

Social Housing Green Paper: The Financial Implications for Local Authorities

August 2018



Flats on the Briant Estate in Lambeth

Introduction

The Ministry for Housing, Communities & Local Government finally published its Green Paper on Social Housing on 14th August 2018. Entitled 'A new deal for social housing', the Green Paper is wide-ranging and includes five chapters as follows:

- Chapter 1 – Ensuring homes are safe and decent
- Chapter 2 – Effective resolution of complaints
- Chapter 3 – Empowering residents and strengthening the Regulator
- Chapter 4 – Tackling stigma and celebrating thriving communities
- Chapter 5 – Expanding supply and supporting home ownership

The Social Housing Green Paper is available on the Ministry for Housing, Communities & Local Government website at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733635/A_new_deal_for_social_housing_print_ready_version.pdf

**AWICS Ltd., PO Box 17, Appleby in Westmorland, Cumbria. CA16 6YL. Tel: 017683-51498.
Mobile: 07502-142658. Twitter @AdrianWaite. E-Mail: adrian.waite@awics.co.uk. Web: www.awics.co.uk**

Managing Director: Adrian Waite MA CPFA CIHM FInstLM. Registered office: c/o Butterworths Solicitors, 3 Walker Terrace, Gateshead, Tyne & Wear, NE8 1EB. Company Number: 3713554. VAT Registration Number: 721 9669 13.

The government has also published a consultation paper alongside the Green Paper on 'The use of receipts from Right to Buy sales'. This is also available on the Ministry for Housing, Communities & Local Government website at: <https://www.gov.uk/government/consultations/use-of-receipts-from-right-to-buy-sales>

This briefing paper focuses on those aspects of the Green Paper that have implications for local authorities and for finance, especially those that relate to expanding supply and supporting home ownership; and on the consultation on the use of receipts from Right to Buy sales. This briefing paper summarises those issues and the reactions of the sector as well as providing some commentary.

The consultation on the Green Paper is open until 6th November 2018 while the consultation on 'The Use of receipts from Right to Buy sales' closes on 9th October 2018.

Expanding Supply and Supporting Home Ownership

The Housing White Paper¹ sets out the government's plans to 'fix' the broken housing market and deliver the homes that this country needs. They have set a goal to deliver 300,000 homes a year by the mid-2020s. The last time that homes at this sort of scale in England, social housing made up almost half of the total. Social housing remains central to the government's supply ambitions. They consider that social housing can be built out more quickly because it does not rely on the mortgage market, can provide up-front funding to unlock sites, and can ensure new homes are acceptable to local people.

The government recognises that there remains a long-term need for social housing, especially in London and the Southeast. However, they acknowledge that there are housing pressures in other places too, including rural areas. The Green Paper points out that, while social housing supports some of the most vulnerable in our society, 58% of working age social tenants are in work. For many such working tenants, particularly those living in areas of acute affordability pressures, the reality of housing costs will make renting in the private sector or saving for a deposit more difficult.

Social housing provides a stable base that supports people when they need it. But the government also wants their social housing offer to be one that supports social mobility – not one that provides a barrier to aspirations. Around two thirds of social tenants would prefer to be home owners given a free choice. The government does not find this surprising as ownership provides people with greater control over their home and access to an asset.

Since the introduction of the 'Right to Buy' nearly two million households have been helped to become home owners, but still less than one third of social renters expect to realise these aspirations. In the government's conversations with residents, some said they wanted to access the 'Right to Buy' offer that had been promised or thought that they would like to take advantage of it in the future, while others were concerned that the homes being sold are not being replaced quickly enough. Some of those who had bought through 'Right to Buy' mentioned that home ownership would have been impossible for them without the scheme. The government wants to continue to help people to become home owners and to arrest the decline in home ownership. Equally, given high property prices and rents in the private sector, the government is mindful that they will need to replenish the stock of subsidised housing for the foreseeable future. The fundamental challenge is to reconcile the ambition to extend the opportunity of home ownership to as many social tenants as possible, with the responsibility to maintain and increase the stock of social housing for those who need it.

¹ Our briefing paper on the Housing White Paper can be viewed or downloaded from: https://awics.co.uk/files/module_document_pdfs/housing_white_paper_-_briefing_paper.pdf

To deliver the required social housing government thinks that central and local government, housing associations, private developers and others must pull together and radically increase the number of homes built every year. This chapter sets out the government's vision to:

- Help local authorities build by allowing them to borrow, exploring new flexibilities over how they spend Right to Buy receipts, and not requiring them to make a payment in respect of their vacant higher value council homes;
- Unlock additional supply through community land trusts and local housing companies;
- Actively investigate how to provide longer term certainty to help housing associations build more;
- Help people living in affordable home ownership schemes progress more easily to owning outright.

Supporting Local Authorities to Build More

While local authorities have built more council homes since 2010 than during the previous thirteen years, building remains at a low level when compared to the peak of council house building between 1951 and 1979 when local authorities delivered nearly half of new homes.

Local authorities have identified the following barriers that prevent them from building new homes:

- Restrictions imposed by the Government on their ability to borrow money to fund house building;
- Uncertainty about the level of rent that they can charge residents from 2020/21;
- Limitations on how they can use their receipts from homes sold under the 'Right to Buy'.

To address the barriers to local authorities building – and deliver the Prime Minister's commitment to a new generation of council house building – the government has already:

- Announced that it will raise the housing borrowing cap by up to £1 billion in areas of high affordability pressure²;
- Given landlords much greater confidence and certainty in their future rental income through the new rent settlement of Consumer Price Index plus 1% to 2025;
- Published a consultation on how local authorities can use the money raised from Right to Buy sales to help them build more homes.

The government has used this Green Paper to explore how they could go further.

Raising the housing borrowing cap

The government has heard from local authorities that they can and want to build more of the homes people need, but are constrained by the borrowing cap. The overall housing borrowing cap for local authorities is set at £29.8 billion, and there is currently £3.6 billion of borrowing headroom available to local authorities in total, but this capacity is not always in the areas where local authorities are ready and able to build. Many local authorities, especially those who are more ambitious and have already borrowed to build, have very little headroom left to borrow. 47 local authorities have less than 5% of their borrowing headroom available, so they simply cannot build any new council homes.

² Our briefing paper on 'Additional Housing Revenue Account Borrowing and Grants for Social Housing' can be viewed or downloaded from: https://awics.co.uk/files/module_document_pdfs/additional_housing_revenue_account_borrowing_and_grants_for_social_housing_-_briefing_paper.pdf

The government intends to use the new £1 billion borrowing programme to measure the appetite and ambition of local authorities and their effectiveness at building new homes, with a view to considering whether further reforms are needed. They will also weigh the continuing need to drive down public sector debt. They hope to see the borrowing programme fully subscribed and to receive evidence of a wide range of proposals from local authorities for new development.

Recognising the need for fiscal responsibility, the Green Paper seeks views on whether the government's current arrangements strike the right balance between providing grant funding for housing associations and Housing Revenue Account borrowing for local authorities.

Reforming Right to Buy Receipts

The government has published a consultation paper alongside the Green Paper that sets out proposed changes to the way local authorities can use 'Right to Buy' receipts to deliver new homes. The government is considering allowing local authorities to keep the 'Right to Buy' receipts they already hold for longer than the current three years to ensure the receipts can be used alongside the borrowing cap increase. They are also considering allowing a greater proportion of the cost of new Social Rent council homes in areas of high affordability pressure to be met through 'Right to Buy' receipts and to allow greater flexibility over the tenure of replacements – to include shared ownership as well as Affordable Rent and Social Rent. The government is seeking views on these and other options and will welcome input to the consultation that was published alongside the Green Paper. The consultation paper is considered in detail in this briefing paper (below).

Giving Local Authorities confidence to invest in home building

The government has listened to councils about their concerns that the government may decide to implement provisions contained in the Housing and Planning Act 2016 that would mean that they would have to make a payment in respect of their vacant higher value council homes and return some of the funds raised to the Government. Many councils have said that without knowing for certain whether this policy might be implemented in future years, it is difficult to make long term investment decisions. The Government remains committed to the principle that councils should use their housing assets effectively and should consider selling high value homes and using the funding to build more affordable housing. However, they have decided that this should be a decision to be made locally, not mandated through legislation and they understand that the uncertainty around the future of this policy could prevent councils from building.

Therefore, to increase councils' confidence to plan ambitious house building programmes, the government has confirmed in the Green Paper that they will not bring the Higher Value Assets provisions of the Housing and Planning Act 2016 into effect. They will look to repeal the legislation when Parliamentary time allows.

The role that local housing companies can play

The government considers that Housing companies can be an effective way to deliver new homes that the private sector is not delivering or that local authorities cannot deliver through their Housing Revenue Account. Generally, the government view is that local authorities should deliver new affordable housing through their Housing Revenue Account. However, they recognise that there are occasions where delivering these homes through housing companies might be appropriate.

This could include situations where local authorities do not have a Housing Revenue Account because they have previously transferred their stock, or where the Housing Revenue Account cannot sustain new building. In these circumstances, local authorities should consider whether they could transfer new affordable homes to a registered provider once they are complete.

Where a local authority applies for consent to dispose of more than five council homes to a local housing company, the government will want to see proposals that maximise the number of affordable homes and increase the overall level of housing supply. In these situations, a company might support bringing existing social homes back into use or be able to replace them with higher numbers, or a more appropriate mix, of homes.

The Government believes it is important that social housing residents can realise their aspirations and become homeowners. Where housing companies are delivering and retaining affordable homes they would expect them to offer an opportunity for tenants to become homeowners. Where their consent is required for schemes to go ahead, local authorities should explain how they plan to make a home ownership offer to tenants of any new affordable homes.

Consultation Questions

The Green Paper asks the following specific questions about expanding supply and supporting home ownership:

- Recognising the need for fiscal responsibility, this Green Paper seeks views on whether the government's current arrangements strike the right balance between providing grant funding for housing associations and Housing Revenue Account borrowing for local authorities.
- How we (central government) can boost community-led housing and overcome the barriers communities experience to developing new community owned homes?
- What level of additional affordable housing, over existing investment plans, could be delivered by social housing providers if they were given longer term certainty over funding?
- How can we (central government) best support providers to develop new shared ownership products that enable people to build up more equity in their homes?

Other Aspects of the Green Paper

Regulation

The Green Paper proposes that the social housing regulator would have greater powers to fine councils and intervene in their management arrangements. Among a series of measures aimed at giving the regulator 'sharper teeth', the government suggests that there should be the same minimum housing standards applied to both council and housing association tenants. The social housing regulator does not currently have the powers to issue fines to councils or assess governance arrangements if failings are identified but the government will consider whether to extend its remit to tenant management organisations and arms-length management organisations, with councils held responsible for poor performance. The Green Paper states that:

"The government respects the democratic mandate of local authorities, but this must be balanced with the need to ensure that residents are protected... There is a further question about whether more is needed to set out the accountability of the landlord for management services that are outsourced, or whether the regulator should have direct oversight of how these management organisations operate."

The government is proposing to publish league tables on all social landlords' performance, based on a series of indicators set by the regulator. These could focus on repairs, safety, complaint handling, effective engagement and neighbourhood management, including the response to anti-social behaviour. The green paper suggests that financial incentives and penalties could be introduced to drive up standards, with a proposal for the performance indicators to inform decisions on allocations through the affordable homes programme.

Stock Transfer

The Green Paper suggests that the housing stock transfer programme, which all but came to an end with end of the government's budget for funding stock transfers and the introduction of self-financing in 2012, could be revived.

In the Green Paper, the government states that:

"We are considering a new stock transfer programme to promote the transfer of local authority housing particularly to community-based housing associations. We are exploring options to demonstrate how community leadership can be embedded in the governance and culture of mainstream landlords, for example through a series of trailblazers to test new models and principles of structure and governance that allow for stronger community leadership."

The Green Paper goes on to ask the question:

"Would there be interest in a programme to promote the transfer of local authority housing, particularly to community-based housing associations? What would it need to make it work?"

Use of Capital Receipts from the 'Right to Buy' consultation

In his foreword to the Green Paper, James Brokenshire MP, the Secretary of State for Housing, Communities & Local Government, writes that:

"We will not require local authorities to make a payment in respect of their vacant higher value council homes and are exploring new flexibilities over how they spend Right to Buy receipts."

And in the Executive Summary the government stated that:

"To deliver the social homes we need we will support local authorities to build by allowing them to borrow, exploring new flexibilities over how they spend Right to Buy receipts, and not requiring them to make a payment in respect of their vacant higher value council homes... Having listened to the concerns of residents, we have decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants."

The Green Paper states that the government wishes to help local authorities to build by allowing them to borrow, exploring new flexibilities over how they spend Right to Buy receipts, and not requiring them to make a payment in respect of their vacant higher value council homes.

The government acknowledges that local authorities have identified barriers preventing them from building new homes including limitations on how they are able to use their receipts from homes sold under the Right to Buy.

As outlined above, the Green Paper includes a chapter on supply and supporting home ownership that sets out options to support local authorities to build more homes. These include changing the rules around how local authorities can use the money raised from Right to Buy sales to make it easier for them to build more homes.

The government published a consultation paper alongside the Green Paper that sets out proposed changes to the way local authorities can use Right to Buy receipts to deliver new homes. They are considering allowing local authorities to keep the Right to Buy receipts they already hold for longer than the current three years to ensure the receipts can be used alongside the borrowing cap increase. They are also considering allowing a greater proportion of the cost of new Social Rent council homes in areas of high affordability pressure to be met through Right to Buy receipts and to allow greater flexibility over the tenure of replacements – to include shared ownership as well as Affordable Rent and Social Rent.

The government are seeking view on these and other options. The consultation paper outlines several options and provides an opportunity to comment on these ideas. It also sets out options for reforming the commitment that every additional home sold (because of the increase in discounts introduced in 2012) is replaced on a one-for-one basis nationally.

Timeframe for spending Right to Buy receipts

Local authorities are currently required to spend their one-for-one Right to Buy receipts within three years otherwise they are returnable to the government. Local authorities are frustrated when they must return receipts plus interest despite having developments in the pipeline that they could be used on if they were able to keep them for longer. The government is not, however, proposing to extend the three-year deadline for all receipts as the ambition is still for local authorities to deliver replacements quickly and local authorities have now had six years since the rules were introduced in 2012 to build up their experience and capacity to develop and deliver new housing.

However, the government is considering allowing local authorities to hold receipts they currently retain for five years instead of three, to give them longer to spend the receipts that they already have. This would also be helpful for those local authorities that are successful in bidding for additional borrowing through the Housing Revenue Account additional borrowing programme. It would also allow time for the other flexibilities proposed in the consultation paper to be introduced, that could help to make it easier for both existing and future receipts to be used. If this flexibility was introduced, it would be made clear which receipts would fall under the five-year rule and which would fall under the three-year rule based on the quarter the receipts were received.

Cap on expenditure per replacement unit

Right to Buy receipts can currently fund no more than 30% of the cost of a replacement home. However, the government recognises that if an authority is in a high-demand area but up against its borrowing cap and therefore unable to borrow, or in a low-demand area where they can borrow but rents are too low to finance the required level of borrowing, this can provide a significant stumbling block. It can also be problematic for authorities wanting to build homes for social rather than affordable rent, as these require a greater subsidy than 30%.

The government is therefore considering allowing greater flexibility in the following circumstances:

- Increase the cap to 50% of build costs for homes for social rent in areas where authorities meet the eligibility criteria of the Affordable Homes Programme and can demonstrate a clear need for social rent over affordable rent; and
- Allow local authorities to “top-up” insufficient ‘Right to Buy’ receipts with funding from the Affordable Homes Programme up to 30% of build cost for affordable rent, or 50% of build costs for social rent where authorities can demonstrate a need for social rent, with bids for top-up to be submitted to the Affordable Homes Programme.

Use of receipts for acquisition

Last-minute high-value acquisitions, where local authorities use receipts rather than return them to the government have been highlighted as one of the problems affecting replacement. This has an impact on the level of new supply being achieved through 'Right to Buy' receipts. However, in some areas acquisition may be cheaper than new build and offer better value for money or may better reflect local needs. Acquisition can also be effective in bringing empty properties back into use. The government does not propose to implement a blanket ban on acquisition but is considering restricting acquisitions to help drive up new supply.

The government have considered restricting the use of receipts for acquisition by:

- Introducing a price cap per dwelling based on average build costs at Homes England and Greater London Authority operating area level; or
- Allowing acquisition in certain areas only, for example, where average build costs are more than acquisition costs.

The government's preference is for the first option as the second option would effectively introduce a blanket ban in some areas that would prevent acquisition of empty properties in those areas.

Tenure of replacement home

There can be viability issues in providing homes with social or affordable rents for some developments and the government is considering allowing local authorities flexibility to use receipts for shared ownership housing as well as for affordable and social rent. This could help with viability in some areas and is in line with the definition of affordable housing used under the Affordable Homes Programme. While this flexibility could lead to a reduction in the number of replacements being offered at affordable or social rent in some areas, this would be a matter for local authorities to determine in accordance with local needs. The government is aware from their engagement with local authorities that this flexibility is not, in any case, likely to be taken up in all areas.

Changing the treatment of the cost of land

Where local authorities want to use land in their General Fund to build housing on, they must compensate the General Fund from their Housing Revenue Account for the value of the land and the value of the land is not counted as a cost in calculating the authority's one-for-one expenditure.

The government is considering relaxing this restriction to allow local authorities to gift land from the General Fund to their Housing Revenue Account at zero cost, without increasing the Housing Revenue Account Capital Finance Requirement or increasing borrowing limits by the amount necessary to transfer land into the Housing Revenue Account. This would make it easier for local authorities to use land from within their General Fund for housing delivery. The government is considering limiting this to land that has been held in the General Fund for several years and are considering whether this should only apply to land that has not previously been developed or whether to include land with derelict buildings.

Transferring receipts to a Housing Company or Arm's Length Management Organisation

Local authorities are increasingly setting up housing companies as a means of delivering new housing. Local authorities are not currently allowed to transfer 'Right to Buy' receipts to a housing company or to an Arm's-Length Management Organisation as the homes built through these organisations do not come under the Housing Revenue Account and are, therefore, not subject to the same protections that residents in council homes enjoy. This means that rents are not set according to government policy and residents are not guaranteed the 'right to buy'.

The government believes that, in general, social and affordable housing should be built and managed within a local authority's Housing Revenue Account so that residents' rights are protected, and they have access to the Right to Buy. Maintaining this provision also guarantees the integrity of the ring-fence, protecting both council tenants and Council Tax payers from their money being used for purposes that will not benefit them. However, government recognises that there are occasions where delivering affordable housing through housing companies might be appropriate, such as where the Housing Revenue Account cannot sustain new building and is seeking views on the use of Right to Buy receipts through these organisations. The Government believes it is important that council social housing residents can realise their aspirations and become homeowners. Where housing companies are delivering and retaining affordable homes, government will expect them to offer an opportunity for tenants to become homeowners where feasible.

Temporary suspension of interest payments

Local authorities would prefer to spend the receipts themselves rather than return them to be spent by Homes England or the Greater London Authority as returned receipts are not targeted at the local authority area they were returned from. However, there will be instances where a local authority is unable to spend their receipts within the timeframe and the government is considering providing a short window of time during which local authorities could return receipts without interest. If introduced, the government consider that this flexibility would apply for one quarter only and that local authorities would be given notice of the timing to allow decisions to be taken on whether to return receipts. The period the flexibility would operate would tie in with the current 'Right to Buy' pooling requirement timetable.

Other Comments

The government is also inviting views on other flexibilities that could be introduced to make it easier for local authorities to deliver new housing with their 'Right to Buy' receipts.

One of these, is reforming the replacement commitment. The national target for one-to-one replacement of council houses sold through the 'right to buy' has now been missed for the last two quarters. This trend is set to continue. However, the measurement of the number of homes sold or acquired and the replacements built which count towards the commitment does not currently include:

- Homes sold by councils within the baseline forecast for Right to Buy sales from 2012;
- Homes sold under the preserved Right to Buy;
- Council homes sold other than through the Right to Buy;
- Homes built by local authorities with grant and other funding;
- Affordable homes built by housing associations.

The current target focuses on the effects of one policy and does not consider government's other efforts to increase the net supply of social and affordable housing. The government supports the building of new social housing that includes the £9billion Affordable Homes Programme. As such, since 2012, the number of homes provided for social and affordable rent is 159,000, compared to local authority 'Right to Buy' sales of 66,000. Considering the total net change in social and affordable rented housing stock, including the Preserved Right to Buy, other sales and losses due to demolitions, there has been a net increase of 49,000 social and affordable rented homes since 2012. Therefore, the government is consulting on whether it would be preferable to measure the overall effects of government policy on social housing stock, instead of narrowly measuring it against the Right to Buy target.

One option would be for the government to drop the current target and to focus on a broader measurement that considers all the social and affordable housing that has been sold or lost against the total number of additional social and affordable housing so that it is clear whether there has been an increase rather than loss overall. This would mean that all properties sold under the 'Right to Buy' would be included rather than just those above the baseline forecast in 2012, as well as new social housing bought or built by local authorities and housing associations, regardless of how this has been funded.

Specific Questions

These are questions to which the government is seeking a response:

- Question 1: We would welcome your views on extending the time limit for spending Right to Buy receipts from three years to five years for existing receipts but keeping the three-year deadline for future receipts.
- Question 2: We would welcome your views on allowing flexibility around the 30% cap in the circumstances set out above, and whether there are any additional circumstances where flexibility should be considered.
- Question 3: We would welcome your views on restricting the use of Right to Buy receipts on the acquisition of property and whether this should be implemented through a price cap per unit based on average build costs.
- Question 4: We would welcome your views on allowing local authorities to use Right to Buy receipts for shared ownership units as well as units for affordable and social rent.
- Question 5A: We would welcome your views on allowing the transfer of land from a local authority's General Fund to their Housing Revenue Account at zero cost.
- Question 5B: We would also welcome your views on how many years land should have been held by the local authority before it can be transferred at zero cost, and whether this should apply to land with derelict buildings as well as vacant land.
- Question 6: We would welcome your views on whether there are any circumstances where housing companies or Arm's-Length Management Organisations should be allowed to use Right to Buy receipts.
- Question 7: We would welcome your views on allowing a short period of time (three months) during which local authorities could return receipts without added interest.
- Question 8: Do you have any other comments to make on the use of Right to Buy receipts and ways to make it easier for local authorities to deliver replacement housing?
- Question 9: Should the Government focus be on a wider measurement of the net increase in the supply of all social and affordable housing instead of the current measurement of additional homes sold and replaced under the Right to Buy? If the target were to change, we would welcome your views on what is the best alternative way to measure the effects of Government policies on the stock of affordable housing.

Response of the Sector

Local Government Association

The Local Government Association housing spokesperson, Councillor Judith Blake (Leeds City Council, Labour) said that:

“This green paper is a step towards delivering more social homes but it is only a small step, compared with the huge and immediate need for more genuinely affordable homes.

“There is a desperate need to reverse the decline in council housing over the past few decades. The loss of social housing means that we are spending more and more on housing benefit to supplement expensive rents instead of investing in genuinely affordable homes. It has also come alongside an increase in homelessness, with 79,000 families, and almost 125,000 children, stuck in temporary accommodation.

“Councils are proud of their housing and their tenants and continually work to improve how they empower their tenants to achieve a positive and responsive relationship. However, they need the freedoms and powers to invest in new and existing housing that communities want for themselves and their children.

“The government must go beyond the limited measures announced so far, scrap the housing borrowing cap, and enable all councils, across the country, to borrow to build once more. This would trigger the renaissance in council house-building which will help people to access genuinely affordable housing.

“We have long called for reforms to Right to Buy in order to allow councils to build more homes, and there are some positive signs in the consultation. But we must go much further so that councils can deliver the affordable homes that our residents need and deserve, including allowing councils to set discounts locally and to keep 100 per cent of receipts from homes sold.

“It is good that the government has listened to our concerns and dropped plans to force the sale of council homes. We have worked hard to demonstrate the need to scrap this policy which would have forced councils to sell off large numbers of the homes desperately needed by low-income families in our communities.”

Society of Local Authority Chief Executives and Senior Managers

Martin Swales, Economic Prosperity and Housing spokesman at the Society of Local Authority Chief Executives & Senior Managers said:

“We believe there is scope to be even more ambitious by freeing up councils to build new social homes at scale.”

Chartered Institute of Housing

Gavin Smart, the Deputy Chief Executive of the Chartered Institute of Housing, said that:

“We are also pleased to see that government plans to consult on the rules on how local authorities can use the money they receive from Right to Buy sales as well as dropping plans to force local authorities to sell their most valuable homes.

“CIH has long argued for the removal of the barriers that prevent councils playing a full part in building the new affordable homes we so badly need.

"The green paper rightly recognises the importance of new supply, but we are concerned that the plans for new affordable homes are not ambitious enough. Research shows we need a minimum of 78,000 of the most affordable homes each year, but in 2017/18 just over 5,000 were delivered – and we estimate that between 2012 and 2020 we will have lost 230,000 of these homes in total.

"This is why we have called on government to rebalance the £53bn funding for housing so that affordable housing gets a fairer share than the 21 per cent it has now. This is essential if we are to make sure that everyone has a decent, affordable place to call home."

Melanie Rees, Head of Policy at the Chartered Institute of Housing said that:

"There are some welcome proposals, including looking at what more can be done on the borrowing cap for local authorities, giving councils more flexibility on right to buy receipts and dropping the proposal to force councils to sell high-value vacant homes to fund the extension of right to buy to housing associations (although it's unclear now how that extension will be funded).

"But we need much more ambition, not just tinkering around the edges.

"We need to think big – for example by suspending the Right to Buy altogether and shifting investment away from the private market towards affordable housing, prioritising social rent.

"In Rethinking social housing, we proposed that social housing rents should be linked to local incomes, but the green paper is largely silent on the issue of rent-setting.

"We also need to make sure that welfare policy is not undermining efforts to provide genuinely affordable housing.

"The green paper acknowledges that residents and landlords have raised issues about 'their experience of welfare reform and concerns that universal credit was contributing to rent arrears'. But it concludes simply that 'the government has listened', citing targeted affordability funding and the recent changes to universal credit.

"This just isn't good enough – homelessness has jumped by more than 40 per cent since 2009 and the government urgently needs to review the role of welfare policy in contributing to this rise."

Conclusions

The Social Housing Green Paper has been long-awaited and has finally been published during the Parliamentary summer recess. It addresses a range of housing issues but from the point of view of local authority housing finance the main implications are the proposed changes to the way in which new council housing is supplied and the proposed new flexibilities in the use of capital receipts from 'right to buy' sales.

Local authorities have welcomed most of the proposals, not least the abandonment of the policy of obliging local authorities to dispose of high value council homes and the additional flexibilities around the use of capital receipts. However, local authorities also complain that the Social Housing Green Paper does not address the fundamental problems that prevent them from building more council homes and increasing the stock of social housing.

Since 2012, local authorities have consistently argued that the 'borrowing cap' should be either raised significantly or abolished thus allowing them to borrow to fund the building of new council homes. The government's response has been to offer a limited scheme to raise the 'borrowing cap' for specific schemes that address housing need only in areas that the government consider to be under significant housing pressure – and this scheme had already been announced before the publication of the Social Housing Green Paper.

Ever since the introduction of the 'Right to Buy' in 1980, local authorities have been unable to replace the homes that have been sold with new council homes. In 2012 when the reinvigorated 'right to buy' scheme was introduced the government stated that it would ensure that the additional council homes that would be sold would be replaced on a 'one-for-one' basis, but in practice this has not occurred. Many in the sector would like to see the 'right to buy' reformed so that it would no longer lead to a net loss of council housing stock, but the Social Housing Green Paper does not include any proposals of this nature.

Neither does the Social Housing Green Paper propose any increases in the affordable housing programme. Consequently, the Social Housing Green Paper is seen by many in the sector as a missed opportunity.

Adrian Waite
August 2018.

Note: The financial implications of the Social Housing Green Paper will be covered in our seminar: 'Developments in Local Authority Housing Finance' (see below).

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, 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, the social housing green paper, 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?

AWICS Ltd., PO Box 17, Appleby in Westmorland, Cumbria. CA16 6YL. Tel: 017683-51498.
Mobile: 07502-142658. Twitter @AdrianWaite. E-Mail: adrian.waite@awics.co.uk. Web: www.awics.co.uk

Managing Director: Adrian Waite MA CPFA CIHM FInstLM. Registered office: c/o Butterworths Solicitors, 3 Walker Terrace, Gateshead, Tyne & Wear, NE8 1EB. Company Number: 3713554. VAT Registration Number: 721 9669 13.

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 £234. **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>

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about our services and us please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk. Services that we offer include:

- Management Consultancy – <http://www.awics.co.uk/ManagementConsultancy.asp>
- Interim Management – <http://www.awics.co.uk/interimmanagement.asp>
- Regional Seminars - <http://www.awics.co.uk/seminars-2018.asp>
- In-House Training - <http://www.awics.co.uk/inHouseCourses.asp>
- Webinars - <http://www.awics.co.uk/webinars.asp>
- Independent Residents' Advice – <http://www.awics.co.uk/IndependentTenantAdvice.asp>
- Technical Books - <http://www.awics.co.uk/publications.asp>
- Information Service - <http://www.awics.co.uk/aboutUs.asp>