

# AWICS Housing News

## April 2017



The offices of the Homes & Communities Agency in Leeds.

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### Contents:

Housing White Paper	1
The Value of Peer Reviews	3
Global Accounts of Housing Associations	5
The Abolition of the Right to Buy and Associated Rights (Wales) Bill	7
Service Charges and Administration Costs	9
Housing Association Mergers	10
Shelter Scotland publishes a Local Manifesto for Homes	11
Update on Welfare Reform	12
AWICS Seminars	13
Advertisement – Infobase Cymru	14
About AWICS	15

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### Housing White Paper

The government published its long awaited White Paper on Housing on 7<sup>th</sup> February 2017. It is entitled 'Fixing Our Broken Housing Market'. -In view of the length of time that it has taken to prepare and the advance publicity that it received many were disappointed that it contained very little radical change and repeated many established policies. However, it has received a cautious welcome from the housing sector in England.

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The government said that the White Paper heralded new plans to fix the broken housing market and build more homes across England including:

- Measures to reduce the obstacles to house building and help local authorities, developers and SME builders build the homes Britain needs.
- Sensible measures to improve affordability and protections for renters and home purchasers.
- Ambitious proposals to help fix the housing market so that more ordinary working people from across the country can have the security of a decent place to live.

The main announcements in the White Paper include:

- A standardised mechanism for setting housing delivery targets for councils' Local Plans.
- New guidelines to encourage compulsory purchase of undeveloped land.
- An intention to publish a new rent standard for the social housing sector after 2020.
- Dropping of the 20% threshold for Starter Homes and the target of 200,000 Starter Homes by 2020.
- Councils must include Right to Buy in homes built through new council companies.

The White Paper contains sections on:

- Planning for the Right Homes in the Right Places.
- Building Homes Faster.
- Diversifying the Market.
- Helping People Now.

The White Paper says the following about the implications for local authorities:

*“For local authorities, the Government is offering higher fees and new capacity funding to develop planning departments, simplified plan-making, and more funding for infrastructure. We will make it easier for local authorities to take action against those who do not build out once permissions have been granted. We are interested in the scope for bespoke housing deals to make the most of local innovation. In return, the Government asks local authorities to be as ambitious and innovative as possible to get homes built in their area. All local authorities should develop an up-to-date plan with their communities that meets their housing requirement (or if that is not possible, to work with neighbouring authorities to ensure it is met), decide applications for development promptly and ensure the homes they have planned for are built out on time. It is crucial that local authorities hold up their end of the bargain. Where they are not making sufficient progress on producing or reviewing their plans, the Government will intervene. And where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.”*

Many local authorities have developed new homes through subsidiary companies and in doing so have protected those homes from the 'right to buy'. Ministers have previously said that they are unhappy about arrangements that do not include the 'right to buy' and the proposal in the White Paper to ensure that the 'right to buy' is available to tenants of such homes should not be unexpected.

The White Paper says the following about development by housing associations and other non-profit-making developers such as local authorities:

*“The Government has already announced funding worth a total of £7.1 billion through an expanded and more flexible Affordable Homes Programme. We will provide clarity over future rent levels. In return, we expect them (housing associations and local authorities) to build significantly more affordable homes over the current Parliament.”*

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The aspects of the white paper that are especially interesting from a housing and local government perspective include:

- The government acknowledges the need to increase house building and sees the increased homes required being provided mainly by the private sector. It sees the main barriers to this as planning policies and restrictions and a lack of competition in the construction industry and has proposed policies to tackle these issues.
- The requirement for councils to produce housing plans that are designed to deliver the number of new homes that central government calculates are required appears to be a return to the system of housing targets that was used before 2010. The present government had previously seen this as an undemocratic top-down control system.
- Starter homes are only to be made available to households with an income of below £80,000 a year (£90,000 in London). This means that people on average incomes with homes of an average value will still be subsidising people with higher incomes than them to buy houses more valuable than their own.
- While the government has said that it wishes to do more to provide homes for rent and that Councils should play a role in building new homes, its financial support continues to be focused on the private sector. No new money is being made available and the 'borrowing caps' that prevent local authorities from making best use of their assets to provide new social and affordable housing remain.
- Clarity over future social rent levels is promised but is not included in the White Paper.

However, it is not clear that the policies included in the White Paper will succeed in producing the 'step change' in private sector housing building that the government is seeking. I expect that this would require significant reform to the housing and construction markets rather than the comparatively minor changes focused on planning that are included in the White Paper.

In March 2017, Gavin Barwell MP, the Minister for Housing, was at the MIPIM property developers' conference in Cannes, France. MIPIM stands for '*Le marché international des professionnels de l'immobilier*'. He used the opportunity to elaborate on the detail of the Housing White Paper and on the announcement in the autumn statement that the extension of the 'right to buy' to housing association tenants would be piloted in an English region, suggesting that this could be the West Midlands.

The new pilot is set to last for one year and will test one-for-one replacement and portability. It will also test the Voluntary Right to Buy guidance that details how the scheme will operate and has been jointly designed by housing associations, the National Housing Federation and the government.

I have written a briefing paper that summarises the White Paper and the reactions to it from the sector; and that provides some commentary. Your copy can be freely downloaded from: [http://awics.co.uk/files/module\\_document\\_pdfs/housing\\_white\\_paper\\_-\\_briefing\\_paper.pdf](http://awics.co.uk/files/module_document_pdfs/housing_white_paper_-_briefing_paper.pdf)

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## **The Value of Peer Reviews**

The anxiety around the idea of a peer review is a bit like the trepidation of going to the dentist. You know you ought to do this regularly, but the thought of not knowing can be an unwanted distraction. Once it's done, everything is usually OK, or you discover that you need to get something sorted out fairly quickly before it gets worse.

In Bournemouth, we've had a recent Department for Communities and Local Government's (DCLG) homelessness 'Gold Standard' review, led by Tracy Hendren, assisted by practitioner peer reviewers from Swindon and Reading.

Three years previously Bournemouth Council had volunteered to be the pilot authority for Ms. Hendren's homelessness team. At the time, the DCLG were developing the model to roll out across the country. So far, the DCLG has completed comprehensive reviews for around 100 local authorities.

*"We learned things from an outside perspective that we just couldn't see ourselves."*

We were obviously worried about where we would fall short (don't we all?) and probably dismissed the value of the positive strengths the review would uncover. Typically, the overall outcome was very fair and balanced.

We learned things from an outside perspective that we just couldn't see ourselves. We were also encouraged about efforts in our commercial approach that were deemed best practice. Unsurprisingly, there is still much more for us to do now, with the prevention agenda our top priority and all of the other requirements within the Homelessness Reduction Bill.

Going back many years I remember the Audit Commission's 'seeing is believing' mantra. My first experience of this was during an early housing inspection led by Paddy Mooney and Pam Wharfe; they definitely stuck to these principles and were out on site a lot of the time looking at what we actually did (rather than what we said we did) and talked to as many stakeholders as they could.

As the Audit Commission inspection regime developed in later years and KLOEs (key lines of enquiry) became the order of the day, for me, something seemed to get lost in translation. The 'seeing is believing' bit had disappeared and the inspection morphed into a much more 'one size fits all' approach, and felt rather formulaic.

A wide-ranging environmental inspection endorsed this for me; the inspectorate at the time were critical of the apparent lack of strategy and the 'golden thread'.

I think a view of the environmental credentials of our town were formed by desk study, not 'seeing is believing'. Once the inspectors arrived they were pleasantly surprised by the quality of our town, our wonderful green spaces, award-winning beaches and the high levels of cleanliness.

At the feedback session, I remember being frustrated by the almost total focus on strategy, because we didn't articulate well enough how we did it, rather than state what our beautiful town was like in reality.

*"A peer review isn't a threat; it is a challenge."*

A year ago, we voluntarily ventured into another housing peer review; this time influenced by the Elphicke-House report on housing supply. We duly invited the newly formed Housing & Finance Institute (HFI) to Bournemouth and absorbed ourselves into the Housing Business Ready Programme. This was so useful we will soon be asking for a refresh.

The desk study was very detailed. It informed us of what we really say about ourselves to others – not what we perceive we say – and how we perform against a range of national housing supply benchmarks.

The on site 'seeing is believing' part was also worthwhile. Once again we had missed some very obvious targets that others could see, that we couldn't. I recall one comment from peer reviewer Keith House, leader of Eastleigh Council, asking "why didn't you build three-storey houses?".

Mr. House was right. In this particular location we could have, and didn't properly consider the option. Needless to say, we will in future. The HFI Housing Business Ready 'test' was also unusual in that it explicitly rates political drive and ambition, and associated officer strength to deliver the political parameters. This covers the whole organisation. I certainly recommend it, but do expect some difficult moments.

A peer review isn't a threat, it is a challenge and can certainly be uncomfortable listening at times, but to improve and sustain our organisations, surely it's the approach to take.

### **Gary Josey, Housing Director, Bournemouth Borough Council**

Bournemouth Borough Council sends representatives to 'AWICS' seminars and has used 'AWICS' for in-house training in local authority housing finance and value for money.

Adrian Waite supports the Local Government Association's peer review programme as an associate management consultant and in providing expert advice on financial diagnostics. For more information on this please click here: <http://awics.co.uk/local-government-association-peer-reviews>

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### **Global Accounts of Housing Associations**

The 2016 Global Accounts of Housing Associations in England were published by the Homes & Communities Agency in February 2017. They show that the sector delivered a solid year of investment underpinned by a strong in-year financial performance. Around £7.5billion was invested in new and existing housing properties as the sector continued to leverage the surpluses it generated on its trading activity. Of this, around £5.4billion was invested in new supply and the sector reported the completion of 42,000 social homes.

Macro-economic conditions were favourable in the year, with a robust housing market and continued low interest rates being beneficial to financial performance. However, the government announced an intention to reduce social rents by 1% per annum for four years in the July 2015 budget and this was given statutory force in the Welfare Reform & Work Act 2016. This was implemented in April 2016 and many providers began the process of identifying mitigating actions and adapting business plans prior to then.

Turnover increased in the year by 8% to £20.0billion. The operating margin improved as costs increased by less than revenues. Social housing lettings income comprises three quarters of total turnover and in 2016 rent increases for existing stock of 2.2% were set by a formula linked to inflation. Newly developed rental properties and stock transferred from local authorities further increased rental income in the year. However, as noted above, housing associations now face four years of rent reductions. Reforms to welfare, including the capping of housing benefit at the level of the local housing allowance, reforms to the funding of supported housing and the ending of housing benefit entitlement for many young people will also depress income in future.

For the first time, the Global Accounts set out consolidated group, as well as entity level, data providing a clearer view of activity, such as open market sales, which typically takes place in unregistered subsidiaries. The development of new properties for both shared ownership and outright sale increased markedly in 2016. Total turnover from this activity was £2.8billion, a 39% increase on the previous year. Shared ownership sales are concentrated in a small number of providers with more than 50% of turnover attributable to eighteen providers. The degree of concentration is even greater in respect of properties developed for outright sale, where more than three quarters of turnover is reported in fourteen provider groups. It appears that some larger housing associations are making significant steps towards diversifying their activities and expanding their involvement in market housing and home ownership.

At a consolidated level, debt increased by £2.2billion in the year to £66.7billion. Most debt held by the sector is in the form of bank loans. However, funding from the capital markets continues to be the primary source of new debt. The cost of debt remained stable and interest cover increased from 153% in 2015 to 170% in 2016. With total debt at twenty times the reported surplus, the Homes & Communities Agency concludes that strong interest cover is required to support continued investment.

The accounts published in 2016 were the first under the new reporting standard and Statement of Recommended Practice (SORP) 2014. The terminology used in financial statements has changed. The income and expenditure account is now named the Statement of Comprehensive Income (SOCl) and the balance sheet is referred to as the Statement of Financial Position (SOFP).

The new reporting standards have changed the presentation of the financial statements. Changes include different accounting treatments for government grant, the valuation of housing properties and the measurement of financial instruments.

The publication also updates the regulator's analysis of 'headline cost per unit' that provides a consistent and robust general measure of costs across providers. In 2016, average headline costs per unit were £3,970 per annum, an increase of 1.0%. Headline costs per unit are projected to fall by 12.4% between 2016 and 2020 in real terms as housing associations respond to the reductions in rents.

In aggregate, financial performance is strong, meaning that the sector as a whole is well placed going into the four-year period of rent cuts and projected cost savings. However, the performance of individual providers varies significantly and is masked by the aggregation of data. The regulator monitors the financial position of all providers and where necessary engages with individual organisations to gain assurance that they are financially viable and well governed.

In the budget of March 2017, the United Kingdom government moved £200million in housing association grants in England forward a year that means £200million will be paid out in 2019/20 instead of 2020/21. In England 14% of investment by housing associations is supported by grant compared with 34% in Northern Ireland, Scotland and Wales.

Housing Associations therefore face significant financial challenges and they are being innovative in their response with many developing new sources of income including increased service charges and having ambitious new build and regeneration schemes. Because of this it is now more important than ever that everyone involved in the governance, management and operations of housing associations has a working knowledge of housing association finance.

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Our seminars on 'All You Want to Know about Housing Association Finance' provide a solid grounding in the basics of housing association finance including:

- The financial environment in which housing associations work
- Regulatory requirements including Viability and Value for Money
- Income & Expenditure Accounts, Balance Sheets and Cash Flows
- How Development and other Capital Expenditure is financed
- Budgeting, Budgetary Control and Risk Management
- Asset Management and Treasury Management
- Developments in government policy including 'right to buy', rent reductions, pay to stay and welfare reform
- The implications of the Housing & Planning Act 2016 – including low cost home-ownership
- The future funding of Supported and Sheltered housing and community investment

For more information about our seminar or to make a booking please click here:  
<http://awics.co.uk/all-you-want-to-know-about-housing-association-finance-2017-seminar>

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### **The Abolition of the Right to Buy and Associated Rights (Wales) Bill**

In March 2017, the Welsh Government presented the 'Abolition of the Right to Buy and Associated Rights (Wales) Bill' at the National Assembly. This Bill provides for the abolition of the 'Right to Buy', 'Preserved Right to Buy' and 'Right to Acquire' throughout Wales.

The number of homes lost through the Right to Buy in Wales is equivalent to 45% of the social housing stock in 1981. This has resulted in longer waiting times for people in housing need, many of whom are vulnerable, to access a home they can afford.

In introducing the Bill, the Welsh Government aims to protect the Welsh stock of social housing from further reduction, ensuring it is available to provide safe, secure and affordable housing for people who are unable to take advantage of the housing market to buy or rent a home. The Bill complements other actions being taken by the Welsh Government to increase the supply of housing.

Carl Sargeant, the Secretary for Communities & Children at the Welsh Government said that:

*"Our social housing is a valuable resource, but it is under considerable pressure. The size of the stock has declined significantly since 1980 when the Right to Buy was introduced. The number of sales is equivalent to 45% of the social housing stock in 1981. This has resulted in people in housing need, many of whom are vulnerable, waiting longer to access a home they can afford.*

*"The Bill supports the Welsh Government's wider aims of a more prosperous and fairer Wales, helping to tackle poverty by protecting our stock of social housing from further reduction.*

*"I recognise the proposal affects existing tenants and we will ensure tenants are made aware of the effect of the Bill in good time before abolition takes place. The Bill will require the Welsh Government to publish information, which social landlords in turn must provide to every affected tenant, within two months of the Bill receiving Royal Assent.*

*"We have set an ambitious target of creating 20,000 affordable homes in this term of government. Alongside social housing this will include schemes such as Help to Buy and Rent to Own to enable people on modest incomes to own their own homes. We are supporting low cost home ownership and we are expanding the social housing stock. Abolishing the Right to Buy will complement these other actions we are taking in order to support people in housing need."*

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

*"At a time of acute shortages of social rented homes, and with many thousands of people currently on housing waiting lists, the proposal from the Welsh Government to abolish right to buy is a welcome step in tackling a growing problem in Wales. It is essential that people's access is improved to good quality social rented housing in order to enhance people's lives, and also to revitalise local communities"*

Matthew Dicks, Director of the Chartered Institute of Housing, said that:

*"We have a huge shortage of affordable housing in Wales and CIH Cymru supports any measure that will stop the further loss of social housing stock which is what this bill intends to do."*

But he said the main issue was that social housing stock, lost through Right to Buy, had not been sufficiently replaced.

David Melding AM, Conservative Housing spokesman at the Welsh Assembly said that:

*"There is a severe shortage of affordable housing in Wales because Labour hasn't built enough affordable homes, and not because council tenants have had a chance to buy theirs."*

To ensure tenants are aware the Right to Buy is ending, the Bill requires the Welsh Government to publish information, which social landlords must provide to affected tenants, within two months of Royal Assent. To encourage the development of new housing stock, the Right to Buy and Right to Acquire will end for new homes two months after Royal Assent. For existing housing stock, final abolition will take place at least one year after Royal Assent. This is to ensure that the measure complies with human rights legislation.

Several local authorities have already suspended the scheme in their areas.

Councils will still be able to sell housing stock once the abolition comes into force, but only on a voluntary basis and at the market rate without the discounts that were seen under the compulsory Right to Buy scheme.

This approach contrasts markedly with that in England where the 'Right to Buy' has been 'reinvigorated' and is being extended to housing associations.

The Abolition of the Right to Buy and Associated Rights (Wales) Bill will be considered at our seminar: 'All You Want to Know about Welsh Social Housing Finance' that will be held in Cardiff in June. For more information or to make a booking please click here: <http://awics.co.uk/all-you-want-to-know-about-welsh-social-housing-finance-seminar>



## Service Charges and Administration Costs

There is an increased interest in service charges in local authorities and housing associations. For example, in February 'Inside Housing' led with the news that:

*“Councils are boosting their income through service charge rises and other fee increases as pressure from the 1% rent cut on housing revenue accounts ramps up... There are 21 councils which now plan to increase service charges, with many having kept them frozen for years previously.”*

Sections 19 and 27A of the Landlord & Tenant Act 1985 enable tenants to challenge the level of variable service charges their landlord seeks to re-charge. It is also possible to challenge the extent of administration charges, under section 158 of the Commonhold and Leasehold Reform Act 2002. Furthermore, the court or tribunal can award a section 20C order, under the Landlord & Tenant Act 1985, to prevent a landlord being able to re-charge the tenant for legal costs through service charges.

Until now it has not been possible to challenge the extent of any legal costs that are charged to tenants under an indemnity clause of a lease, rather than through service charges. For example, a landlord's legal costs incurred in defending a tenant's challenge to service charges in the First-tier Property Tribunal, or in seeking a remedy for breach of a lease, such as an injunction or forfeiture could not be challenged.

However, on 6th April 2017, section 131 of the Housing and Planning Act 2016 has come into force. It allows a tenant, of a dwelling, to apply for an order from the court or tribunal to either reduce or extinguish their liability to pay an administration charge, in respect of litigation costs. Those litigation costs mean:

*“Costs incurred, or to be incurred, by the landlord in connection with proceedings”.*

Such an application should be made in the same type of court or tribunal that is dealing with the substantive case in which the costs are incurred. In other words, an application to the court if a court case or an application to the tribunal if a tribunal case.

The relevant court or tribunal can reduce or extinguish the legal costs if it considers it to be just and equitable. Time will tell how courts and tribunals apply this, or whether an authority case will set down guidance for both parties. Costs can only be caught by this if they are incurred or to be incurred in connection with proceedings which began on or after 6th April 2017.

Section 131 provides that the following will be inserted in the Commonhold & Leasehold Reform Act 2002:

*“Limitation of administration charges: costs of proceedings 5A (1) A tenant of a dwelling in England may apply to the relevant court or tribunal for an order reducing or extinguishing the tenant's liability to pay a particular administration charge in respect of litigation costs. (2) The relevant court or tribunal may make whatever order on the application it considers to be just and equitable. (3) In this paragraph— (a) “litigation costs” means costs incurred, or to be incurred, by the landlord in connection with proceedings of a kind mentioned in the table, and (b) “the relevant court or tribunal” means the court or tribunal mentioned in the table in relation to those proceedings.*

<i>Proceedings to which costs relate</i>	<i>“The relevant court or tribunal”</i>
<i>Court proceedings</i>	<i>The court before which the proceedings are taking place or, if the application is made after the proceedings are concluded, the county court</i>
<i>First-tier Tribunal proceedings</i>	<i>The First-tier Tribunal</i>
<i>Upper Tribunal proceedings</i>	<i>The Upper Tribunal</i>
<i>Arbitration proceedings</i>	<i>The arbitral tribunal or, if the application is made after the proceedings are concluded, the county court.”</i>

Our seminar: ‘All You Want to Know about Service Charges in Social Housing’ will be held in Leeds on 17<sup>th</sup> May 2017 and Cardiff on 12<sup>th</sup> September 2017. For more information or to make a booking please click on the links below:

- Leeds - <http://awics.co.uk/schs2017>
- Cardiff - <http://awics.co.uk/all-you-want-to-know-about-service-charges-in-social-housing-in-wales-2017>

## **Housing Association Mergers**

AWICS can support housing associations that are either considering or implementing a merger.

For example, we have recently assisted two London housing associations with preparing a business plan and a business case for merger.

This involved producing thirty-year business plans for each housing association on a stand-alone basis and for the proposed group that included the income & expenditure account, balance sheet, cash flow, treasury management plan, asset management plan, an assessment of value for money gains and a sensitivity and risk analysis.

We also provided a business case report that covered:

- The Business Proposition: Internal approvals and decision-making for the merger; Rationale for the Merger; Proposed benefits (value for money and cost efficiencies); Proposed benefits to residents and service users; Strategic Direction; Project Management; Roles and Advisors.
- Governance Arrangements: Shareholder Agreement and Consents; Board Skills and Training.
- Financial Matters: Outputs of the financial model; Sensitivity Analysis and Stress Testing; Summaries of pre-merger financial plans and consolidated position.
- External Factors: Extension of Right to Buy; Rent Reduction; Near market rents for tenants on high incomes; Welfare Reform.
- Due diligence, SWOT and Risk Analysis: Due diligence; SWOT analysis; Risk analysis; Treasury Management; Asset Management and Development; Staffing and TUPE; Pensions; Information and Communications Technology.
- Dis-benefits of Merger.
- Stakeholder engagement.
- Post-Merger monitoring.

We made presentations to the boards of both associations and assisted the Chief Executives in making a presentation to the Homes & Communities Agency.

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The merger has now taken place and is successful.

For more information on how AWICS could assist with housing association mergers please click here: <http://awics.co.uk/housing-association-mergers>

Our briefing paper on housing association mergers can be freely downloaded from here: <http://awics.co.uk/htrack/awics.co.uk/dynamicdata/data/docs/housing%2520association%2520mergers%2520-%2520briefing%2520paper.pdf>

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### **Shelter Scotland publishes a Local Manifesto for Homes**

Elections for all members of Scotland's 32 local authorities will be held on 4<sup>th</sup> May 2017. In view of this, Shelter Scotland has published a local manifesto for homes and is urging candidates to be bold on housing or risk widening inequality.

The Local Manifesto for Homes includes demands aimed at boosting the supply of affordable homes, strengthening the housing safety net, improving renting and ensuring housing is recognised as key to achieving a fairer Scotland. The manifesto is asking politicians to commit to four key aspirations:

- Deliver a home for everyone in Scotland
- Meet the needs of every homeless person in Scotland
- Make renting right
- Put housing at the heart of social justice and tackling child poverty

In support of its local elections manifesto, the housing and homelessness charity is holding housing hustings across Scotland between 6<sup>th</sup> and 20<sup>th</sup> April.

Graeme Brown, Director of Shelter Scotland, told the 'Scottish Housing News' that:

*"Our Local Manifesto for Homes complements our current national campaign Homelessness: Far from Fixed which highlights the unacceptable situation of homelessness in Scotland today. At the heart of our manifesto and our campaign is the need for a home for everyone in Scotland. We are challenging all local election candidates, from all parties, to sign-up to both our manifesto for homes and our campaign call for a new national homelessness strategy to better tackle and prevent homelessness in Scotland.*

*"We know that housing is a priority for many people in Scotland and that's why we're organising local election hustings in our four largest cities to give people a chance to ask representatives from each of the main parties what they will do if elected to finally fix homelessness and bad housing in their local area."*

Meanwhile, the Scottish Government has announced that it will make £590million available to increase the supply of affordable homes in Scotland. This is an £18million increase on last year's budget. The 32 Scottish councils that administer the scheme will share £422million of grant between them and the remaining £168million will fund national schemes, including support for first-time buyers and increasing rural and island housing. The Scottish Government has committed to delivering 50,000 affordable homes – 35,000 for social rent – by the end of the parliament in 2021.

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## Update on Welfare Reform

The Department for Work & Pensions published its guidance for the removal of entitlement to housing benefit for people aged under-21 last Friday and this guidance is now in force. It means that under-21s on Universal Credit will no longer be eligible for housing support.

The policy has been criticised for assuming that people aged under-21 always have the option of living with their parents. In fact, there are many reasons why this may not always be the case. It has been calculated by 'Inside Housing' that 11,400 claimants could be affected.

The guidelines therefore detail a series of exemptions, including young people for whom it is inappropriate to live with their parents or have responsibility for children. However, young people will be required to prove these circumstances to qualify for the exemption.

The guidelines only apply to new claimants. Current claimants will not be affected. The changes apply across the United Kingdom.

Many in the sector have warned that the benefit cut will increase homelessness and make it difficult for young people to find landlords. It will have implications for young people and for local authority and housing association landlords that provide accommodation for young people.

Angela Constance MSP, Scotland's Secretary for Social Security told 'The Herald' that:

*"It is very disappointing... that the UK Government has insisted on pushing through these... changes to housing benefit. This is hugely dismissive of the difficulties young people in Scotland face in obtaining and keeping a tenancy. We have been steadfast in our commitment to retain housing benefit for 18-to-21-year-olds and despite our repeated attempts to agree a solution with the Department for Work and Pensions and our calls for a delay, the UK Government's change in policy will clearly lead to a rise in the level of homelessness among that age group.*

*"We are absolutely committed to ensuring that every young person can access the support they need. We are working with Cosla to extend the Scottish Welfare Fund to provide a safety net to young people because we don't want to see anyone without a roof over their head. However, this is not a long-term solution."*

The future funding of supported housing is currently being considered at a joint meeting of the Parliamentary Communities & Local Government and Work & Pensions Committees. The government is proposing to end the current system where housing support costs are generally met through housing benefit to one where housing benefit will be capped at local housing allowance rates and any additional funding that is required for supported housing will be funded by local authorities. Evidence was given this week by David Orr, Chief Executive of the National Housing Federation who warned that this may result in lower funding in low-value areas:

*"If you are already in an area of high value local housing allowance you're almost certainly also in an area of high business rate and high council tax take. If you're in an area like Hull where the local housing allowance is already low, most of the council tax is going to be in band A for property and business rate take will not be sufficient, so by what means will the money be siphoned from the high-value local authorities to the low value?"*

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It is also becoming clear that the government's decision to freeze certain benefits will have a more significant impact than was first expected. With inflation increasing mainly due to the falling value of sterling the real reduction in the value of benefits becomes greater with serious implications for claimants.

In March 2017, the 'Guardian' reported that the poorest families in the United Kingdom are already struggling to put food on the table; while the Chartered Institute of Housing published research that showed that housing is 'almost totally out of reach' for young single people. Poverty is becoming more widespread.

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### **Editorial Note**

The AWICS Housing News is published by AWICS Limited. This edition was edited by Adrian Waite. 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.

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### **AWICS 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>

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## **AWICS Seminars:**

Our next seminars are as follows:

- All You Want to Know about Service Charges in Social Housing
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- All You Want to Know about Housing Association Finance.
  - London – 24<sup>th</sup> May 2017
  - Leeds – 24<sup>th</sup> October 2017
- All You Want to Know about Welsh Social Housing Finance.
  - Cardiff - 6<sup>th</sup> June 2017
- Developments in Local Authority Housing Finance in England.
  - London – 14<sup>th</sup> June 2017
  - Leeds – 5<sup>th</sup> July 2017
- All You Want to Know about Local Authority Finance
  - London – 27<sup>th</sup> June 2017
  - Leeds – 21<sup>st</sup> November 2017
- All You Want to Know about Service Charges in Social Housing in Wales.
  - Cardiff – 12<sup>th</sup> September 2017
- All You Want to Know about Local Authority Housing Finance.
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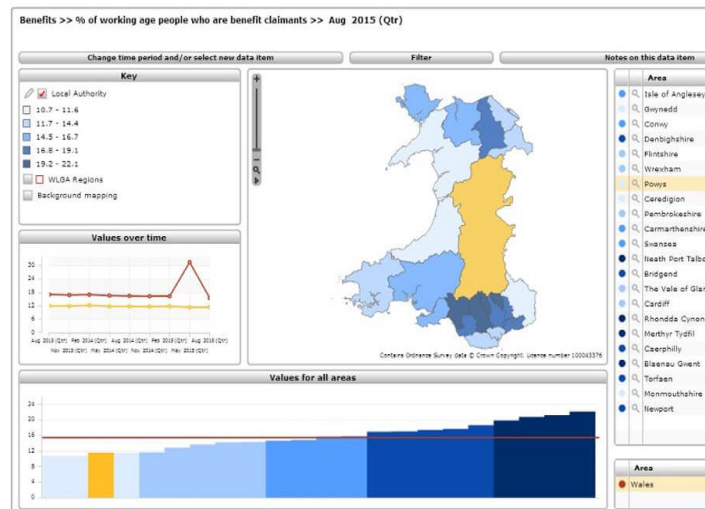
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'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain 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!

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