



Ministry of Housing,  
Communities &  
Local Government

**Rt Hon James Brokenshire MP**  
*Secretary of State for Housing, Communities  
and Local Government*

**Ministry of Housing, Communities & Local  
Government**  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Clive Betts MP  
Chair  
Housing, Communities and Local Government  
Committee  
House of Commons  
London  
SW1A 0AA

Tel: 0303 444 3450  
Email:  
james.brokenshire@communities.gov.uk

[www.gov.uk/mhclg](http://www.gov.uk/mhclg)

Our Ref:3926527

*Dear Clive,*

*1 November 2018*

Thank you for your letter of 11 October about the timing and process for removing the Housing Revenue Account borrowing cap.


I am delighted to say that on 29<sup>th</sup> October we abolished the Housing Revenue Account borrowing cap in full and with immediate effect. Local authorities are now free to borrow to build new social housing and will not need to apply to the Government for permission to borrow.

To implement this, we issued a determination that revoked the previous determinations specifying local authority limits on indebtedness, having first consulted local authorities and statutory consultees on a draft determination. A copy of the determination, which is on Gov.uk, has been sent to local authorities.

With the complete abolition of the borrowing cap, local authorities can set their own borrowing limits based on revenue streams and their ability to repay debt, in accordance with the Prudential Code. They are now free to press ahead with their housebuilding plans, including those projects outlined in their bids for the additional borrowing programme in the summer.

We anticipate that the abolition of the borrowing cap will enable councils to deliver up to 10,000 homes per year in the short term, with potential to go even further over time; and I am keen to see local authorities seize this opportunity and utilise innovative approaches to deliver a new generation of homes.

Finally, you also asked for views on the merits of removing the existing penalty that local authorities incur when seeking to refinance Public Works Loan Board loans. Policy responsibility for this issue rests with Her Majesty's Treasury, so you may wish to contact the Chancellor of the Exchequer direct about this issue.

*Yours ever,*  


**RT HON JAMES BROKENSHERE MP**



# Housing, Communities and Local Government Committee

House of Commons, London SW1A 0AA

Tel 020 7219 4972 Email [hclgcom@parliament.uk](mailto:hclgcom@parliament.uk) Website [www.parliament.uk](http://www.parliament.uk)

The Rt Hon James Brokenshire MP  
Secretary of State for Housing, Communities and Local Government  
Ministry of Housing, Communities and Local Government

11 October 2018

Dear James

## **Housing Revenue Account borrowing cap**

I am writing with regards to the Prime Minister's recent announcement of 3 October that the Government will remove the Housing Revenue Account (HRA) borrowing cap for local authorities.

This is of course a welcome decision and, as you will know, the Committee has advocated such a move in the past, most recently in our Tenth Report of Session 2016-17, "Capacity in the Homebuilding Industry". This change is an important step in tackling the housing crisis, as well as a reinforcement of local authorities' abilities to address the lack of affordable housing.

However, I would be grateful if you could now provide further details on how the removal of the borrowing cap will operate and on its anticipated effects.

Firstly, it would be helpful to know by when it is planned that the removal of the cap will come into effect, what the process will be for effecting the removal, and what parliamentary approval will be required.

Secondly, will there be any exemptions that will place limits on borrowing in certain circumstances, or will local authorities simply borrow in the normal way, subject to the Prudential Code. If the latter is the case, it would follow that it will be for local authorities to set their own borrowing limits based on revenue streams and ability to repay debt. However, if not, clarification on how the elimination of the borrowing cap will affect the Additional Housing Revenue Account Borrowing Programme would also be helpful in assessing the impact of the cap's removal.

Finally, on a separate issue, I would be interested in the Ministry's views on the potential merits of removing the existing penalty that local authorities incur when seeking to refinance Public Works Loan Board loans; the potential effect of such a move in relieving budgetary pressures that many local authorities currently face; and what discussions the Ministry has had with the Treasury on such a proposal.

I look forward to your response.

A handwritten signature in black ink, appearing to read 'Clive Betts'. The signature is written in a cursive style with a large, sweeping initial 'C'.

**Clive Betts MP**  
**Chair, Housing, Communities and Local Government Committee**