

# Role local authorities can play in supporting housing supply: terms of reference

## Context

The coalition agreement<sup>1</sup> committed the Government to reviewing the unfair Housing Revenue Account subsidy system to give local authorities the freedoms and responsibilities of running their own housing businesses.

In April 2012, following years of consultation with the sector, the Housing Revenue Account subsidy system was abolished. Local authorities have welcomed this move, creating long-term business plans to manage their stock responsibly for the benefit of their local communities.

## Purpose of the review

This review, announced in the 2013 Autumn Statement, considers the role that councils' can play going forward in helping to meet the housing needs of their local population, within the context of the need to ensure good value for money and fiscal discipline.

The review should aim to support stability in the local authority housing sector and take as its context recent reforms such as the self-financing reforms and the Affordable Homes Programme. All recommendations would need to include an assessment of the impacts on local government, and national accounts.

The review must not produce any recommendations that breach the Government's fiscal consolidation plans or require changes to the Government's national accounting framework.

It would include both stock holding and non-stock holding councils within its remit, and cover councils' role in increasing supply for their communities across all tenures.

Particular issues the review should consider are:

- how stock-holding councils are using their new freedoms under Housing Revenue Account self-financing to support housing supply and whether the current framework of local authority Housing Revenue Account borrowing is supporting this objective.
- what more councils, stock holding and non-stock holding, could do to support housing supply including:

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<sup>1</sup> The Coalition: our programme for government, HM Government, May 2010

- making maximum use of their existing asset base to support new development through asset sales
  - capacity and skills issues in supporting locally led larger scale development
  - how councils are using their own land to support their own or others' house building and what more could be done to bring surplus or redundant local authority land into productive use.
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- What innovative financing mechanisms councils have used to increase house building while ensuring value for money, and managing impacts on public sector borrowing and what central government could do to better support such innovation. This should include consideration of institutional investment, including pensions.
  - How local authorities can best drive efficiency improvements in both their management and development of social housing to free up more resources to support new housing development.
  - How data on local authority Housing Revenue Account owned assets, including housing and land can be made more transparent, building on the Government's recent Transparency Code measures.
  - How the public sector costs of local authority-led housing development compares with private sector driven routes, including housing association led development. What local authorities can do to reduce costs and increase value for money in their housing development, e.g. through working with private sector partners.

## Timing and Reporting

The review will commence in January 2014 to report by the end of 2014. It will report jointly to the Secretary of State for Communities and Local Government and the Chief Secretary to the Treasury.