Briefing Paper

Local Authorities and Housing Development

October 2013

Introduction

This briefing paper considers what local authorities in England are doing about housing development.

New Homes Bonus

Details of the 'New Homes Bonus' were announced in February 2011. The concept is that Council Tax revenue generated by new house building is to be matched by government.

Beginning in April 2012, the New Homes Bonus scheme guarantees that revenue generated in council tax from new house building will be matched by Whitehall. Councils stand to gain an average of £9,000 for each Band D home built in their area. This would increase to £11,000 for an affordable home. An area building 1,000 new homes could stand to gain £10million to spend as it saw fit.

Through the New Homes Bonus, the government matches the Council Tax raised from new homes for the six years. The bonus is also available for reducing the number of long-term empty homes, and there is an additional £350 annual premium for new affordable homes.

In December 2012 the New Homes Bonus scheme funding for 2013/14 was announced and confirmed in February 2013. England's 353 councils will receive a payment of £668million, after delivering 142,000 new homes, including 58,000 affordable properties. This funding also rewards councils for bringing 18,000 long-term empty properties back into use. This means that councils will have received £1.3billion through the New Homes Bonus scheme since its launch. This total recognises over 400,000 new builds and conversions, and over 50,000 empty properties being brought back into use.

The largest payments are as follows:

- Tower Hamlets Borough Council - £16.1million
- Birmingham City Council - £10.3million
- Islington Borough Council - £9.2million
- Hackney Borough Council - £8.9million
- Cornwall County Council - £8.6million
- Southwark Borough Council - £8.1million

While the smallest payments are as follows:

- Isles of Scilly Council - £30,000
- Hyndburn Borough Council - £121,000
- Oadby & Wigston Borough Council - £177,000
- Barrow in Furness Borough Council - £190,000
- Copeland Borough Council - £217,000
- South Lakeland District Council - £228,000

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Mark Prisk, Minister of Housing, argued when he made the announcement that the New Homes Bonus had proved critical in ensuring communities see the benefit of housing growth in their area. He said:

"For years, developers found themselves at loggerheads with communities unconvinced that their plans for growth would benefit them. But the New Homes Bonus is turning this around. The £1.3billion paid out to councils to date has meant that now local people are able to see the rewards of new developments in their area - paving the way for thousands of much-needed, locally-supported homes to be delivered across the country."

New Homes bonus is being funded by reducing local government's revenue support grant control total by £500million in 2013/14, £800million in 2014/15 and £2billion by 2018/19.

The government says that councils should work with their local community to decide how the bonus is spent: whether building more homes, keeping Council Tax down for local residents, boosting frontline services like rubbish collection or providing local facilities like swimming pools and leisure centres. Mark Prisk said:

"This country needs to build more homes, and that's why the government is giving communities a reason to say 'yes' to growth through the New Homes Bonus. We're backing those councils that build the homes people need. This brings the New Homes Bonus to £1.3billion, and is a direct result of 142,000 homes being built, plus a further 18,000 long-term empty homes being brought back into use. That's good news for councils, communities and families."

For example, Carlisle City Council will benefit from more than £1million in Government funding from the New Homes Bonus. It is based on the council tax of additional homes and those brought back into use. Carlisle City Council is allocated a total of £1,040,657 while Cumbria County Council will benefit from £582,407.

Councillor Les Tickner, the city council's portfolio holder for finance, governance and resources, said new housing provision in Carlisle and the surrounding area was high on the Council's agenda and any incentive to accelerate that growth was welcomed. In February 2013 he was quoted in 'Housing News' as saying:

"However, growth in housing must go hand in hand with economic growth and this is something we will be addressing in the local plan. The New Homes Bonus is, however, not new money for councils. It is being funded by top slicing the core revenue grants awarded to councils each year and will ultimately impact on each council's ability to fund core services. Crucially though, it is being allocated as a Section 31 grant which means it is not ring fenced thus enabling councils to use it as capital or revenue or to top up reserves."

John Stevenson, Carlisle's MP, welcomed the news and added that the bonus had provided generous rewards to both Carlisle City and Cumbria County councils. He said:

"The New Homes Bonus provides councils with an incentive to create growth and the Government is right to reward councils who encourage and are supportive of growth in their area.

"Providing the right types of housing is very important in Carlisle and this money is recognition that steps are being taken by the local authorities to grow Carlisle by giving their consent for more housing developments. This will hopefully provide individuals and families with a better choice of housing in the city, to best suit their particular needs."

Mr Stevenson said that the bonus ensured that those local authorities that promoted growth could share in the economic benefits, building communities in which people want to live and work.

Other examples of how Councils have used this funding include:

- North Tyneside Council has allocated some of its New Homes Bonus funding towards a £3.1million revamp of a library that overlooks a Georgian square in the heart of North Shields. The library scheme forms part of the regeneration of the square that also includes the refurbishment of properties, bringing it back into residential use for the first time in decades.
- Warwick District Council has entered a ten year partnership with the Waterloo Housing Group to deliver new affordable homes in the area, with all New Homes Bonus payments generated by additional new homes built recycled back into the scheme to deliver additional housing and bring empty homes back into use.
- Uttlesford District Council is allocating some of its new Homes Bonus to fund a hi-tech shelter for teenagers in a new play park at Carver Barracks. Those using the shelter can generate their own power through crank handles located around the room, with the energy generated able to support the use of Bluetooth and MP3 players. The idea for the project came from a committee - The Rowney Community Park Fund - made up of soldiers' wives.

Communities & Local Government have pointed to good practice, including affordable housing in Leicestershire and a loan scheme for homeowners can repair homes for sale or rent in Wakefield. However, a survey conducted by 'Inside Housing' in 2012 found that only a quarter of councils are using their new homes bonus to deliver additional affordable housing.

In April 2013, Nick Raynsford MP (Labour) wrote in 'Public Finance' that:

"The Budget announced a range of measures to boost home ownership. But the underlying problem is a shocking fall in house building by councils, something the coalition's New Homes Bonus has singularly failed to address.

"House building in England is severely depressed, with only 98,000 new homes started in 2012. Not only is this less than half the number needed to keep pace with household formation, it is also 11% below the already inadequate level recorded in the previous years.

"Councils are planning 272,720 fewer homes than would previously have been expected, leaving the coalition presiding over the lowest level of house building since the 1920s.

"This was widely forecast before the last general election. In response to fears that the impact of localism would be to depress planning consents for housing, the Conservatives proposed a 'New Homes Bonus'. This was a cash sum, paid annually over a six-year period, to reward increases in the size of the local housing stock. It was introduced early in the life of the coalition government and three annual payments have been agreed to date, totalling £1.3billion, with commitments reaching £3.3billion because the payments continue over six years.

"This is, by any measure, a significant level of public expenditure, exceeding the total spent on new affordable homes over the lifetime of this Parliament. So it is worth examining how the New Homes Bonus is working and if any benefits can be attributed to it.

"The shocking answer is that it is not possible to detect any benefits on the measures the bonus was supposed to influence, namely the growth of planning permission for new housing and the output of new homes.

"The total of residential units granted consent in the first three quarters of 2012 amounted to 95,514. When the final quarter figures come in, total approvals could reach around 125,000. But in both years under the coalition the number is lower than in 2010, when they were beginning to recover from the 2008/09 downturn. They have flatlined at around half the level necessary – estimated at just over 230,000 approvals a year.

"Housing starts show a similar picture of flatlining since 2010, with an 11% drop in the past year. On the basis of these national statistics, there is no evidence to show the New Homes Bonus is acting as a spur to stimulate new house building.

"But what is happening at the local level? It is worth looking at the seventeen local authorities in England that receive the largest sums for New Homes Bonus. These are mainly London boroughs and metropolitan districts but also include Bristol, Cornwall, Milton Keynes and Wiltshire. Each has received more than £10m in New Homes Bonus.

"Because of incomplete data for 2008/09, 2009/10 and 2010/11, it is not possible to precisely compare those years. But on the basis of fifteen of the seventeen authorities for which comparable data exists, the 2011/12 total is not only massively down on 2005/06, but is 6% lower than in 2010/11.

"Therefore the evidence for the authorities most likely to see a positive effect from New Homes Bonus does not suggest any such impact."

In May 2013 the National Audit office criticised Communities & Local Government for its implementation of the New Homes Bonus on the grounds that the department had not monitored the impact of the scheme adequately, that it posed a substantial financial risk to authorities in areas that are not attractive to developers and that the signs were not encouraging that additional homes would be built. It is estimated that 108,000 new homes will be built rather than the 140,000 expected by the government. Amyas Morse, Head of the National Audit Office was quoted in the 'Local Government Chronicle' as saying:

"While it is too early for the scheme to have had a discernible impact on the number of new homes, the signs are not encouraging."

Community Infrastructure Levy

In January 2013, Nick Bolas MP, Minister for Planning, announced that communities are to be given cash incentives to approve the construction of new homes. Neighbourhoods that approve residential development in their local plans will receive up to 25% of the revenues from the Community Infrastructure Levy on subsequent construction projects. The levy is set to replace Section 106 'planning gain' obligations on new developments (excluding any requirement for social or affordable homes), and is intended to pay for improvements such as parks, schools and health centres.

A quarter of Community Infrastructure Levy funding from housing developments will be paid directly to parish and town councils that approve developments, to be used to fund community priorities.

Under the Localism Act, parish and town councils have been given a responsibility to establish forums to draw up neighbourhood development plans. Areas that have not yet approved a neighbourhood development plan, but where the levy is still charged, will receive a capped 15% share of the revenue arising from development. Communities without a parish or town council will also be able to benefit from this incentive, as the local planning authority will now be obliged to spend the funds in accordance with local wishes. The incentive programme, which he hopes to have in place from this spring, forms a key part of moves to get housing schemes approved.

The minister said:

"This government is determined to persuade communities to accept more house building by giving them a tangible share of the benefits it brings,' he said. 'By undertaking a neighbourhood plan that makes space for new development, communities can secure revenues to make the community more attractive for everyone."

The Community infrastructure Levy is designed as a simpler system for planners and developers. Under the scheme each council draws up a charging schedule per square metre of development that is implemented after it is approved by the government's planning inspectorate. The funds raised are not necessarily used to fund affordable housing.

The Local Government Association said the levy was vital to funding 'the underpinning building blocks that allow areas to thrive and grow, such as roads, railways and schools'. Environment and housing board Chair Mike Jones added:

"Local people already have a say in how this funding is spent via democratically elected councils who represent their residents and therefore already work closely with communities to do this.

"If parish and town councils are to be given a greater share of the levy, it will be essential that they work closely with local authorities to ensure that the total amount of funding available is used to the best effect for the whole community. The nature of these major infrastructure schemes means they reap benefits across a much larger geographical area than the immediate vicinity of the development."

In March 2013, 'Inside Housing' reported that major tensions were beginning to emerge as councils attempted to match their plans to increase revenue through the Community Infrastructure Levy with the need for affordable housing. This followed the planning inspectorate's rejection of two Community Infrastructure Levy schemes.

In March 2013 the planning inspectorate rejected Mid Devon District Council's Community Infrastructure Levy charging plan because it assumed that fewer affordable homes would be provided than were envisaged in the local plan. The Community infrastructure Levy charge was based on 22.5% of housing being affordable, whereas the local plan was based on 35%.

At the same time the planning inspector rejected Norwich City Council's Community Infrastructure Levy charging plan and advocated reducing the charge for residential development from £115 to £75 a square metre. His report said:

"The evidence shows that the rates proposed for residential development are too high and would pose a significant threat to the viability of housing development in the area."

There are fears that because the Community Infrastructure Levy is non-negotiable, developers will attempt to negotiate down the amount of affordable housing that they must provide through section 106 agreements. Councillor Guy Poultney, Cabinet member for Housing and Planning at Bristol City Council was quoted in 'Inside Housing' as saying:

"(Developers) will scrimp and save on all aspects of the development – I suspect we will end up losing everything else, like sustainability standards, and eventually probably a fair amount of social housing as well."

And Ashley Lane, Partnership Director at Persimmon Group (a developer) stated:

"If (Community Infrastructure Levy) is improperly applied then it will cause a viability issue, which in turn is bound to cause us to look at still making the site viable. It could have a bearing on the level of affordable housing delivery."

Planning Gain

Property developers are arguing that it is no longer practical for them to offer significant amounts of social or affordable housing as part of section 106 planning agreements. They are therefore offering Councils commuted sums in place of affordable homes and the evidence is that Councils are accepting these. For example, in June 2012, 'Inside Housing' reported that in 2011/12 74 English local authorities accepted £67million in commuted sums compared with 51 councils accepting £29million in 2010/11 and 39 councils accepting £23million in 2009/10.

Supporters of commuted sums say that they can be ring-fenced to social or affordable housing but critics say that this is not necessarily the case, that fewer social or affordable homes are built and that mixed-tenure developments do not result. Camden Borough Council accepted £3million in commuted sums in 2011/12. A spokesman was quoted as saying:

"Typical examples are where an existing hotel or offices want to extend upwards and because it may be physically impossible on unviable to incorporate housing onsite an offsite solution may be accepted."

Hackney Borough Council accepted a £4million commuted sum for a scheme at Broadgate. Its spokesman was quoted as saying:

"There are high value areas of the borough where an alternative to onsite provision could be beneficial in realising a greater amount of affordable housing."

Local Government Pension Funds

Local government pension funds invest £150billion but have traditionally avoided investments in local housing. However, some local government pension schemes have already backed house building projects, and more are expected to follow after investment limits are doubled.

Local authority pension funds in Manchester, Sheffield and Leeds have all designed schemes - currently at various stages of development - that will result in local investment in market rented housing, but there is yet to be a similar model developed to fund affordable housing.

The first scheme, agreed in September 2012, involved Manchester City Council and the Greater Manchester Pension Fund for the fund to invest in the construction of 240 new homes in five developments costing £24million.

The Housing Investment Fund will see around 240 new high standard and high specification homes across the city – the first initiative of its kind in the country. The Housing Investment Fund will choose a contractor that will design and build the homes but without the risk associated with a normal development. The partnership will generate a revenue return from their investment through rents and a capital return through house sales.

'Expressions of Interest' have been submitted through the Homes and Communities Agency from interested contractors, and Great Places' Plumlife has been appointed to provide sales and marketing services for the Housing Investment Fund.

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The property management company will lease and manage approximately 140 of the new homes earmarked for market rent. The remaining 100 homes will be offered for sale. It is hoped that buyers could access lower cost housing through an equity share product.

In April 2013, Cllr Jim Battle, the council's deputy leader, said in ‘Housing News’ that:

“This is an important step for housing investment and this unique scheme, which has been developed in Manchester, is a trailblazer in creating partnerships between the Homes & Communities Agency and the Greater Manchester Pension Fund.

“We are hoping that this scheme will prove a sound commercial investment for the Greater Manchester Pension Fund, while securing investment in homes in to the future. We are also encouraged by enquiries across the country who want to emulate Manchester’s example.”

Kieran Quinn, Greater Manchester Pension Fund chair, said:

"There is a great need for more homes in the Greater Manchester conurbation. I look forward to this investment by the pension fund becoming a platform for further successful investment across the area."

The Homes & Communities Agency's Deborah McLaughlin added:

"It’s great to see such good progress being made in this innovative scheme to help boost the supply of vitally needed new homes in Manchester. We look forward to working alongside Manchester City Council and the successful contractor in the near future.”

Islington is the second council pension fund in England to invest in a housing scheme and the first in London to invest in residential real estate. It will contribute £20million to a new property investment vehicle intended to boost the supply of housing, mainly in London and the southeast of England.

In November 2012, Cllr. Greening, Executive Member for finance and performance at Islington Borough Council, told ‘Public Finance’ that the fund was now ‘up to the limit’ of 15% and that Islington Borough Council’s investment in the United Kingdom Residential Property Fund, managed by TM Hearthstone, was ‘planned to get us within that limit’. He said:

“It’s a first step that strikes a reasonable balance – something new and innovative [against] the more conservative advice that you get from advisors… The proposal to raise the limit on partnership investment is certainly helpful. We are up to the limit at the moment. I think that [change is] welcome and I think it will lead to greater investment in this… ‘It’s only when you get the scale that other funds would bring that we get a serious impact on the market, in terms of boosting supply.”

Sheffield City Council is also considering a housing scheme financed by the Pension Fund.

There is currently a ‘cap’ of 15% on the amount of money local government pension funds can invest in limited partnerships. The government launched a consultation in November 2012 that proposed doubling the cap to 30%, so funds could invest more in housing and infrastructure. Communities & Local Government estimates that this could fund £22billion of investment and the Future Homes Commission estimates that this could fund 300,000 new homes. Sir Steve Bullock, Chair of the Workforce Board at the Local Government Association said in ‘Inside Housing’ that:

“Councils are very keen to generate more outside investment in infrastructure and the proposed measures will certainly give local government pension schemes more freedom to target investment at big infrastructure building projects.”

A group of London boroughs is also considering investing hundreds of millions of pounds from their pension funds into housing associations to fund new development. Trustees from seven council pension funds held a meeting with the National Housing Federation and housing association representatives in April 2013 to discuss the plan.

Although discussions are said to be at an early stage, an initial fund of £500million was cited as a possible investment. Between them, the 34 London local authority pension funds have assets of around £25billion.

Kevin Williamson, assistant director for London, south east and east at the National Housing Federation, which convened the meeting on behalf of the seven councils, said that using their pension funds to finance housing associations could be "a match made in heaven". He added:

"There's a lot of impetus, politically and economically, for pension funds to be integrated in a way that's supportive of economic growth as well as of wider social objectives."

The meeting included representatives from Camden, Enfield, Hackney, Harrow, Newham, Tower Hamlets and Waltham Forest councils. Housing associations were represented by Network Housing Group and Ducane Housing Association.

Councils were encouraged to consider the option of providing land and sponsoring developments funded through pension funds, to help guide new housing projects more easily through the planning process. David Levenson, finance director at Network, said:

"On the face of it, this makes sense to pursue. It may end up going nowhere, but we do need the councils to think about bringing resources forward."

Although no further meeting of the London group has yet been planned, attendees suggested that London Councils and the Greater London Authority should be involved if the plan develops.

Private Finance Initiative and Private Finance Two

In February 2013, Treasury officials contacted Leeds City Council to request that a development consortium reworks the funding arrangements for a 388-unit housing refurbishment Private Finance Initiative project in the city.

The Little London and Beeston Hill & Holbeck Private Finance Initiative scheme is aimed at building 388 new homes and refurbishing 1,245 existing properties owned by Leeds City Council. The new build properties are intended to replace around 700 existing council properties that have already been demolished or are earmarked for demolition.

The news that the Treasury has asked for the scheme to be reworked means a further delay to the scheme that originally received government approval in October 2011. Peter Gruen, Leeds City Council's executive board member said in 'Housing News':

"We have had many months of detailed negotiations and repeated assurances from the banks telling us that they are committed to the project… However, despite these assurances, the progress made to gain financial close has been slow and the costs of funding the project have increased. This has been frustrating, and as a result we have encountered a number of delays."

He said that the Treasury has now told the council to request that the development consortium carrying out the project, Sustainable Communities for Leeds (SC4L), must seek improved value for money through alternative long term funding options, which it says are now available for similar large scale projects. Peter Gruen added:

"By going to the bond market, the Treasury can achieve much lower borrowing rates."

He said that this would lead to 'substantial' savings in the costs of the project, but would not reveal an exact figure. However, he said he was frustrated by the length of time the project had taken. He said:

"Existing residents are understandably angry that they are still living in homes that do not meet the decent homes standard, despite being promised improvements."

In October 2011, the council appointed the SC4L consortium to carry out the development and refurbishment work, and to carry out repairs and maintenance. Speaking to *Regeneration & Renewal*, a Treasury spokeswoman said:

"Value for money is important and although we don't want to delay projects unnecessarily, where there are better deals out there it would be prudent and moral for the Treasury to ask for existing proposals to be re-examined."

But she said that it was for the consortium to make its own decision on funding mechanisms, and that the Treasury would not insist that this would be through bond finance.

The coalition government discontinued the Private Finance Initiative scheme that they inherited but in 2012 introduced a new approach to public-private partnerships called 'private finance two'. However, despite housing being mentioned at the launch and a number of education schemes being announced, no housing schemes have yet been started. The main differences between the Private Finance Initiative and Private Finance two include:

- There will be an eighteen month deadline from advertising a project to selecting a preferred bidder.
- Changes to the allocation of risks on matters including law, insurance and contamination.
- 'Soft services' such as cleaning and catering will no longer be outsourced as part of the private finance deal but will be provided separately either directly by the commissioner or under a separate contract.

However, the government has been silent regarding whether housing management should continue to be part of a private finance package or should be treated as one of the 'soft services'.

Council Subsidiaries

In September 2012 Barnet Borough Council decided to set up a development company that will use institutional investment to fund the building of new homes. The institutional investors that have been approached include large pension funds and insurance companies. The Council has £40million of borrowing headroom following self-financing and intends to use this to support new build.

A number of different financial models are under consideration. One option is for an institutional investor to build or buy housing stock. A company set up by the Council would pay a yield of 4% to 5% over forty to fifty years after which the company would receive the homes for a nominal sum. The homes would be let either at market or affordable (intermediate) rents thus enabling the yield to be paid. Another option is for a joint venture development company with the council putting in land in return for an equity stake and the developer meeting construction costs.

Cllr. Tom Davey, Conservative Leader of the Council was quoted in 'Inside Housing' as saying:

"Forming a development company would enable us to have more control over development… There are questions about the value of housing associations (developing). Future land value is going up so it does not make sense for us to simply give the land to someone else to develop."

In May 2013 it was announced that Thurrock Council would set up a wholly-owned subsidiary to develop homes. The Council will be the sole shareholder in the company that will use the Council's borrowing capacity in the general fund to build homes on council-owned land. These would then be available for affordable rent, low cost home ownership and market sale. They would be built outside the housing revenue account to avoid the government's borrowing caps and would be in addition to development within the housing revenue account.

The objective is not just to build homes, but to stimulate the depressed housing market locally. The objective is to build 1,000 homes by 2018 and then wind up the company and sell the homes to private landlords when the market recovers. However, advice from a private accountancy firm is that even if the market does not recover the Council would still recover its costs if it was forced to buy the homes from the subsidiary itself.

The Council has recently been unable to sell potential housing land to developers because they have been unable to provide a viable business model. However, the Council considers that as it already owns the land and does not aim to make a profit it will be able to develop a viable business case. A report to the Council's cabinet stated that:

"By developing housing on land that it owns the Council will provide an alternative route to private sector led regeneration which has been heavily constrained."

It is thought the company, as a subsidiary of Thurrock Council, could borrow up to £160million and act as an "investment company", building houses that, in the future, would be sold to individuals, property companies or even the council's own housing revenue account. The aim is to kick-start house building and tackle demand. In May 2013, Val Morris-Cook, Thurrock councillor responsible for housing said in 'Housing News' that:

"This is just a first step; a way to get agreement to look carefully at all the possible pros and cons and to pin down with more conviction and detail the risks the council might face, assuring us they are small enough to accept and that the potential up-side is as good as we believe it is. Basically, the scheme would be to create a company with a single shareholder – making it a subsidiary of Thurrock Council – that would lead on building the 1,000 new homes we have promised. This is an innovative way of overcoming the difficulties of a struggling economy, a lethargic house-building programme and an ever-increasing housing list."

Basildon Borough Council has announced it is to set up a housing development operation to bring hundreds of new homes to the area. The authority is proposing to set up its own development company to build on derelict land in the district to provide much-needed homes and create local employment as quickly. Instead of simply selling off hard to shift patches of land to a housing developer, it will develop areas itself, with homes a mixture of private council housing.

The Conservative administration's deputy leader, Councillor Phil Turner, has proposed the idea and will take £80,000 out of the council's reserves to start up the company. This will then start developing ideas for the first phases of development. He told 'Housing News' that:

"I want to create a company that thinks about the council as a housing developer. We need to raise our sights a bit higher. We will be using our own land to bring forward schemes to maximise the benefit and value from the land because the council will own both the land and homes. We don't need to make a big profit. We just need to get the best value for our residents. Residents should see a sharper shift to getting homes built and this is my way of giving back to Basildon."

It is understood that a London Borough Council is working on a 'registered provider deferred purchase partnership' model that would enable the council to build and retain new housing while staying within the borrowing cap. Housing associations would build social or affordable homes on land provided by the council at a discount. Initially the homes would be owned by the housing association but the council would be able to buy them back after a period of time. The housing association would then use the proceeds of the sales to develop more homes.

Local Authority Bonds

In June 2013 it was reported that Warrington Borough Council is considering issuing a bond to help finance the building of new homes. The Council's three-year capital programme is for £814million of which £380million is to provide loans to housing associations. It is planned to issue bonds of between £250million and £300million to help to finance this programme. The Council believes that the cost of a bond would be less than the cost of borrowing from the Public Works Loans Board. Danny Mather, Corporate Finance Manager at the Council was quoted in 'Inside Housing' as saying:

"We actually feel we could generate a saving. It would give the authority much more of a commercial focus if we go down a bond route."

In May 2013 the Council leant £30million to Muir Group Housing Association and a further loan of £20million to Plus Dane Group is under consideration.

Facilitating New Build

With a greatly reduced affordable homes programme, local authorities that have wanted to facilitate the development of new affordable housing have had to be innovative. Some examples follow:

South Lakeland District Council: Development without Grant

Impact Housing has built a scheme of fifteen units in the village of Grasmere in South Lakeland for Social and Affordable Rents. The land is in the grounds of the local Youth Hostel and the Youth Hostel Association has recycled the proceeds of sale into upgrading the facilities for visitors. The mix of properties includes two-bed maisonettes, two and three bed houses and a two-bed bungalow, all for people with a local connection to Grasmere.

The scheme, that cost £1.7million to build, received Planning Permission following a long consultation period. Impact worked in partnership with the Lake District National Park to design the scheme and a very successful open evening was held in the village hall, where the plans were displayed. There was a good turnout from local people interested in the proposals and from prospective tenants.

The scheme was be built without Government funding, the first in a new Impact Housing "non-grant model". It started on site in summer 2012 with a completion date in early 2013.

The Lakeland Housing Trust has purchased two units for affordable rent. This assisted with the funding of the scheme, alongside £60,000 from South Lakeland District Council. The balance was raised by Impact Housing and will be paid back through rents.

The scheme is attractive and incorporates design priorities highlighted by existing tenants. These include: Parking; Private outdoor space; Drying areas; Good storage levels. All properties have low running costs because of a range of energy saving measures: Easy to operate central heating; Low water use appliances; High levels of insulation. The properties have photovoltaic solar panels installed, with feed in tariffs ensuring lower running costs for tenants. Impact was pleased to work with Grasmere Primary School throughout the build, involving the pupils in the naming of the scheme, and the whole build process.

Barking & Dagenham Borough Council

Barking & Dagenham Borough Council has entered into a partnership scheme with Long harbour, an institutional asset developer, to develop a £70million scheme to provide 477 affordable homes at 80% of current market rents. The asset fund will earn an income from the rents and at the end of the sixty year lease period the homes will revert to the Council.

The procurement and development process was speeded up by using an existing local education partnership that acted as project manager. There are 12,000 families on the waiting list in the borough. Tenants of these affordable homes are expected to have an income of at least £35,000 a year. Jeremy Grint, Divisional Director of Regeneration at the Council was quoted in the 'Local Government Chronicle' as saying:

"From the institution's point of view the Council is seen as being relatively risk-free, so investing £70million is seen as sound. They will get a return – not necessarily huge return – at a low risk.

"Tenants will get a nice home for a relatively inexpensive price and can live close to areas of huge employment. It's not just about taking people off the housing waiting list. It will also help other people living in the borough or living in other parts of London who are struggling to find a place to live."

The first homes are due to be complete in December 2013.

Newcastle on Tyne City Council

Newcastle on Tyne City Council's scheme was to regenerate Bolam Coyne, a building on the Byker estate in the east of the City. Because of the unusual 1970s architecture of the estate, Bolam Coyne is a grade II listed building. The outside of the building therefore had to be preserved and this added £2.1million to the cost of the redevelopment.

The Byker Estate has been transferred from the City Council to a Community Trust and, as part of this; the government has agreed to write off historic debt. The Community Trust is able to avoid the borrowing restrictions that have been placed on the Council. The building now provides homes for fifteen families. John Lee, Chief Executive of Your Homes Newcastle was quoted in the 'Local Government Chronicle' as saying:

"There was a tension because there was a genuine desire and commitment to get this building back into use. That came from local people saying 'we have had enough of looking at this eyesore… The end product is the best of both worlds. We have living accommodation that suits residents' requirements while retaining the external look of the building."

Hastings Borough Council

In March 2013 it was announced that Hastings Borough Council had borrowed £2.4million from the Public Works Loans Board and had loaned it on to Amicus Horizon Housing Association to part fund a £6.2million regeneration scheme for 51 homes in St. Leonard's. The remainder of the funding is being provided as grant by the Homes & Communities Agency (£1.4million) and as equity by the Council and Amicus Horizon (£1.2million each).

Because of the preferential interest rates that the Council has been able to secure (3.8%) it has been able to lend the money on at a lower rate of interest than Amicus Horizon could have secured either through the banks or a bond issue. The latest bond issue by Amicus Horizon attracted an interest rate of 5.4%. While the Council are the first to make such an arrangement it is expected that others will follow.

Adrian Waite
October 2013

All You Want to Know about Local Authority Housing Finance 2013

November 2013

The next session of 'All You Want to Know about Local Authority Housing Finance' will be held in London on 12th November 2013. This seminar is designed to give an introduction and overview to this important subject and is fully up to date with all developments.

Do you think that a working knowledge of local authority housing finance, acquired at our fully up to date seminar, would put you and your colleagues in a position of advantage?

Whether you are in a Local Authority, Arms Length Management Organisation, Central Government or other organisation; whether you are a Housing Manager, Tenant Representative, Elected Member, ALMO Board member, a member of the Housing Finance Team or are otherwise interested in local authority housing, you could benefit from one of our courses at which you will learn 'All You Want to Know about Local Authority Housing Finance'.

What the Seminar Covers:

Housing Revenue Account, Ring-Fencing, Rent Restructuring, Service Charges, Self-Financing and the redistribution of housing debt, Depreciation and Major Repairs, Treasury Management with Self-Financing, Capital Programmes, Decent Homes Standard, Distribution of Capital Grants by the Homes & Communities Agency, Housing Business Plans, Comprehensive Spending Reviews, The Big Society, Reform of Social Housing, Affordable Rent Scheme, New Homes Bonus Scheme, the Right to Buy initiative, the National Housing Strategy, New Build, Value for Money, Procurement, Shared Services, Strategic Housing responsibilities, Private Sector Housing, Homelessness, Supporting People, Housing Benefit – including the recent and planned reforms, Regulation, Options Appraisals, Private Finance Initiative, Arms Length Management, Stock Transfer, the Council Community (CoCo) housing model and much more.

The course is accompanied by a very useful 100+ page book entitled:

"All You Want To Know About Local Authority Housing Finance 2013"

Many people – officers, elected members, tenants and others with an interest in local authority housing have already benefited from this course.

Venue and Date:

London: Novotel Hotel, Waterloo – 12th November 2013

Further details can be found at:
http://www.awics.co.uk/local_authority_housing_finance_2013_training_course.asp

The seminar is also available in-house.

The book: 'All You Want to Know about Local Authority Housing Finance 2013' is available to buy separately from the seminar. It runs to 100 pages, is fully up to date and sells for £30 plus £3.25 postage and packing. Further information is available at: http://www.awics.co.uk/TechnicalBooks.asp

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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 us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk

Services that we offer include:

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