

Mark Prisk MP
Minister of State for Housing
Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E5DU

20 May 2013

Dear Mark,

Thank you for attending the recent LGA Environment and Housing Board. It was particularly helpful to discuss with you our shared ambitions for housing growth to meet ever rising need. I wanted to follow up this discussion with some further thoughts on housing finance which would enable local authorities to deliver additional homes and a summary of areas we agreed to work collectively on.

The discussion at the Board demonstrated the range of activity and the appetite from authorities to make the most of the opportunity presented by self-financing. The centrally set cap on borrowing is not reflective of housing need and at is below what many authorities could afford to borrow prudentially. Indeed, a number of authorities have little or no borrowing capacity under the arrangements. For example, we estimate that removing the cap could deliver up to an additional 60,000 new homes over the next five years.

I understand that the main opposition to lifting the cap is the Government's commitment to reducing overall government borrowing. The borrowing under consideration would not only result in an appreciable asset and the corresponding rental stream but would have wider economic benefits for the area. Our discussions with financial commentators have indicated that this approach to additional responsible borrowing is unlikely to cause concern.

There are some interim steps which could provide short term relief for those authorities near their cap and with significant investment ambitions. These include relaxing restrictions to enable local authorities to trade borrowing headroom within the overall envelope, raising the cap in line with centrally agreed indicators and linking the cap to inflation to ensure it remains constant in real terms.

We agreed a number of areas where further discussion and collaboration would be useful. We will be following up with further information and proposals on all these issues with your officials.

- Encourage the use of smaller sites to bring forward housing.
- Meeting changing demographic pressures and the needs of older people over the longer term.
- Bringing empty homes back into use.
- Consider further how we might use recent flexibilities on Local Development Orders to encourage Self Build.
- Out of area placements and the LGA's work with councils to respond to the impacts of welfare reforms.

Thank you again for your time at the Board meeting and I would be happy to discuss any of the issues above further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mike Jones', followed by a horizontal line extending to the right.

Cllr Mike Jones
Chairman of the LGA Environment and Housing Board