



# The potential for council house building

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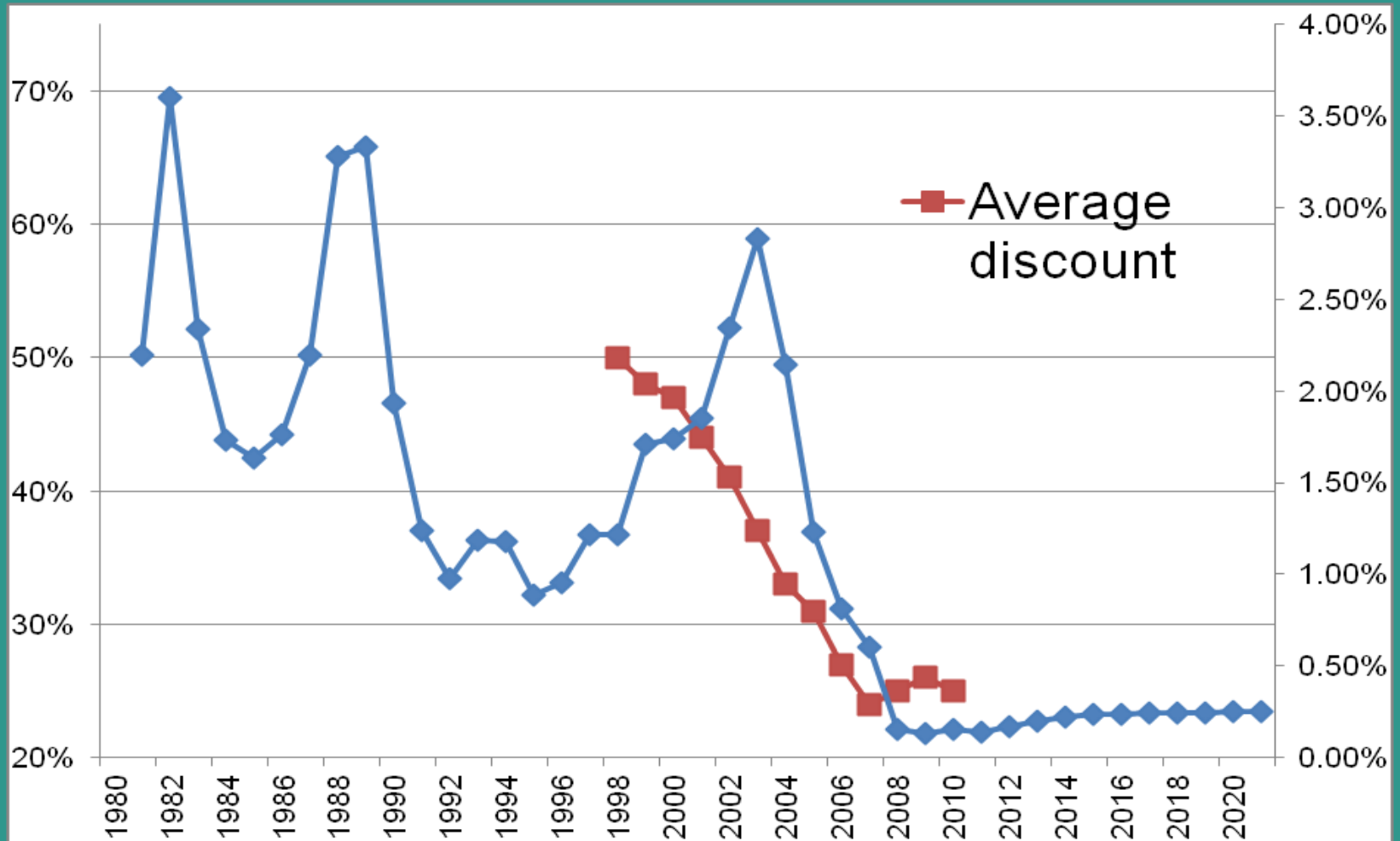
# The HRA self financing settlement

- Discount rate seems high at 6.5%
- Balanced by long term capital need
- 169 authorities with an investment value of £28.4 bn
- Debt headroom before adjustments £3.6 bn

# Subsidy required for sub-market housing

- Different types compared like for like
- Development appraisals tend to be more “optimistic”
- Average LA dwelling 17% owned by LA and 83% owned by government

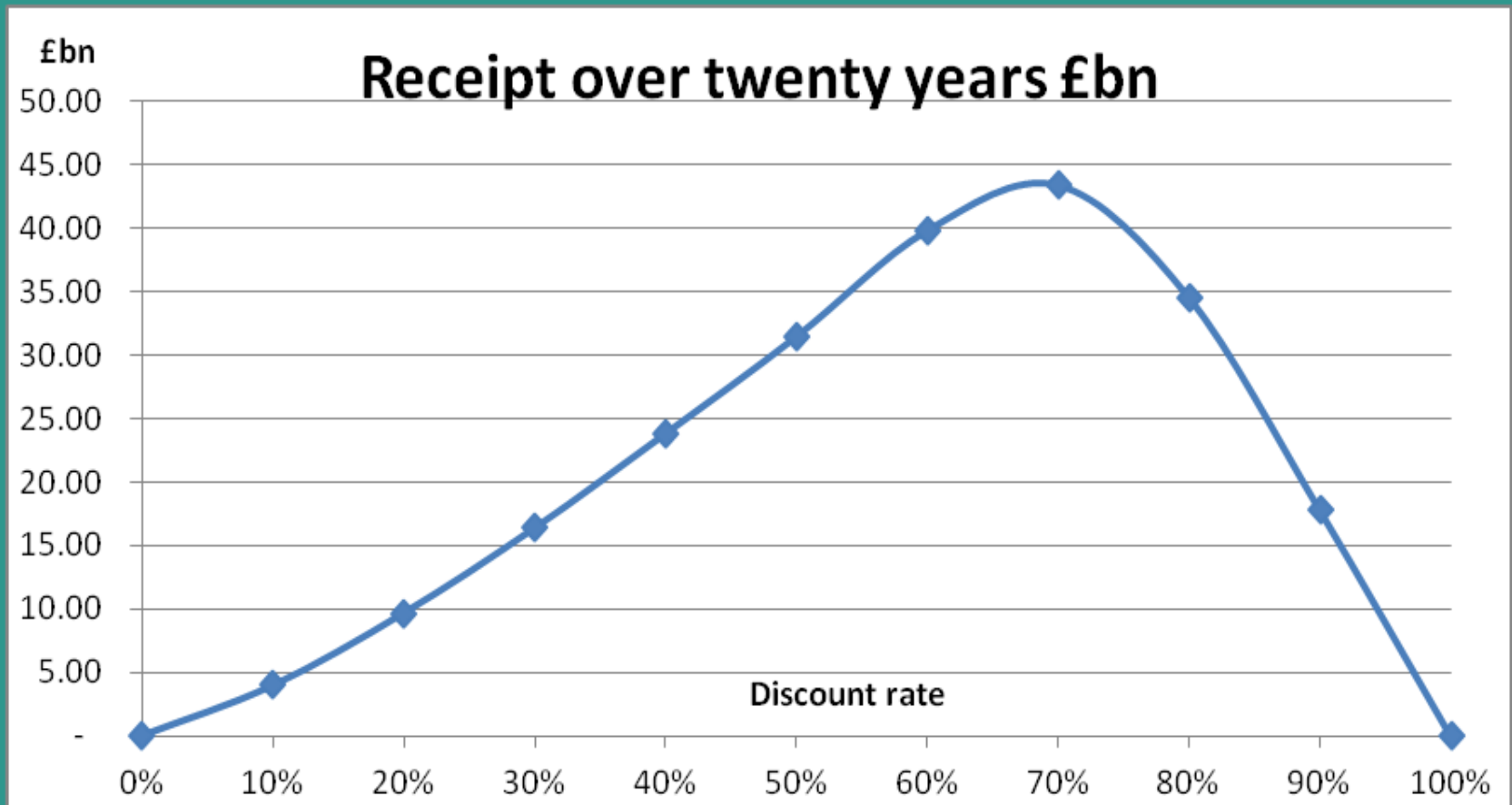
# Right to Buy – sales rate rh scale



# What could the new discount be?

- Investment valuation techniques and marriage values used in leasehold extension indicate a maximum average discount justifiable is 40%.
- Using reversionary interest the discount should be much less.
- With 40% discount the share retained by LAs should be 30% not 25%.

# The discount rate curve – Laffer?



# RTB capital receipts

- The most important source of subsidy for new dwellings, to add to debt headroom
- PwC base model shows 39,000 dwellings sold in next ten years. My estimate of total receipt is £2.7 bn
- 40% discount could lead to 214,000 dwellings sold with a receipt of £12.0 bn

# Receipts and other subsidy

- How will they be used?
- Leakage?
- Addressing “the deficit in the nation’s finances”
- Land, S106, internal subsidy, New Homes Bonus, CIL, HCA Grant



# Constraints on LARP development

- Debt limit\* \* \*
- Rent limit
- Decent Homes backlog after HCA funds\* \* \*
- Subsidy constrained
- Need constrained\* \* \*
- \*\*\* reduces to 117 authorities with £2.0 bn borrowing capacity

# If all RTB receipts used to build low rent social housing by LARPs over ten years

- Base case
- Subsidy constrained
- 29,000 dwellings
- 40% discount
- Debt constrained
- 96,000 dwellings

# If all HMG RTB receipts used by HARPs to build Affordable Housing at 80% of OMR

- Base case
- Subsidy constrained
- 35,000 dwellings
- 40% discount
- Subsidy constrained
- 129,000 dwellings

# And LAs use balance of subsidy, plus efficiency savings, plus Major Repairs reprofiling

- Base case
- Subsidy constrained
- 12,000 dwellings +
- 1,500 from efficiency
- 4,600 from MR shift
- 40% discount
- Subsidy constrained
- 36,000 dwellings +
- 1,500 from efficiency
- 4,600 from MR shift

# Combined HARP and LARP

- Base case
  - 35,000 HARP
  - 18,100 LARP
  - 53,100 total
  - But
  - 39,000 sold
- 40% discount
  - 129,000 HARP
  - 41,100 LARP
  - 170,100 total
  - But
  - 214,000 sold