



## **The Mystery of the government's phantom Independent Housing and Finance Institute to help Councils & why they are doing their own thing building houses**

*By David January, consultant at SDS, the Social Housing specialists.*

It is now clear that the Conservative Government is implementing its Manifesto with the Housing Bill and Full Employment and Welfare Benefits Bill, outlined in the Queen's speech.

However, what is not yet clear is the detail of the Government proposals, particularly the forced sale of Council high value stock to fund the RTB of Housing Association stock, and details of the £1bn Brownfield fund.

Why, while growth in the construction sector in the second quarter was *zero*, is the Government stalling on this? Why the dithering, which is nothing short of a scandal?

After all, January's House/Elphicke Review was accepted by the Treasury and highlighted a number of issues that the Government, LGA and Councils need to consider to improve the delivery of new homes.

Importantly, the Review recommended setting up an Independent Housing and Finance Institute and that Councils should establish local housing delivery organisations that are not dependent on national or local borrowing constraints.

A full six months ago the Coalition announced on 20th March that it would set up such a body to provide dedicated support for the creation of joint ventures, investment vehicles or land assembly. It has yet to issue such guidance. Where is this phantom body? We should be told!

What *is* clear is that many Councils have been getting on with building new homes outside the HRA. This is not, however, their preferred approach which would be to borrow through their HRA and deliver social rented homes.

The recent Budget announcement to reduce rent increases by 1% affects Stock Owning Councils Business Plans and puts development programmes in jeopardy. It has been suggested that some 42,000 new Council homes could be lost by this mechanism. So Council new build through the HRA looks more problematic and could drive a hole in the so called self-financing of HRA's.

So, many Councils are creating an LA Company to deliver new homes with a big plus that these are not subject to the RTB. It is thought that *as many as two-thirds* of those Councils with stock have or are setting up such vehicles. A number of Councils who no longer have stock are also delivering new homes through LA Companies and Joint Ventures.

Crucially with the rent increase reductions and with the continuing lack of clarity over how the forced sale of the most expensive vacant properties will work, the delivery of new Council homes through LA Companies is a pragmatic response.

It would not be their first choice, but rented homes are needed to help meet the current drastic shortfall in housing delivery.