

AWICS Housing News

January 2017



**New Council Houses being built in Ashfield, Nottinghamshire.
 How many more will be built with the Affordable Housing Programme 2016 to 2021?**

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Affordable Housing Programme 2016 to 2021

The Government made several housing announcements during the first week of January 2017. These included allocations under the affordable housing programme 2016 to 2021, an invitation to bid for further funding, starter homes, garden villages and towns and the Housing White Paper.

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Shared Ownership and Affordable Homes Programme

Changes to the Affordable Housing Programme 2017 were announced on 5th January 2017 by Sajid Javid, the Secretary of State for Communities & Local Government. He said that the programme would unlock £7billion in a dramatic expansion of the government's affordable housing programme to meet the diverse housing needs of the country with the intention of delivering an additional 200,000 homes. This included the allocation of £1.3billion to housing associations, local authorities and private providers; and the start of a continuous market engagement for a further £1.4billion for England outside London. Separate arrangements will be made in London by the Greater London Authority.

The schemes include homes for Rent to Buy that will be let with rents set at or below 80% of the local market rent for a set time, giving tenants the opportunity to save for a deposit and then the option to buy their current home.

In the Autumn Statement of November 2016, the Chancellor announced an additional £1.4billion to build 40,000 affordable homes and flexibility around the £4.7billion Shared Ownership and Affordable Homes Programme 2016 to 2021 to include affordable rent and rent-to-buy homes.

The Homes and Communities Agency launched its prospectus for the Shared Ownership and Affordable Housing Programme 2016 to 2021 in April 2016.

The successful bidders for the initial round of the Shared Ownership and Affordable Housing Programme (that did not include affordable rented homes) were announced on 5th January 2017. This follows the opening bidding round for the scheme in April 2016. The government states that these allocations will enable providers to get on with building the affordable housing that is needed in England and will be a boost to overall supply.

In total £1.28billion was allocated to build 39,403 homes, at an average grant rate of £32,568. Within the programme funds have been allocated to housing associations, local authorities and private house builders.

Bidding for the initial round closed in September 2016 with the £4.7billion programme being under-subscribed. The government said that these allocations leave £1.3billion of the original funding available. The remaining funds are to be allocated through continuous market engagement.

Following the announcements made at Autumn Statement, the publication of a prospectus addendum on 5th January 2017 puts into effect the changes to how grant will be allocated going forward.

Following the expansion and increased flexibility of the affordable homes programme, government investment will now support the delivery of:

- Shared Ownership homes, providing a route into home ownership for those struggling with affordability
- Rent to Buy homes, helping first time buyers to save for a deposit to buy their home whilst they rent at discounted rates
- More Affordable Rent homes, recognising that many of those who rent in the private rental sector need support to be able to afford market rents

The government states that these schemes are primarily focused on households with lower than average incomes and who tend to struggle to save; and that they will also benefit those families who are 'just about managing'.

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Affordable rent is defined as 'at or below 80% of market rents'. The government is encouraging providers to convert vacant socially rented homes to provide additional funding. Many in the sector do not see 'affordable rent' homes as being truly affordable and see the conversion of homes from 'social housing' to 'affordable housing' as actually reducing the number of truly affordable homes that are available.

The Addendum to the Prospectus invites bids against the available funding, including for Affordable Rent. The Homes & Communities Agency are not setting a closing date for applications and will assess bids on an on-going basis in a process of Continuous Market Engagement. The Addendum sets out further details of the Continuous Market Engagement process and of the Affordable Rent product. The Prospectus remains the key document for the Shared Ownership and Affordable Homes Programme 2016 to 2021: its content stands unless explicitly amended. The Prospectus also provides information on contracts and payment and on the programme management arrangements for successful bidders.

Garden Villages and Garden Towns

Earlier in the week, the Department for Communities & Local Government announced the locations of fourteen garden villages and three more garden towns. According to the Government, these new settlements, together with the seven garden towns that were previously announced, have the potential to provide almost 200,000 new homes across the country.

It is considered that new settlements are essential for bringing forward additional homes in new places with the amenities required to support generations to come. Garden villages and towns are not just about housing numbers but also about creating new schools, shops, doctors' surgeries and all the other facilities.

Housing White Paper

The government has revealed that the long-anticipated Housing White Paper will be published 'later this month'. Sajid Javid said that 'ready to go' homes - from factory built to custom-made apartment blocks - will be a key component of the housing white paper in what is expected to be the biggest revival of this type of housing since the post-second world war reconstruction.

Sajid Javid also said that his white paper would contain measures to ensure that more land was released in the 'right places' for development, but that the focus would be on building on brownfield sites rather than the green belt. However, he did acknowledge that in 'the most exceptional circumstances' the green belt could be built on.

We have prepared a briefing paper 'Affordable Housing Programme 2016 to 2021 and Other Housing Announcements' that summarises these matters and provides comment. It can be freely downloaded from here:
<http://www.awics.co.uk/dynamicdata/data/docs/affordable%20housing%20programme%20-%20briefing%20paper.pdf>

Starter Homes

Gavin Barwell MP, the Minister for Housing, announced that the government's controversial 'Starter Homes' policy will go ahead. This policy is intended to reverse the decline in home ownership by providing homes to first-time buyers aged between 23 and forty at a discount of 20%. These homes will be up to £450,000 in value in London and up to £250,000 in value elsewhere in England.

The £1.2billion Starter Home Land Fund was established in April 2016 to support the acquisition, remediation and de-risking of further suitable land for starter home developments. It is to be spent in partnership with local authorities on preparing brownfield sites for large developments of starter homes.

I am not convinced by the Starter Homes programme because I do not think it is focused on those in greatest housing need and will also fail in its objective of arresting the decline in home ownership because by subsidising home ownership it will increase prices rather than supply. I therefore wrote to my Member of Parliament, Rory Stewart, who is a Minister at the Department for International Development with a question. It is couched in terms specific to his constituency but is relevant across England. His response is interesting so I include both the question and response below.

Question

"Shelter have calculated that to be able to afford a 'Starter Home' a person would need:

- In England, an income of £50,000 a year and a deposit of £40,000.*
- In London, an income of £77,000 a year and a deposit of £98,000.*

"According to the Land Registry the average value of a house in Cumbria is £145,000 and according to the Cumbria Intelligence Observatory the median average annual income of households in Cumbria is £25,000. It is clear that the Starter Homes scheme will benefit very few people in Cumbria.

"Why should the average Cumbrian with an annual household income of £25,000 and a house worth £145,000 pay their taxes to subsidise a person with an annual income of £77,000 and capital of £98,000 who wants to buy a house worth £450,000

Answer:

"Obviously, this is a major, and problematic issue: we need more affordable houses, we need to help first-time buyers onto the property ladder, and we need to build more homes - and starter homes - in a sensible, sustainable way that is right for each locale.

"Regarding house-building generally, the Government is now doubling investment in housing to more than £20billion to support the largest affordable housing programme by any government since the 1970s. It has already announced £8billion to deliver over 400,000 affordable starts by 2021 and is now going further with an additional £1.4billion to deliver 40,000 more affordable homes. Nearly 300,000 affordable homes have been provided since 2010.

"A £5billion package of investment in housing has also been announced, including £3billion to build more than 25,000 new homes this Parliament under the new Home Building Fund. By focusing on accelerated construction and the development of brownfield land, these funds could deliver up to 200,000 homes over the longer term. There are plans to deliver 1 million homes in total by 2020.

“Over 220,000 people have achieved home ownership as a result of the Government's Help to Buy schemes, and I am delighted that the Help to Buy Equity Loan scheme has been extended to 2021. This allows buyers with a 5 per cent deposit to benefit from a government loan of up to 20 per cent of the property price.

“While mortgage repayments on a home might be manageable for someone who has already been paying market-rate rents for a comparable property, it is often the accessing of the deposit that is a major obstacle for first-time buyers.

“Regarding Shelter's figures, I do not see how a conclusion can be drawn that the Starter Homes scheme is unworkable. Many properties in areas like Penrith and north Cumbria, are still affordable for a first-time buyer; a cursory check of a local property website just now shows me a wide selection of modern and period 2-bedroom properties available to buy for less than £100,000.”

Sara Mahmoud, an Economic Analyst at Shelter, has since responded by explaining their research and its conclusions as follows:

"It's important to note that Starter Homes will be newly built properties, so the price of existing properties in an area is not a good measure of their likely cost. Based on the Office for National Statistics' House Prices for Small Statistical Areas for June 2016 and data from the Council for Mortgage Lenders, a typical new build in Cumbria is £205,000. With the 20% Starter Homes discount this will be £164,000 and will need a household income of £45,000 and a deposit of £25,000.

"The Government has argued that Starter Homes will be the same price as cheaper new build properties. Using the 'lower quartile' price of new builds in Cumbria as a likely price of this is the case still means a pre-discount price of £154,000, which needs a household income of £33,000 and a deposit of £18,000.

“The reference for how these figures are calculated can be found in this report: (click [HERE](#) for a copy)

“Housing minister Gavin Barwell has indicated that the definition of Starter Homes may be broadened to include ‘affordable rent’ homes. Shelter would welcome this change and would urge the government to make sure that rents are genuinely affordable for normal local household incomes.”

This supports my contention that a person on an average income in Cumbria would not be able to afford a Starter Home but is still expected to pay tax to fund subsidies for more prosperous people who can! I expect that a similar calculation in other parts of England would produce the same conclusion.

Last year I wrote a briefing paper on Starter Homes that can be freely downloaded from here: <http://www.awics.co.uk/dynamicdata/data/docs/starter%20homes%20-%20briefing%20paper.pdf>

The Autumn Statement 2016: The Implications for Housing

Phillip Hammond, the Chancellor of the Exchequer, presented the 2016 Autumn Statement on 23rd November 2016. It included various announcements relevant to housing.

A new National Productivity Investment Fund will be created to provide £2.3 billion of additional spending, with the stated aim of ensuring that the United Kingdom's economy is fit for the future. The National Productivity Investment Fund will provide major additional spending in areas that are key to boosting productivity: transport, digital communications, research and development and housing. This will include £1.1 billion to reduce congestion and upgrade local roads and public transport.

There will also be £2.3 billion for a new Housing Infrastructure Fund that will run until 2020/21. The fund will be used for projects such as roads and water connections that will support the construction of up to 100,000 new homes in the areas where they are needed most. There will also be £1.4 billion that will be used to provide 40,000 new affordable homes, including some for shared ownership and some for affordable rent. And another £1.7 billion will be used to speed up the construction of new homes on public sector land. Spending will be allocated to local authorities 'on a competitive basis' to unlock new private house building.

The main autumn statement document said that this money will be available to councils in the areas where housing need is greatest and will be targeted at providing infrastructure with a view to delivering up to 100,000 new homes. Phillip Hammond said such areas experienced 'high demand' for housing but the definition of 'high demand' is not yet known. The government is expected to provide clarity in a prospectus outlining the criteria for the bidding process. The government will also look at how transport funding can support housing growth.

Chancellor Philip Hammond said the country's housing challenge is an 'urgent issue' because it affects national productivity and that last year the lowest level of affordable housing was built since 1992.

There will now be greater flexibility over the use of the funding in the affordable homes programme (see article on the affordable homes programme above). While the focus before was primarily on home ownership through the construction of starter homes, the money can now be used to deliver homes for affordable rent, rent to buy, or shared ownership. It will not, however, be possible to use the funds for homes for social rent. It is unclear whether the money will be available only to housing associations, as was implied in the autumn statement's costing document, or councils too.

However, the government is continuing with its policy of annual 1% rent reductions in social housing that is having an adverse impact on the ability of councils and housing associations to build affordable homes. There is also no indication of what rent policy will be after 2020 and the 'borrowing cap' continues to be imposed on housing revenue accounts. The 'borrowing cap' prevents local authorities from borrowing to invest in new housing even where they could afford to do so.

Modelling by the Office for Budget Responsibility said that the government's new approach would actually be likely to reduce building by housing associations by 13,000 over the forecast period with 'a boost next year becoming a drag by 2019/20'.

The National Housing Federation has been calling on the government to be more flexible in the tenure mix housing associations can deliver.

It has also been announced that 'pay to stay' will be voluntary for local authorities as well as housing associations (see article below); that the extension of 'right to buy' to housing associations will be phased in and that the sale of high value council homes will be delayed from April 2017 to April 2018.

Philip Hammond announced that the government would be rolling out a new series of 'right to buy' pilots with more than 3,000 tenants able to buy their properties. In documents published after the statement, the government estimated the cost of the policy to be £250million over five years to 2020/21. The government is using a central budget to reimburse housing associations for the discount tenants receive.

Philip Hammond announced that £3.15billion will be given to the Greater London Authority to deliver 90,000 affordable homes.

Sadiq Khan, Mayor of London said rules surrounding the use of the funding had been relaxed, and it will be used to fund homes for low-cost rent, London Living Rent, and shared ownership between now and 2021. London Living Rent is set at 35% of local wages. More details will be released by the Greater London Authority soon.

Analysis by the 'Local Government Chronicle' shows that almost half of the £7.2billion for investment in housing announced in the autumn statement is either not new money or does not belong to the government.

The autumn statement announcements contain a £2billion pot of cash for the accelerated construction of house building on primarily central government land – £1.7billion of which will be used in partnership with private developers on sites in England. The money, however, was actually announced by Sajid Javid MP, the Secretary of State for Communities & Local Government at the Conservative party conference at the beginning of October.

The government has also included £1.8billion of assumed extra borrowing by housing associations in its headline £7.2billion figure. A Department for Communities & Local Government spokesman told the 'Local Government Chronicle' that the £1.8billion was what housing associations would:

"Be able to borrow from providers as a result of our additional investment".

I have written a briefing paper that summarises the autumn statement and its implications for housing and local government that can be freely downloaded from here: <http://www.awics.co.uk/dynamicdata/data/docs/autumn%20statement%202016%20-%20briefing%20paper.pdf>

Funding for Supported Housing

On 15th September 2016, Damian Green, the Secretary of State for Work & Pensions, made a statement in Parliament about the funding of supported housing. In it, the government declared its intention to issue a consultation paper. This consultation paper 'Funding for Supported Housing' was issued on 21st November 2016. The consultation period ends on 13th February 2017.

Previous government legislation and announcements had cast doubt over the future funding of supported housing.

In view of this the government committed itself to a review of the funding of supported housing. The statement made on 15th September 2016 was a prelude to the announcement of the review.

The key elements of the announcement of 15th September were as follows:

- All housing costs for supported housing will be met. Housing costs will be paid through the benefits system up to the local housing allowance level with a top-up paid by the local authority.
- To enable this top-up to happen, there will be a transfer of funds from the Department of Work and Pensions to the Department for Communities and Local Government. They will then allocate funds to local authorities by a mechanism yet to be decided on.
- There will be a ring-fence around the transferred sum and it will be strictly only available to pay for supported housing costs.
- There will be no Shared Accommodation Rate in the calculation of the local housing allowance rate for tenants in the new system. The one-bedroom local housing allowance rate will be used for people under 35 living in supported housing.
- The Government believes a different system needs to be worked out for short-term transitional services and it will consult on this.
- Budgets will also be transferred to the Scottish, Welsh and Northern Irish governments to enable them to devise their own arrangements

The new system is planned to be implemented from 2019 and the Local Housing Allowance cap will not apply to supported and sheltered housing until then. From 2019 it is proposed to apply the local housing allowance cap to all claims in supported and sheltered housing with some exceptions including domestic violence refuges. The 1% annual rent reduction required by the Welfare Reform & Work Act 2016 will apply to sheltered housing from 2017 to 2019.

The Consultation Paper issued in November 2016 includes the following sections:

- Introduction
- Supporting People to Live Independently
- The Case for Change
- A New Framework for Future Supported Costs
- Consultation: Key Issues and Questions

The government had already announced that it will cap housing benefit at the level of the local housing allowance across the United Kingdom originally from 2018 but now extended to 2019. This will reduce the housing benefit that will be available to fund rents and service charges in supported housing schemes. The government's proposal for England is that this funding will be replaced by a locally administered 'pot'.

The consultation said that the local 'pot' would give the Greater London Authority, Unitary and County Councils an 'enhanced role; in commissioning supported housing in their area and allow them to 'take a more coherent approach'. The government says that:

"We want quality and a focus on individual outcomes to play a greater role in how we fund the sector."

The consultation questions include whether there should be a national statement of expectations or a national commissioning framework 'within which local areas tailor their funding'. The amount of top-up funding will be set 'on the basis of current projections of future need' and will be based on a 'general definition; of supported housing, rather than having separate ringfenced posts for different client groups.

However, the government also proposes to introduce statutory duties for councils to protect housing provision for specific vulnerable groups. The consultation paper says that the government recognises short-term accommodation such as hostels and refuges have 'particular challenges'. The government says that it will work with the sector to develop further options to ensure providers of shorter-term accommodation 'continue to receive appropriate funding for their important work'.

As housing is a devolved function outside England, the consultation paper states that:

"The devolved administrations (will) receive a level of funding in 2019/20 equivalent to that which would otherwise have been available through the welfare system in order to meet the additional costs of supported housing."

The devolved administrations will then be free to make their own arrangements for the funding of supported housing.

The consultation will run until 13th February 2017 and a Green Paper with the detailed arrangements for the local top-up model will then be published in the spring. The final package will be announced in autumn 2017 ahead of the new model becoming operational from April 2019. The government proposes putting shadow arrangements in place from April 2018 on the detail and allocation of funding.

There will be four task and finish groups working across these key issues outlined through this consultation that will include membership from key stakeholders and partners from across the sector and from across Government departments and the devolved administrations where appropriate.

This consultation will run for twelve weeks until 13th February 2017. There will then be a Green Paper on the detailed arrangements for the local top-up model and approach to short term accommodation in the spring. A final package will be announced in autumn 2017 to allow time for transitional arrangements to be made ahead of the new model commencing on 1st April 2019.

I have written two briefing papers that summarise and provide comment on the announcements of September 2016 and November 2016. They can be freely downloaded from our website as follows:

- Funding of Supported Housing (September 2016) - <http://www.awics.co.uk/dynamicdata/data/docs/funding%20of%20supported%20housing%20-%20briefing%20paper.pdf>
- Funding for Supported Housing Consultation (November 2016) - <http://www.awics.co.uk/dynamicdata/data/docs/funding%20for%20supported%20housing%20consultation%20~%20briefing%20paper.pdf>

Pay to Stay

In 2012 the then coalition government gave social landlords in England discretion to charge near market rents to tenants with high incomes. In 2015 the Conservative government announced that it would extend the policy to make it mandatory although they subsequently decided to make it voluntary for housing associations and more recently for local authorities. The policy has been dubbed 'pay to stay' and was included in the Housing & Planning Act 2016. However, the regulations that are required to enact the policy have yet to be made. The purpose of this briefing paper is to summarise the situation as it currently exists.

Following a consultation exercise in 2012 the Coalition Government gave social landlords in England the discretion to charge market or near market rents to tenants with an income of £60,000 or more a year. It was argued that high income families should not be paying social rents (typically half the market rent) when they could afford to pay more. The scheme is sometimes known as 'pay to stay.' It is not clear how many social landlords have implemented this approach. A consultation exercise raised concerns over the administration and practicality of it.

However, the government concluded that local authorities and housing associations should be able to charge those in social housing with high incomes a fairer level of rent to stay in their homes. They consider that this would help them to make best use of social housing. It would give them additional income to invest in new social housing – helping more people in housing need – and would help ensure sub-market rents are being provided only to those tenants who clearly need them.

Thus, the Government does not expect local authorities or housing associations to adhere to its social rent policy expectations in relation to social tenants with high incomes.

The government will encourage local authorities and housing associations to implement rent policies for social tenants with high incomes that reflect the aims outlined above. Where they do so, the government expects them to follow some general principles, set out below.

The expectations regarding social and affordable housing do not apply to properties let to households with an income of at least £60,000 per year.

In this context, by household, the government means tenants named on the tenancy agreement, and any named tenant's spouse, civil partner or partner where they reside in the rental accommodation. By income, they mean taxable income in the tax year ending in the financial year prior to the financial (i.e. rent) year in question.

To give an example, the income received in the 2013/14 tax year would guide the rent payable in the 2015/16 rent setting year, where a household was above the threshold. Here, 2013/14 is the 'tax year ending (on 5th April 2014) in the financial year (2014/15) prior to the financial (i.e. rent) year in question (2015/16)'.

Where a household is subject to a sudden and ongoing loss of income, having declared that they are above the threshold, the government would expect authorities to reconsider the rent that household is being charged, and amend if appropriate.

Where a high income social tenant's tenancy comes to an end, and they vacate the property, the government would expect properties typically to be re-let in line with their previous lower rent – be it at social rent or affordable rent – to a household in housing need.

Where there are more than two incomes within the household, as defined, the government would expect the two highest incomes only to be taken into account.

The government expects authorities to use the additional capacity generated to fund new affordable housing, where possible.

Many in the sector have criticised these proposals as unworkable, especially because they rely on the tenant declaring their income and volunteering to pay the additional rent. This would result in considerable costs of administration especially for landlords whose tenants are unlikely to have incomes in excess of £60,000 a year.

According to the government, between 11,000 and 21,000 households in England meet the new 'pay-to-stay' threshold. Currently, there is nothing to compel tenants to tell their landlords how much they earn. But, the government intends 'to seek a legislative opportunity to place the onus on tenants earning over the threshold to declare their income, when parliamentary time allows'. Alongside that legislation, it will set out details of sanctions for tenants found to have failed to declare. However, no date has yet been set for this legislation.

There was always the question of whether landlords would decide to use the new powers. It is felt that very few tenants would be affected and that administering the scheme would be difficult, controversial and costly. It is therefore expected that most landlords will not use the 'pay to stay' powers although they will be available for them all.

A briefing paper that was written just prior to the announcement that the scheme would be voluntary for local authorities, including an analysis of the Housing and Planning act and comments can be freely downloaded from here:
<http://www.awics.co.uk/dynamicdata/data/docs/pay%20to%20stay%20-%20briefing%20paper.pdf>

Brexit Implications for Housing

It had been widely predicted both during and after the referendum campaign that there would be a decline in the housing market and a reduction in house values should Britain leave the European Union.

The housing sector is already experiencing some effects, some of which may be caused by short-term uncertainty and some of which will be permanent.

The short-term impacts will probably be largely financial. Uncertainty about the future terms of trade will make financial bodies and other businesses cautious, so it may be more expensive or harder to borrow money to invest in homes or regeneration, and the offer or agreement of contracts for services may be put on hold. If uncertainty lasts for a while then house prices may fall, that would make it harder for landlords to build new homes and generate surpluses from sales activities. To date, there appears to have been a slow-down in the housing market in London although in most other parts of Britain house prices continue to increase.

The longer-term impacts depend very much on what terms are negotiated for post-European Union trading. There may be effects on the costs of materials to build and improve homes, the ability to get workers for big development and investment projects, and the regulations applied to companies providing goods and services. Much of the immediate post-referendum commentary assumes regulations will be similar, costs will go up and availability of skilled labour will go down. The housing sector has made good use of European Union grants that support work on regeneration, social inclusion and energy efficiency - access to these will certainly be lost and the capacity and willingness of the United Kingdom government to replicate these sources of funding is open to doubt.

One effect will be that housing associations will lose access to the European Investment Bank. The European Investment Bank committed £1billion to housing in April 2016 with a further £0.6billion in the process of being negotiated.

Housing associations' credit ratings have already been reduced following the downgrading of the credit rating of the United Kingdom government

Several housing associations use fixed-rate derivatives, financial instruments that enable landlords to swap variable interest rates for fixed rates. Under the terms of the derivatives, if swap rates fall then landlords are required to put up extra security. The ten-year swap rates fell sharply from 1.38% to 1.9% following the Brexit vote that Howard Webb, a director at Capita, described as unprecedented.

Many housing associations have struck swap deals to agree a fixed rate rather than a variable interest rate on long-term loans. But when rates fall, landlords must put up additional security to cover the gap between the variable and fixed rate – known as 'mark to market exposure'.

Housing associations are taking advantage of falling government borrowing rates in the bond market, despite a leap in the 'spreads' on their deals. Analysis of the secondary market in housing association bonds – trading between investors after bonds are sold – show overall rates have fallen nearly 50 basis points (0.5 percentage points) since the referendum.

This is despite spreads (the price over the cost of government debt) widening by ten to twenty basis points on average, with some landlords' spreads pushed out to more than 200 basis points, according to an analysis by Santander. The reduced price comes as gilt yields (the cost of government bonds) have fallen to a historic low of just over 1.5%, 60 basis points lower than pre-Brexit levels.

Sadiq Khan's Deputy Mayor for Housing has attempted to reassure London's housing associations in the light of the Brexit vote. In a keynote address at Housing 2016, James Murray said he was holding meetings with G15 landlords to reaffirm the message that 'meeting the housing crisis is our top priority', and pledged to support the sector through measures such as accelerating some planning rules.

The Greater London Authority is still negotiating with government over the size of its share of the government's nationwide 2016/21 Affordable Housing Programme. City Hall has been lobbying for an element of the Shared Ownership and Affordable Homes Programme to be set aside for affordable rent.

Following the vote to leave the European Union, house builder shares dropped 40%, with housing experts predicting a slow-down in development. Development teams are reassessing ambitious plans to build more than 175,000 homes over the next five years. 'Inside Housing' published a development survey in July 2016 that revealed that 40% of starts by the fifty largest builders are either for open market sale or shared ownership, an increase from 36% the year before.

There are likely to be increases in the costs of building maintenance and construction due to the reduced value of sterling and increased difficulties in recruiting labour from outside Britain.

Construction materials are estimated to have increased by between 6% and 12% since Britain voted to leave the European Union, putting building firms under pressure.

One of the issues that was prominent during the referendum campaign and will be prominent during the negotiation of Britain's new treaties with the European Union will be the free movement of labour.

Many of our public services including housing and housing maintenance rely on workers from other European Union countries.

The Brexit vote has already led to speculation that there will be more controls over immigration and on migrants' eligibility for services such as welfare benefits and social housing. Nothing will change in the short term and timescales are not yet known. However, if European Union migration is reduced significantly, this could have a considerable effect on household growth and therefore on future housing demand. Across the United Kingdom, in any one year, about half of new migrants are from other European Union countries. In England, net migration (the difference between numbers coming in and going out) accounts for 37% of the projected growth in numbers of households over the next 25 years, hence demand for extra homes.

The eligibility rules for housing or housing benefit are not likely to change soon although they may change in the long-term. In England, 'right to rent' checks on documents apply to private landlords and to housing associations where they make their own allocations. But any citizen of the European Union or the wider European Economic Area is not covered by the legislation and has an automatic right to rent regardless of their work or benefit status, until the rules change. If right to rent checks are later extended to Scotland, Wales or Northern Ireland, the same will apply.

It is difficult at this stage to be precise about the impact that Britain leaving the European Union will have on housing. Some implications are already apparent but these may be short-term rather than permanent effects. The long-term implications will depend on the 'deal' that the United Kingdom government manages to negotiate with the European Union and the policies that it chooses to pursue as a state outside the European Union.

I have written a briefing paper that summarises and provides comment on the implications of Brexit for housing that can be freely downloaded from here: <http://www.awics.co.uk/dynamicdata/data/docs/brexit%20-%20implications%20for%20housing%20-%20briefing%20paper.pdf>

Housing News in Scotland

Glasgow City Council's Executive Committee has agreed a new Housing Strategy for the City for 2017 to 2022 that is founded on the two main themes of increasing the supply and improving the quality of housing available to Glasgow's people and improving access to appropriate housing for the city's people. The strategy envisages that 15,000 new homes are to be built in Glasgow over the next five years.

The strategy includes targets for new build housing, the promotion of area regeneration and actions for maintaining and improving Glasgow's existing housing stock. It will be used to inform future housing investment and related services in the city. Within the two main themes of the strategy are six strategic priorities and fifty key actions to be achieved by 2022. The strategic priorities of the strategy are as follows:

- Promote area regeneration and enable investment in new build housing;
- Manage, maintain and improve our existing housing stock;
- Raise management standards in the private rented sector;
- Tackle fuel poverty, energy inefficiency and climate change;
- Improve access to housing across all tenures; and
- Promote health and wellbeing.

Glasgow has a population (2015) of over 606,000 living in over 297,000 homes, 44 per cent of which are owner-occupied, 36 per cent are socially-rented and 20 per cent privately-rented. The council consulted extensively with a range of organisations, with sixteen consultation events held and five pieces of research commissioned, all of which helped to help shape the final strategy document. The strategy will now be submitted to the Scottish Government.

A positive report on housing conditions has been approved by the Housing & Health Committee at Perth & Kinross Council. The committee also agreed proposals for a nil increase to housing rents in 2017/18 to allow a new rent model to fully bed in.

Significant investments in council houses in Perth and Kinross over recent years has seen the percentage of council houses achieving the Scottish Housing Quality Standard reach an all-time high. Perth & Kinross Council is committed to achieving the Scottish Housing Quality Standard requirements for tenants, and is delivering the standard through a sustained programme of housing investment and improvement, including improvements to the external fabric of buildings, upgrades to central heating, kitchens, bathrooms, double-glazing and energy efficiency works.

This investment programme has led to almost 95% of council housing stock meeting or exceeding the standard as at 31st March 2016. Of those that were not compliant, fewer than 0.5% of the overall stock, a total of 36 houses, were recorded as failing the standard.

The remaining non-compliant properties are a combination of where elements of the standard are 'exempt' because the work cannot be carried out for technical reasons (0.2%), and where work has been prevented in common areas where private owners refused to participate (5%).

Following extensive consultation with tenants, members of the Housing & Health committee last year approved a new rent structure model for council house rents. The new model moves to full implementation from April 2017, and will result in higher or lower rents for many Council tenants with some of these adjustments being significant.

Collaboration between Lochaber Housing Association and Highlands Small Communities Housing Trust has delivered twenty new affordable homes across four Lochaber communities.

After listening to the needs of local communities the new homes are located in Kilchoan, Lochyside (Fort William), Mallaig and Strontian. This ambitious development programme forms part of an agreement between Lochaber Housing Association and Highlands Small Communities Housing Trust to build forty new homes per year. Development is currently ongoing in several areas in Lochaber to invigorate the area by offering a diverse range of housing tenures to strengthen the communities.

Lochaber Housing Association provides social rented homes and low-cost home ownership properties to complement Highlands Small Communities Housing Trust's Rent to Buy Scheme and self-build options. Occupants are soon due to move into the properties built next to the High School in Strontian. This is the first stage of an inspiring wider development that is strongly supported by the Sunart community following a master planning exercise for the larger site. The development also includes Scotland's first community owned primary school being driven forward by the Strontian Community School Building Group Ltd and currently project managed by Highlands Small Communities Housing Trust.

Scottish Minister for Housing Kevin Stewart said:

"I am delighted that the strong working relationship between Lochaber Housing Association and Highland Small Communities Housing Trust, along with their construction partners, has resulted in such positive outcomes. The Scottish Government encourages the use of different housing models and these practical examples of rural housing, backed by our affordable housing supply programme, low-cost home ownership scheme, as well as our Highland Rent to Buy Scheme and self-build pilots, has given people who might not otherwise have been able to afford their own homes the opportunity to get on the housing ladder. Last year we also launched a £25million Rural Housing Fund which will also provide an estimated 500 new affordable homes for Scotland in rural areas over the next three years by helping with the building of new homes and the refurbishment of existing buildings."

Dundee City Council has approved plans to build 163 homes on the site of two former multis in the city's Hilltown area. The development by Robertson Partnership Homes, on behalf of the council and Hillcrest Housing Association, will see 123 flats and forty houses built on land where the Bucklemaker and Butterburn Court blocks stood on Derby Street before being demolished in 2013. Five of the houses will be fully detached with the remaining 35 homes terraced. Twelve of the flats will be two storeys high with another eighteen listed as supported accommodation.

David Zwirlein, Hillcrest director of development and new business, said:

"It's exciting to be part of the transformation for Dundee's Hilltown so we are delighted that this project has been given the green light. Not only will the homes be good quality and affordable, they will be energy efficient and meet a range of housing need. A mixture of flats and houses as well as social and mid-market rent means that we will deliver a development which addresses the shortage of affordable rented housing in the city."

Our seminar 'All You Want to Know about Scottish Social Housing Finance 2017' will be held in Edinburgh on 26th April 2017. For more information or to make a booking please click here: <http://www.awics.co.uk/scotfin17.asp>

Housing News in Wales

An additional £136million has been confirmed for affordable housing development, flooding schemes and regeneration projects across Wales in the final budget of the Welsh Government for 2017/18. As part of the final budget, an extra £33million of capital funding will support the work of Natural Resources Wales and local authorities on priority flood risk management schemes over the next four years. This is in addition to the £150m innovative coastal risk management scheme which will start in 2018.

A further £53million of capital funding has been allocated to accelerate the delivery of the Welsh Government's key commitment to deliver 20,000 affordable homes over the course of this Assembly term – in total £1.36billion of capital will be invested in delivering this ambitious commitment to create more affordable homes. The Welsh Government will invest £50million of capital in regeneration programmes. This funding will focus on Wales' most disadvantaged communities and support wider government ambitions, including the Ministerial Taskforce for the South Wales Valleys Taskforce, the Metro and the city deals. Welsh Government Ministers will be announcing further details about the specific allocations in the coming weeks.

Welsh Finance Secretary Mark Drakeford said that:

"The final Budget for 2017/18 provides ambition and stability in uncertain times. Following the publication of our draft spending plans in October, we have reflected on the issues raised and the feedback we received during the budget scrutiny process. We have provided a capital boost for the areas we know need additional support – flooding and regeneration – while also accelerating key priorities such as delivering 20,000 affordable homes. This funding will benefit individuals, families and strengthen communities across Wales."

Welsh Communities and Children Secretary Carl Sargeant said that:

"This extra funding is excellent news for communities throughout Wales. It will make a significant contribution to achieving our target of providing an additional 20,000 affordable homes and regenerating the communities in which people live and work. Both housing and regeneration are about far more than bricks and mortar and can make a real difference to the lives of individuals and communities as a whole."

The Welsh Government has also announced £7.8million for its Homelessness Prevention Programme for 2017/18. The grant will support local authorities and third sector organisations to deliver frontline services to prevent homelessness, through the provision of night shelters, hostels, outreach work, mediation and bond schemes as well as providing a network of advice services. The funding comes as part of the implementation of Part 2 of the Housing (Wales) Act 2014. It includes £2.8million of transitional funding, provided to local authorities to support this implementation. Councils have been awarded £5million a year, plus transitional funding, for three years, since 2015/16.

Carl Sargeant said that:

"Providing people with a safe, warm and secure home remains a key priority. Local authorities have made a positive start in implementing the legislation we introduced last year to help everyone who is homeless or at risk of becoming homeless. Our legislation means more people than ever before are getting help at an earlier stage so that homelessness can be prevented. I would urge anyone who thinks they are at risk of becoming homeless to seek advice and help. The earlier you get advice, the less likely you are to become homeless."

Dyfed Edwards, the Welsh Local Government Association spokesperson for housing, said that:

“The Welsh Local Government Association welcomes the announcement of the Homelessness Prevention Programme funding. Local authorities and their partners work with thousands of households each year facing the threat and misery of homelessness. This funding is vital in ensuring that the staff and services required to prevent and relieve homelessness are available across Wales.”

Carl Sargeant, has also announced that the Welsh Government policy for social housing rents will be maintained for 2017/18. The rent uplift for social landlord properties covered by the policy for 2017/18 is 2.5% (being the increase in the Consumer Prices Index plus 1.5%).

Stuart Ropke, Chief Executive of Community Housing Cymru, said that:

“We welcome this announcement. Maintaining the rent settlement for 2017/18 will support housing associations to play their part in achieving the 20,000-affordable housing target during this term of Government. A secure rental income stream alongside continued financial support from the Welsh Government is vital for the future viability of Welsh housing associations, and this security means that the sector can continue to build more homes towards the 20,000 target and deliver services in communities across Wales.”

Community Housing Cymru has signed a Housing Supply Pact with the Welsh Government and the Welsh Local Government Association.

AWICS Seminars:

Details of all our seminars are available on our website at:
<http://www.awics.co.uk/seminars2017.asp>

Our next seminars include:

All You Want to Know About Service Charges in Social Housing 2017

We are holding seminars on ‘All You Want to Know about Service Charges in Social Housing’ from February to May 2017. These seminars are designed to give an introduction and overview to this important subject and are fully up to date with all developments.

Service charges are an integral part of landlords’ work in financing value for money services and sustaining customer satisfaction. They have always been relatively complex but with increased financial challenges and legal and financial complexity there is an increased need to understand how service charging works.

These seminars are suitable for people who are not experts in service charges, but who need to understand the basics and achieve an overview of what is going on. It is suitable for councillors, board members, housing managers, legal staff, finance staff, tenant representatives, members of the service charges team with limited experience and others who realise that an understanding of service charges can place them at an advantage!

What the Sessions Cover:

- How do Service Charges work in Housing Associations and Local Authorities and for Leaseholders and Tenants?
- How are service charges calculated?

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Company Number: 3713554. VAT Registration Number: 721 9669 13.**

- How to de-pool service charges?
- When are service charges eligible for housing benefit / universal credit?
- Service Charges in Supported Housing
- Service Charge issues and how to ensure excellent customer service?

The sessions are accompanied by a very useful 100-page book that is designed for reference after the session entitled: "All You Want to Know about Service Charges in Social Housing 2017"

Venues and Dates:

- **London:** Novotel Hotel, Waterloo – 15th February 2017
- **North:** Novotel Hotel, Leeds – 17th May 2017

The price is £250 plus VAT in London, total £300; and £195 plus VAT in Leeds, total £234. For more information or to make a booking please click here: <http://www.awics.co.uk/schs2017.asp>

All You Want to Know About Local Authority Housing Finance 2017

We are holding our 2017 series of 'All You Want to Know About Local Authority Housing Finance' from March to September. This series of seminars is designed to give an introduction and overview to this important subject and is fully up to date with all developments.

This seminar is designed for people who are not experts in housing finance, but who need to understand the basics and achieve an overview of what is going on. It is suitable for councillors, housing managers, tenant representatives, finance staff who have limited experience of local authority housing finance and others who realise that an understanding of housing finance can place them at an advantage.

The session will answer the following questions:

- How does the Housing Revenue Account work?
- How does the Housing General Fund work?
- How does the Housing Capital Programme work?
- What is going on in the world of local authority housing finance?
- What are the Financial Opportunities and Threats for Local Authority Housing?

The session is fully up to date and refers to recent government policies on the funding of supported housing, the sale of high value council homes, annual reductions in social and affordable rents of 1%, voluntary near market rents for tenants on high incomes, welfare reform, the Welfare Reform and Work Act, the Housing and Planning Act; and the implications of 'Brexit'. The session is accompanied by a very useful hundred-page book that is designed for reference after the session entitled: "All You Want to Know About Local Authority Housing Finance 2017"

Venues and Dates:

- **London:** Novotel Hotel, Waterloo – 8th March 2017.
- **North:** Novotel Hotel, Leeds – 22nd March 2017.
- **London:** Novotel Hotel, Waterloo – 27th September

The price is £250 plus VAT in London, total £300; and £195 plus VAT in Leeds, total £234. For more information or to make a booking please click here: <http://www.awics.co.uk/lahfin17.asp>

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All You Want to Know about Scottish Social Housing Finance

Social housing is becoming increasingly important in Scotland at a time of rising demand for affordable housing and constrained resources. Scottish local authorities and housing associations face significant challenges. The economic background is one of austerity. Terms on which loans are available are less favourable than in the past but a significant level of development is still taking place. The Scottish Government has passed the Housing (Scotland) Act 2014, reformed the Scottish Housing Regulator and the 'Right to Buy' ended in Scotland on 31st July 2016. The Scottish Housing Regulator's new approach emphasises 'Value for Money'. The United Kingdom government has 'reformed' welfare with significant implications for Scottish tenants and landlords but some welfare powers have now been devolved to Scotland.

Whether you are in a Housing Association, Local Authority or another organisation with an interest in Scottish housing; whether you are a Housing Manager, Tenant Representative, Board Member, Councillor or even a member of the Housing Finance Team, you will need some knowledge of social housing finance.

The session will answer the following questions:

- What financial environment are Scottish local authorities and housing associations working in?
- How do the finances of Scottish local authority housing services work?
- How do the finances of Scottish Housing Associations work?
- How is the development of new social housing funded?

Many people have already attended and benefited from this seminar. The 2016 session was well received with delegates saying that the information provided was very relevant, the quality of the presentation was excellent and the training met their needs fully. They described the session as interesting, useful and thorough. One delegate commented that there was 'a lot of ground covered in a one day session'.

The session is accompanied by a very useful book that is designed for reference after the session entitled: 'All You Want to Know about Scottish Social Housing Finance 2017'

Venue and Date:

- Edinburgh: Novotel Central Hotel – Wednesday 26th April 2017

The price is £195 plus VAT, total £234. For more information or to make a booking please click here: <http://www.awics.co.uk/scotfin17.asp>

Client Survey

We would be grateful if you could take part in our survey of our clients, website users, newsletter readers or others with an interest in local government or housing. If you would like to please visit <http://form.jotform.me/form/50612526489459>

Editorial Note

This edition of the AWICS Housing News was edited by Kirsten Laidlow. The AWICS Housing News is published by AWICS Limited. Articles are written by Adrian Waite unless otherwise stated. However, the views expressed are not necessarily those of Adrian Waite or AWICS unless expressly stated.

IF YOU WOULD LIKE TO PLACE AN ADVERTISEMENT IN THE AWICS HOUSING NEWS PLEASE CONTACT Adrian.waite@awics.co.uk

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about our services and us please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk.

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