

<b>Committee:</b>	Cabinet	<b>Date:</b>	6 September 2018
<b>Title:</b>	Additional HRA Borrowing Headroom		
<b>Portfolio Holder:</b>	Councillor Julie Redfern, Cabinet Member for Housing		
<b>Report Author:</b>	Roz Millership, Assistant Director – Housing, Health and Communities, 01799 510516	<b>Key decision:</b>	N

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## Summary

1. In June 2018 the Government issued a prospectus setting out the criteria for stock retaining local authorities to bid for additional HRA borrowing approval over the next three years, from a total fund of £1 billion, in order to increase their council housebuilding programmes.
2. Local Authorities in areas of ‘high affordability pressures’ will be able to bid for increases in their HRA borrowing caps between 2019 to 2020 and 2021 to 2022. Uttlesford District council is one of 162 local authorities identified as meeting the criteria to submit a bid.
3. Officers have assessed the requirement for additional borrowing approvals to fund an increase in the Council’s Housebuilding Programme to enable a bid to be submitted by the deadline of 7 September 2018

## Recommendation

4. That Cabinet:
  - notes the Government’s announcement to make up to £1 billion additional Housing Revenue Account borrowing headroom available in areas of high affordability pressure for local authorities that are ready to start building new homes
  - notes the proposed submission of a bid from the council for £3 million additional borrowing headroom

## Financial Implications

5. The use of additional borrowing will ensure the continued delivery of the Housing Revenue Account (HRA) development programme. If the council should be successful with a bid to raise the borrowing cap a full financial viability assessment will be presented to members for decision on taking out any additional loans consistent with Council’s Treasury Management Strategy.

## Background Papers

6. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report:

- HRA Business Plan
- Housing Asset Management and Development Strategy
- Additional Housing Revenue Account Borrowing Programme – MHCLG June 2018

## Impact

7.

Communication/Consultation	N/A
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	All
Workforce/Workplace	Housing Development

## Situation

8. In June 2018 the Government issued a detailed Prospectus for additional HRA borrowing and bidding process and invited selected local authorities to bid for increases in their borrowing caps from 2019-20, up to a total of £1 billion by the end of 2021-22.
9. The table below shows the amount that will be available to local authorities outside London and the available headroom for each year:

	2019/20	2020/21	2021/22	Total
Total maximum additional Housing Revenue Account borrowing available	£400m	£300m	£300m	£1bn
of which:				
Additional Housing Revenue Account borrowing available to London Boroughs	£200m	£150m	£150m	£500m
Additional Housing Revenue Account borrowing available to local authorities outside London	£200m	£150m	£150m	£500m

10. Alongside the publication of the Prospectus the Government also confirmed a total additional budget for Homes England of £1.67billion to deliver social rent as well as other tenures available through the Shared Ownership and Affordable Housing Programme (SOAHP).
11. Only those councils determined as being in areas of high affordability pressures are able to bid to use the additional borrowing approvals to build new rented housing.
12. Areas of high affordability pressures have been defined by the Government as those where there is a difference of more than £50 per week between the average social rent and average private rent in their area.
13. A list of 162 local authorities defined as being in areas of high affordability pressures, according to this measure is set out in the appendix to the Prospectus and includes Uttlesford District Council.
14. The deadline for submitting bids is 7 September 2018.
15. Local authorities are being invited to bid for:
- additional borrowing headroom only
  - additional borrowing headroom to be used alongside grant funding from Homes England
  - additional borrowing headroom to be used alongside their own unspent Right to Buy receipts.
16. The table below shows the council's current available HRA Headroom as at the 1<sup>st</sup> April 2018:

HRA Headroom	89,532
Current Borrowing	86,407
<b>Headroom Available</b>	<b>3,125m</b>

17. It is anticipated that the current borrowing will be reduced by at least 2m a year. Any requirement for additional headroom would be after loan repayments are taken into account.
18. Officers have assessed the requirement for any additional borrowing approvals to fund the Council's Housebuilding Programme and recommend a bid to increase the headroom by £3m. The figure is based on delivering 2 schemes that cannot currently be funded through existing available headroom, and is based on the most realistic estimates that are known.
19. The bid will set out the additional homes that can be built from the increased borrowing headroom; the council's track record of housing delivery; existing HRA borrowing headroom and the extent to which such headroom may need to be committed for other schemes in the 30-year HRA business plan.
20. The HRA has a clear role to play in the delivery of additional new homes in Uttlesford. Since 2014 the Council has built and acquired 100 new affordable homes into the HRA. This provides valuable additional homes for those in housing need.
21. Providing bids are assessed as demonstrating value for money and deliverability, they will then be ranked according to local authority areas that are judged to have the highest affordability pressures - with the local authorities with the highest affordability pressures having priority in the allocation of additional borrowing headroom.
22. Should approval be given to increase additional borrowing a full financial viability assessment will be presented to members before any additional loans are entered into, consistent with Council's Treasury Management Strategy.
23. The financing of the loan/any additional loans will be funded from the current budget via one or a combination of the following options;
  - a. Identifying one off income to fund the years between property development and rental generation
  - b. Increased rental income
  - c. Re-profiling of income and reserves
24. However it should be noted that the Government will expect that:
  - local authorities will drawdown the borrowing for the specified year
  - development must start as soon as possible and at the latest within the year that the borrowing is drawn down
- 25.

Risk	Likelihood	Impact	Mitigating actions
The council does not respond to the Governments invite to submit a bid to increase HRA Headroom	1. A bid is being prepared by officers	2. Loss of a potential funding opportunity that will enable additional council housebuilding	Continue to review all funding opportunities for the development of new council homes in order to increase the supply of local affordable housing

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.