

HOUSING REVENUE ACCOUNT ADDITIONAL BORROWING PROGRAMME 2019 - 2022: FREQUENTLY ASKED QUESTIONS (FAQs)

The following Frequently Asked Questions (FAQs) should be read in conjunction with the Housing Revenue Account Borrowing Programme (2019/20, 2020/21, and 2021/22): Prospectus for local authorities in England outside London issued on 26 June by the Ministry of Housing, Communities and Local Government (MHCLG)..

Local authorities in London should refer to the FAQs prepared by the Greater London Authority - <https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/building-council-homes-londoners>

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A. Bidding process, & deadline for bids

Q1: What is the deadline for completing bids for additional borrowing? Can the deadline be extended?

A: The deadline for submitting bids to the additional borrowing programme for local authorities outside of London is 5:00pm on 7th September 2018.

Q2: Will there be future opportunities to bid for additional borrowing?

A: We will monitor how local authorities respond to this opportunity to bid for additional borrowing, and consider whether any further action is needed.

Q3: Is formal Executive/Council approval required to submit the bid or can the bid be submitted through agreement with a Portfolio Holder or Leader of the Council; and what if that's delayed?

A: Sign off of bids is a matter for each local authority. If necessary, in order to meet the deadline, local authorities can submit bids ahead of formal sign-off and use the 'additional information' free text box to explain the extenuating circumstances.

B. Bidding options

Q4: Is there flexibility for local authorities to bid for different routes for each year, or different schemes, for example year one or two additional borrowing with Right to Buy (RTB) receipts, year 3 with shared ownership funding?

A: Local authorities can bid different routes for different schemes but will need to submit individual bids for each scheme. Borrowing can be use alongside grant **or** alongside RTB receipts. Each bid will need to indicate if it is additional borrowing only, additional borrowing + grant or additional borrowing + RTB receipts.

Bids cannot combine grant and RTB receipts at scheme level. So if a local authority wishes to use grant in the first year of a scheme and RTB receipts in the second,

then they should split this out into two bids. For example, if a local authority had a site with 30 social rent homes requiring both RTB receipts and some grant to be used alongside borrowing, they should submit several bids. These should cover each combination of funding, rather than rolling all funding streams into one bid. So they could have for example several bids as follows:-

Bid 1: additional borrowing only for 20 social rent homes (year 1, 2 and 3)

Bid 2: additional borrowing + grant for 5 social rent homes (year 2 and 3)

Bid 3: additional borrowing + RTB receipts for 5 social rent homes (year 1 and 2).

Q5: Do local authorities need to bid separately for each year of a scheme, or can they bid for all 3 years?

A: Local authorities can bid for one scheme across one, two, or three years but must specify the borrowing required each year. Local authorities will not be disadvantaged if they bid for just one year, or just two years.

Q6: Can local authorities bid for mixed tenure schemes that include sale / market tenure housing?

A: Local authorities can bid for additional borrowing for new council housing to be held and accounted for in a Housing Revenue Account. However, the new council housing could be part of a wider mixed tenure scheme that includes sale / market housing, or could be part of a regeneration scheme, or scheme that had received Housing Infrastructure Funding. Bids will not be accepted if they are to build new sale / market homes.

Q7: How should bids breakdown the costs of schemes for mixed schemes

A: Bids should pro-rata costs between the housing that local authorities are bidding for as part of the programme, and the housing that is excluded from the programme.

Q8: Can the additional borrowing be used to deliver shared ownership housing?

A: The additional borrowing can be used to deliver shared ownership where a local authority is bidding for borrowing alongside a bid for Shared Ownership Affordable Homes Programme grant, or where it is bidding for additional borrowing only. But it cannot be used for shared ownership if the borrowing is to be used alongside unspent Right to Buy receipts.

Q9: Can local authorities bid for schemes which are already in-train?

A: In certain circumstances local authorities can bid for additional borrowing for schemes that have already started. Local authorities should use the '*additional information*' free text box in the bidding system to explain the precise circumstances. In assessing bids we will be looking to ensure that the additional borrowing is used in a way which delivers additional homes and adds value to a scheme.

Q10: For local authorities wishing to use their unspent Right to Buy receipts can they only use the capital receipts associated with replacement or can they also use the rest of the retained Right to Buy receipts too?

A: Local authorities can use both the unspent Right to Buy receipts for 1-4-1 replacement and the retained local authority share element. Current conditions still

apply to the use of the 1-4-1 element, including only being able to use this to cover 30% of the building costs.

Q11: If local authorities are successful in bidding for additional borrowing, can they subcontract the construction to a local housing company, joint venture or other organisation?

A: If successful, local authorities can commission their housing company (or other body or individual) to construct the new dwelling(s). Under this commissioning approach, once the housing is built it must be owned by the local authority and accounted for in its Housing Revenue Account. Local authorities are expected to have completed all necessary due diligence checks on their partners.

As indicated in the section below on exclusions, the additional borrowing must not be used to purchase, or acquire, a home from a housing company / joint venture / other organisation, as the programme aims to support the construction of additional homes.

Q12: Can local authorities charge affordable rent for new build stock delivered as a result of a successful bid?

A: Bids will need to specify whether homes are to be let on social or affordable rent, and if successful local authorities will need to charge the corresponding rent. If a bid is successful for additional borrowing and Shared Ownership Affordable Homes Programme grant the grant agreement will stipulate whether homes must be let at social or affordable rent. If local authorities are using no grant then decisions about tenure will be a matter for local decision. In respect of value for money it is expected that bids for social rent will require more borrowing / grant because of the higher costs to build social rent (due to reduced income from rent). The number of homes proposed would need to be consistent with the rent proposed otherwise it is likely to flag as an exception when assessing value for money.

Q13: Is there a requirement to use up existing borrowing headroom before using any additional headroom secured from the additional borrowing programme, or can the additional headroom be used in the next three years with existing headroom kept in reserve for future expenditure?

A: There is no such requirement. If a bid is successful a local authority will be able to retain its existing headroom for future expenditure. In effect, it will be able to 'swap' borrowing that had been earmarked for a future planned scheme with borrowing for a scheme supported by the additional borrowing programme. This could be particularly useful where the authority wishes to use the existing headroom on a planned scheme beyond 2022.

Q14: Can the additional headroom be used for what would effectively be "bridging finance" to purchase a site that would ultimately cover its own costs through cross-subsidy once fully developed?

A: No, this would not be permitted. The scheme is solely for the purposes of facilitating additional social housing as soon as possible. Local authorities (or their companies) can already take out loans (up to their prudential limits) for the purposes of developing private housing.

Q15: Should local authorities be factoring in the costs associated with any land that has been appropriated from the General Fund into the Housing Revenue Account?

A: If bringing land into the Housing Revenue Account incurs additional borrowing costs to be accounted for in the Housing Revenue Account, this would need to be accounted for as part of any bid.

It is possible that, in future, the policy on the costs of transferring land into an authority's Housing Revenue Account may change. The consultation on the 'Use of receipts from Right to Buy sales' includes a question about allowing the transfer of land from a local authority's General Fund to their Housing Revenue Account at zero cost. But, subject to consultation, any change in policy would be after the deadline for bids for additional borrowing has passed. So, for the purposes of bidding into the additional borrowing programme, local authorities should ensure that their bid accounts for the costs of bringing land into the Housing Revenue Account.

Q16: How should local authorities bid if their total scheme costs are unknown?

A: Bids should include the most realistic figures that are known.

Q17: Can local authorities count the replacement of homes as 'additional homes' if they involve demolition, for example of unusable sheltered housing?

A: Yes, this is the approach taken for the Shared Ownership Affordable Homes Programme grant. Local authorities should use the 'additional information' free text box to explain the circumstances in which the demolished housing was unsuitable.

Q18: Will new council housing built as a result of the programme qualify as additional affordable housing with regard to the 1 for 1 replacement requirements, under the reinvigoration of the Right to Buy?

A: Yes, expenditure supported by additional borrowing may count as 1-4-1 replacement, provided that all other conditions are met.

Q19: Can local authorities submit bids for additional borrowing on schemes that have already received Housing Infrastructure Funding?

A: Housing Infrastructure Funding is provided for infrastructure to support new homes; the additional borrowing is intended to help local authorities build new council homes. Local authorities can therefore bid for additional borrowing on schemes that have already received Housing Infrastructure Funding.

Q20: Can local authorities bid for borrowing to be used alongside funding from the Care and Support Specialised Housing fund?

A: Capital funding through the Department of Health and Social Care's Care and Support Specialised Housing (CASSH) Fund is available for schemes that offer Affordable Rent or Affordable Home Ownership (shared ownership). Local authorities can bid for additional borrowing and CASSH funding, but cannot combine a bid for Affordable Homes Programme and CASSH funding.

Q21: Can bids for additional borrowing be for schemes that have also received Accelerated Construction?

A: This is not permitted. New housing that is built as a result of the additional borrowing programme must be accounted for in a Housing Revenue Account (HRA).

The bidding prospectus for Accelerated Construction programme is clear that funding for the Accelerated Construction programme cannot be held in an HRA. That said, a local authority can consider developing other affordable housing on such a site.

C. Exclusions

Q22: Are there any circumstances in which local authorities can bid for additional borrowing in order to support the conversion of properties?

A: The additional borrowing programme primarily aims to support the construction of additional homes. Therefore using the additional borrowing for the conversion of residential property is excluded, as is using the borrowing for refurbishments and decency. However, the additional borrowing may be used in the following two circumstances:-

- the conversion of non-residential (e.g. offices, shops, or garages) to residential homes;
- the conversion of derelict sites into usable homes.

Q23: Are there any circumstances in which local authorities can bid for additional borrowing in order to support the acquisition of properties?

A: No. The additional borrowing cannot be used for acquisitions, including the purchase of homes that have been completed, or are currently being built, by another organisation. Nor can the additional borrowing be used to refurbish or upgrade existing homes, or to purchase homes built that developers cannot sell. The programme aims to support the construction of additional homes.

Q24: Can the borrowing programme be used for land acquisitions?

A: The borrowing can be used for land acquisitions. However, each bid will need to demonstrate value for money, so local authorities will want to consider how bids for land acquisition compare against bids that involved building on existing local authority land.

Q25: Is there any restrictions on the additional borrowing being used for modular/ prefabricated homes

A: None

Q26: Is the demolition of not-fit-for-purpose stock and subsequent construction of new stock suitable criteria for inclusion in a bid?

A: Yes

D. Timing issues associated with drawdown/ completions

Q27: For successful bids, when does the additional borrowing need to be incurred or drawn down; what would happen if slippage occurred; and can projects be completed in subsequent years?

A: For successful bids, the Government will issue a determination which sets out the maximum amount of extra borrowing (beyond the level of a local authority's current borrowing cap) which can be taken out in the year in question.

Local authorities will need to deliver in line with their determination. If slippage occurs the additional borrowing may be reallocated and the determination amended (subject to any virement between projects within a financial year – see below). Hence local authorities will not be able to incur expenditure financed by the additional borrowing, or draw down the additional borrowing, in future years.

We anticipate that local authorities will be permitted to vire additional borrowing between one agreed project and another within an individual year. Local authorities will not be able to vire additional borrowing between projects across different years.

Within each financial year, the timing for when the additional expenditure is incurred, and the additional borrowing is drawn down, is a matter for the local authority. The local authority's section 151 officer would have to be happy with the timing of expenditure and drawdown; and would be expected to have regard to the prudential code in coming to a view.

Scheme development should start, at the latest, in the year set out in the determination.

Projects can complete in future years. Though where bids for additional borrowing include Shared Ownership Affordable Homes Programme (SOAHP) funding, there is a requirement that they adhere to the programme milestones and longstops dates for the SOAHP (i.e completion by March 2022).

Q28: If a bid is confirmed but there are complications on delivery and slippage occurs, would an authority be allowed to retain an element of the additional borrowing in order to cover costs associated with contractual commitments?

A: It is essential that local authorities deliver to the agreed timetable, though viring between a local authority's projects would be permitted within an individual year. If slippage occurred the additional borrowing may be reallocated and the determination would be amended. Before making such changes, we would want to understand the circumstances that have arisen and how much additional borrowing has been utilised or contractually committed.

Q29: What would happen if the programme was over/ under-subscribed, would there be a further borrowing round?

A: Government is keen to see this programme fully subscribed in order to demonstrate local authorities' appetite for additional borrowing. Given this, we will keep a very close eye on how authorities respond to this opportunity, and will consider whether any further action is needed.

E. Assessment

Q30: How has Government assessed which local authorities are in an area of high affordability pressure?

A: In calculating this metric, the PRS rents came from the Valuation Office Agency's PRMS data for 2016/17 (see link) using median figures, and the social rent data came from the Homes and Communities Agency's SDR for 16/17 (see link). Housing Association rents are used for the social rent data as they give more complete geographical coverage than local authority rents which are not applicable in all areas. The metric used to assess high affordability pressure areas is based on local authority boundaries, so in order to be eligible to bid the local authority as a whole will need to be in a high affordability pressure area.

Q31: Is there an appeals process for local authorities that are not in an area of high affordability pressure area?

A: There is no appeals process. Local authorities that are ineligible to bid for the additional borrowing programme may wish to consider bidding to Homes England for grant funding for building homes for affordable rent in line with the Shared Ownership and Affordable Homes Programme 2016 to 2021 guidance.

Q32: Can local authorities see where they rank on the affordability pressure measure?

A: Local authorities can calculate their, and others', affordability using the metrics that were used to assess eligibility for the borrowing programme i.e. the difference between average social and private rents (see above). All eligible local authorities should consider bidding, because a sizable amount of additional borrowing headroom is being made available through the additional borrowing programme: £500m for local authorities outside London and £500m for local authorities in London.

Q33: In assessing the value for money of bids from local authorities outside London, will costs be considered on a regional basis?

A: MHCLG and Homes England will consider how best to assess the value for money of bids. In doing so, we recognise that there may be reasons why scheme costs vary and will take this into account where in the information is made clearly available.

F. Further information & queries

Q34: Where can further information on the bidding system be found:

A: For local authorities outside London, bidding system guidance can be found alongside the HRA Borrowing Programme Prospectus at [HRA Borrowing programme bidding guidance - GOV.UK](#)

For local authorities in London, information about bidding is available from: <https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/building-council-homes-londoners>

Q35: Where should further queries be addressed?

A: Further queries from local authorities outside London should be addressed to:

- general queries about the programme: HRABorrowing@communities.gsi.gov.uk
- queries about how to bid: HRAbidding@homesengland.gov.uk

Local authorities in London should address queries to:

AffordableHomes@london.gov.uk