. **However, there is a £20 discount for people who book a month or more in advance making the cost £230 plus VAT making a total of £276.**
- The cost of this seminar in Leeds is £195 plus VAT making a total of £239. **However, there is a £20 discount for people who book a month or more in advance making the cost £175 plus VAT making a total of £210.**

Venues and Dates:

- **North:** Novotel Hotel, Leeds – Tuesday 10th July 2018
- **London:** Novotel Hotel, Waterloo – Tuesday 9th October 2018

For further information or to make a booking, please click here: https://awics.co.uk/developments-in-local-authority-housing-finance-2018

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