The Mayor has a vision, 42,000 per annum for the next 10 years, 15,000 should be affordable, 5,000 for long term rent.

House building rates of this measure have not been seen since the 1930s, we’ve actually delivered 20,000 households per annum for the last 30 years

Population 8.4 million London 2013, 9 million by 2020 and 10 million by 2030

3.3 million households

Households size has increased to 2.47 for the first time in most people’s memory, we all thought it would continue to slide down.

ARE LOCAL AUTHORITIES PART OF THE HOUSE BUILDING SOLUTION?

In short yes, for the first time in a long time we have been enabled to actively manage our assets and develop, a number of factors have helped us to do this:

- Introduction of HRA Self Financing in April 2012
- The ability of Council’s to access grant directly
- Council’s ability to attract favourable funding terms from the PWLB and our own reserves.
- Political favouritism for the retention of the asset long term for the Council
- To decide for ourselves whether to pay off our debt, maximise borrowing, invest in our stock or not or build new.

The Mayor is keen for Council’s to build too, I quote from the new funding prospectus:

The Mayor is keen to encourage boroughs to develop affordable homes in their own right but strongly encourages them to consider working in consortia, with other boroughs or Registered Providers, to maximise efficiency in
programme delivery. The option of an expression of interest for a revolving fund may appeal especially to boroughs to assist in maximising housing outputs in one of the 33 Opportunity Areas across London.

There are ongoing discussions with government in relation to some details of direct delivery of affordable housing by boroughs. If necessary, further guidance in relation to boroughs as providers of new affordable housing will be issued.

Chancellor’s Autumn statement £300 million for Council’s to bid for to assist with the ‘debt cap issue’

FINANCIAL LIMITATIONS

A handbrake on development is the continuing imposition of borrowing caps on councils.

These limits mean that even those councils that are able to generate extra surplus after their HRA settlement are constrained from borrowing against these healthy revenue streams as they have limited ‘headroom’ over and above their current debt levels.

Recent appeals by the Chartered Institute of Housing, the Local Government Association and the National Housing Federation to raise or abolish these caps have so far fallen on deaf ears in the corridors of power.

‘Mike James, chair of the LGA’s environment and housing board:

Yes, there is frustration as the debt cap is not reflective of housing need but of historic debt levels,’ says. ‘There are a number of authorities with no headroom whatsoever and that severely limits their opportunities to invest in new and existing stock.

‘Councils take a prudent approach to more borrowing - and their track record suggests that there’s no reason to think they’d be anything other than prudent if the HRA debt cap was lifted.’

Last year, an analysis by Inside Housing and the Chartered Institute of Housing showed there was **£2.9 billion of headroom across English councils**, but just four had headroom of more than £100 million.

BUILDING PLANS

Steve Partridge, director of financial policy and development at the CIH, believes self-financing will spark a new wave of council house building.

A report by the Association of Retained Council Housing, found there are plans for around 25,000 new council homes across England.
However, this could go up even higher if it wasn’t for the borrowing cap

Some Council’s, like Barking & Dagenham, are having to think up ways around the cap, while others are simply planning on spending the surplus without leveraging more debt.

Richard Parker, a partner at Pricewaterhouse Coopers, says it **is ‘too early to see any change in the behaviour of councils’ but he can sense that evolution, if not revolution is in the air. HRA reform has been the catalyst for creative thinking, there’s excitement about the possibilities.’**

**CASE STUDY: WANDSWORTH COUNCIL**

The London Borough of Wandsworth paid the biggest settlement to the government - a whopping £434 million. With a healthy balance sheet in place already, it borrowed only about half of its settlement from the Public Works Loan Board, financing the remainder from its existing reserves.

However, despite the historically low interest rates available to it, the council has opted to clear its debt as quickly as possible before taking advantage of the opportunity presented by the end of the subsidy system.

With 12-year repayment plan, the annual cheques to the Treasury will be more than many councils’, but Wandsworth was previously paying around a quarter of its rental income - a hefty £26 million a year - back into the subsidy system.

Partly, the traditionally debt-free authority is taking an economically conservative position paying down the debt it acquired.

Once the debt that it never asked for is off its books, that £26 million is the council’s to spend how it pleases.

While it will embarks on what the Cabinet Members calls ‘a modest scale’ new build programme, the main thrust of the spending will be on improving existing stock and estate regeneration in the south London borough.

In a nod to the fact that the PWLB was offering such low rates, Wandsworth upped what it originally intended to borrow from £150 million to £223 million. This has allowed it to fund regeneration work on two of its largest estates - the Winstanley and York Road estates - by using money first earmarked to pay the government.

‘That is something I don’t think we’d have had the resources to do without self-financing,’ admitted the Cabinet Member for Housing.

**CASE STUDY: MANCHESTER COUNCIL**

Manchester Council began the self-financing era with a debt of £124.4 million. The Council has chosen not to pay off the debt but service interest payments through a
fund using income from its HRA - around £4 million per year. Even after this has been set aside, the council will generate an annual surplus of around £12 million.

It has put in place a £46 million three-year investment programme for its new-found financial freedom.

The proposed programme includes a £20 million regeneration of the Collyhurst Estate, £6 million spent on new build housing revenue account homes, and £6 million on energy efficiency work, which the council expects to be matched by energy companies under the energy company obligation.

‘Without a doubt, it’s given us a fantastic opportunity,’ says Paul Beardmore, Manchester’s director of housing. The council does not intend to use its relatively large headroom - around £60 million - to up its borrowing because of the continuing uncertainty around the impact of welfare reform.

The reality of these new freedoms are evidenced in the new deal with Places for People who have been selected as a management partner under a 20 year operating lease for the Housing Investment Fund set up by Manchester City Council and the Greater Manchester Pension Fund (GMPF) to help boost building in Manchester.

The partnership will use land owned by the Council and financed by GMPF to deliver 241 new homes across five sites in 2014, with around half available for market rent and the rest for sale, Touchstone owned by PIP will manage the lettings and tenancies.

CASE STUDY: STROUD

It is not just in London and the large unitary authorities that the effects of self-financing can be seen. Stroud in Gloucestershire took on a large debt pile for a relatively small council, but the £91.7 million it borrowed actually represents a good deal for the authority.

Before self-financing, Stroud was paying £6.8 million a year back to central government as its housing revenue account subsidy. Now, its debt repayments of just £3.2 million leave it with an annual surplus of £3.6 million.

The council, which has a stock of around 5,000 social homes, has embarked on its first new build programme for a generation.

In addition to the £15 million it plans to spend on new housing - enough for around 100 homes to be let at social rents - it is also investing £35 million in its existing stock and additional £18 million on energy efficiency work.

Stroud are quoted as saying, ‘We are trying to do additional capital work to address the under-investment during the subsidy system, these options would not have been
available to us at all before; it’s meant a significant change in the scale of what we can do.’

CASE STUDY: NEWHAM

Newham is planning to launch one of the largest council house building programmes in decades with up to 20,000 homes.

Newham Council is taking proposals to its cabinet in the new year to sign off the scheme, which will be largely funded through prudential borrowing.

The east London authority hopes to subsidise some of the properties with grant funding from the Homes and Communities Agency and through Local Space a housing association, which was set up by the borough in 2006.

It hopes to build between 10,000 and 20,000 homes with 60 homes in 2013/14 for the 24,000 people on the borough’s housing waiting list.

Sir Robin Wales said he had no concerns about raising capital for development through prudential borrowing.

‘I don’t know of a point in the last 100 years when it was not a good time to build new housing,’ he said. ‘We are going to be using prudential borrowing. If you are guaranteed income that will pay what you have borrowed, then who cares.’

OTHER COUNCILS

Several authorities have already announced plans to use the new freedoms to build homes. In July, Southwark Council said it will fund 10,000 new council homes over the next 30 years and last month Ealing pledged to build 500 homes over the next five years. The Council have agreed to setting up a company to deliver on Copley Close Estate, this approach could be used for other sites.

First council houses in 30 years will be built in Enfield after the Council gave planning permission to redevelop seven small sites around Enfield Town and Chase side. The self financing scheme will provide 94 new properties including 37 affordable homes owned by the Council for shared ownership for rent from autumn 2014.

Camden has set up a Community Investment Programme which is a 15 year plan to invest money in schools, homes and community facilities. Housing is a key part of this, the principles of which are that:

- No net loss of housing - Secure lifetime tenancies
- Replaced Council housing with Council housing
• Will offer private sale units to cross sub units

**Westminster** has been developing hidden homes for some time through its ALMO and a charity with mechanisms in place to finance new homes. They have set up a framework of 10 developers house builders and RPs (LBHF and RBKC also part of this) to deliver build programmes. They have funding from HCA to deliver regeneration and looking at cross subsidy from sales to add to this.

Even in **Kensington & Chelsea** we’ve built 6 new homes this year and have plans to build more.

In August 16 London councils claimed nearly a third of the GLAs £137 million share of the HCA’s 2015/17 Affordable Homes Guarantee Fund - up from 6.9 per cent of the funding under the £1.8 billion affordable homes programme.

The Councils will collectively build **1,639 of the 6,500** affordable rent homes planned to be built in London through the programme.

**Matthew Warburton, policy advisor for the Association of Retained Council Housing,** said three quarters of councils were planning to start building again, many for the first time in decades. ‘It will take a very big increase in council house building to make a dent in the number of new homes we need, but it is a start.’

What we have now which we haven’t had for 30 years is:

**Funding, Land and Desire**