AWICS Housing News

February 2018

The Impact Housing Association Head Office in Workington, Cumbria.

Contents:

Impact Housing Association, Regulation and Financial Management

Introduction

It has been announced that Impact Housing Association, after 43 years as a locally based housing association providing homes and support to individuals and communities is to be taken over by the Riverside Group.

I stood down as Chair and as a member of the Board of Impact Housing Association in 2015 due to pressure of work and was succeeded by Mark Costello. However, I have remained a shareholding member of the Association. The role of shareholding members is to attend and vote at the Annual General Meeting to which the Board are accountable.

Impact Housing Association retained a top rating from the Homes and Communities Agency for Governance and for Viability (known as G1/V1) throughout my time as Chair and again in 2016. However, in 2017, the Homes & Communities Agency carried out an in-depth assessment following which it downgraded Impact Housing Association to G3/V3 which is an unacceptable rating.

The Board has concluded that the Association's long-term future would be best secured by forming a partnership with a financially stronger housing association. In agreement with the Homes & Communities Agency, they have submitted a proposal in the form of a Voluntary Undertaking to select an appropriate partner by the end of December 2017. In January 2018, the Board announced that Impact Housing Association would be taken over by the Riverside Group.

The whole process appears to have been shrouded in secrecy and neither Impact Housing Association nor the Homes & Communities Agency (now rebranded as Homes England) appear willing to provide much information to the public, the tenants or even Impact Housing Association's shareholding members.

I have therefore carried out my own investigation during which I have spoken with current and previous board members, senior staff, staff of Homes England and others in the community. Some conversations have been 'on the record' while others have been 'off the record'. What I have discovered is very interesting, not only from the point of view of people who are concerned about the future of Impact Housing Association and the communities that it serves, but also for anyone who is concerned about the governance, viability and regulation of Housing Associations in general.

My intention is to serialise my findings and conclusions in this newsletter and in my blog. I started with an article on governance issues in the January 2018 edition of the 'AWICS Housing News'. This is my second article that covers finance and financial management issues.

I hope this article will be of interest, not only to those with an interest in the affairs of Impact Housing Association, but also to anyone with an interest in the finance and financial management of housing associations; and how Homes England views financial viability when carrying out assessments of housing associations.

<u>Position in 2015.</u>

At the June 2015 Annual General Meeting, everyone at Impact Housing Association considered that the organisation was in a strong position financially, but that there were significant financial challenges ahead. This was reflected in the financial accounts for 2014 that were considered and accepted and in my report as Chair. Copies of these documents can be viewed or downloaded by following these links:

- Financial Accounts 2014 - http://awics.co.uk/files/module_document_pdfs/impact_housing_association_accounts_2014.pdf
- Chair's Annual Report 2015 - http://awics.co.uk/httrack/awics.co.uk/dynamicdata/data/docs/impact%2520housing%2520association%2520agm%25202015%2520presentation.pdf

Reaction to the rents cut.

In July 2015, the government announced that social rents would be reduced by 1% a year from 2016 to 2019, rather than increased by the rate of increase in the consumer prices index plus 1% each year as had previously been intended. This policy was made a legal requirement with the passing of the Welfare Reform and Work Act of 2016. This policy provided a financial challenge to all housing associations and local authority landlords as it resulted in a reduction of their income of 4% over the four years whereas they had previously been planning for an increase of at least 14% based on the previous government policies.

Impact Housing Association was no exception to this, but was relatively well prepared, having already introduced a system of rolling value for money reviews that had already identified and achieved significant savings. Reductions in funding for Supported Housing had been experienced for some years and further reductions were required. The effort to find efficiency savings as part of the value for money strategy was intensified and the following savings that involved the loss of forty staff were identified during 2016:

- Using Less, Spending Less, all adds up (£262,000). Impact set tight budgets for their staff and office overhead costs that were reduced in the budget setting and resulted in 2016 outturn costs being overall 18% below the previous year on like-for-like comparison. These efficiencies included:
  - Due to the efficient use of stationery, spending was reduced by 30% resulting in a saving of £17,000.
  - Staff and budget managers identified additional non-staff budget savings resulting in savings of £152,000. Many of these were identified at a brain-storming session held at Newton Rigg Agricultural College.
  - A controlled reduction in the Vision budget realised savings of £43,000.
  - By effective management of consultancy, a saving of £20,000 was achieved.
  - By reducing premises energy costs by a target of 10% Impact saved £30,000 while reducing the overall Co2 carbon footprint by 90,000 tonnes. In addition to substantial savings because of forward energy contracts.
  - The staff Christmas party was cancelled.
- Leaner, Fitter Management – restructuring management teams (£275,000).
  - Ceasing the non-contributory health scheme resulted in savings of £10,000.
  - Bringing the Company Secretary post in-house using existing staff, saved £24,000.
  - A review of structures of all teams reduced salary costs by £170,000 against budget whilst agency costs fell by £83,000 year on year.
  - An agreed pay freeze in 2016 saved £42,000.
  - Other salary savings totalled £17,000.
  - Effective management of the volunteering budget saved £12,000.
- Reviewing the Pension Provision (£185,000)
  - Following the latest valuation of the pension fund, Impact identified a potential increase in pension funding to the organisation of £212,699 per annum due to an increase in deficit funding and future contribution rates. This resulted in a review of the pension provision offered to staff. Impact changed from a 1/80th Final Salary scheme to a 1/80th CARE scheme with an increase to the schemes pensionable age, and the capping of future inflationary increases. These changes resulted in limiting the increase in pension funding to £27,286.

Impact Housing Association's financial year end is 31st December. The latest published accounts are therefore for the year ended 31st December 2016. These show that Impact Housing Association recorded a surplus of £1.0million in 2016, increased its reserves from £8.6million to £9.6million and held £4.2million in cash at the year end. The Association operated within all its covenants. These headline figures and the financial performance indicators in the report show that, if anything, the financial performance of Impact Housing Association had improved compared with the preceding years during which the Homes & Communities Agency had given the Association a top V1 grading for financial viability. So what problems did the Homes & Communities Agency identify that caused them to downgrade Impact Housing Association to an unacceptable V3 level?

Findings of the Homes & Communities Agency, Impact's forensic analysis and Financial Performance in 2017

There are three sources that are key to understanding the downgrade and what followed, these being:
- The Homes & Communities Agency's In-Depth Assessment that it carried out in late 2016 and early 2017.
- The 'Forensic Analysis' that consultants carried out on the finances of Impact Housing Association on behalf of the Board during the autumn of 2017.
- The Financial Accounts for 2017 that have yet to be published.

Unfortunately, all three sources are shrouded in secrecy. The Homes & Communities Agency apparently did not publish any report to explain or justify its decision to downgrade Impact Housing Association from V1 to V3; and Impact Housing Association have made neither the 'forensic analysis' nor the 2017 financial accounts available to the public, tenants or shareholding members. However, what follows is what I have been able to establish are the conclusions of these three sources.

I understand that the Homes & Communities Agency was prompted to carry out an In-Depth Assessment when Impact Housing Association submitted some financial returns that contained some basic errors.

The Homes & Communities Agency's Governance and Financial Viability Standard includes the following about viability:

"Registered providers shall manage their resources effectively to ensure their viability is maintained while ensuring that social housing assets are not put at undue risk.

"Registered providers shall ensure that they have an appropriate, robust and prudent business planning, risk and control framework. The framework shall ensure:
(a) there is access to sufficient liquidity at all times
(b) financial forecasts are based on appropriate and reasonable assumptions
(c) effective systems are in place to monitor and accurately report delivery of the registered provider's plans
(d) the financial and other implications of risks to the delivery of plans are considered
(e) registered providers monitor, report on and comply with their funders' covenants

"In addition to the above registered providers shall assess, manage and where appropriate address risks to ensure the long-term viability of the registered provider, including ensuring that social housing assets are protected. Registered providers shall do so by:
(a) maintaining a thorough, accurate and up to date record of their assets and liabilities and particularly those liabilities that may have recourse to social housing assets

(b) *carrying out detailed and robust stress testing against identified risks and combinations of risks across a range of scenarios and putting appropriate mitigation strategies in place as a result*
(c) *before taking on new liabilities, ensuring that they understand and manage the likely impact on current and future business and regulatory compliance."*

The Viability standard is therefore more about financial management processes than it is about financial performance; and I understand that the key concern of the Homes & Communities Agency about Impact Housing Association was not financial performance but the financial management capacity of the organisation. The Homes & Communities Agency has a focus on business planning and risk management and I understand that they found these processes and documents to be inadequate.

The In-Depth Assessment concluded that there were some major concerns especially about financial capacity and risk management. Concerns include:

- Ineffective risk management and business planning.
- Financial metrics are very weak with not much headroom.
- Stress testing is not robust if there is any at all.
- Financial implications of key risks if they happen at the same time.

I am told that during 2016, several financial issues arose within Impact that related to financial management. These included: uncertainty over loan covenant compliance, inadequate insurance cover after the floods and several poor quality financial returns. However, I am told that the Board was reluctant to consider making any changes in response to this.

I remember attending the Annual General Meeting in 2016 and asking some questions about risk management in response to the financial report. I was disappointed by the shallow answers that I received from the officers and the external auditor and by the lack of interest shown by Board members. In fact, one board member heckled me, saying words to the effect that the meeting should not have its time wasted by such a dull subject. At the time I hoped that he was trying to be witty!

However, I am now told that the Regulator concluded that Impact Housing Association's Risk Assessment and Risk Management Strategy were the worst that they had ever seen. While I was Chair, the Board had training in risk management. However, I am advised that the Board did not accept the advice of their officers that external expert advice should be taken on risk management.

I understand that one of the key risks that concerned the Homes & Communities Agency was presented by the government's proposal at that time to cap eligibility for housing benefit at the level of the local housing allowance. This presented a challenge for most housing associations, but Impact Housing Association was potentially affected more than most because of its commitment to providing a significant amount of supported housing. However, in October 2017 the government announced that it was taking a new approach to the funding of supported housing and this risk is now not as significant as it was when the In-Depth Assessment was carried out.

In summary, I understand that the Homes & Communities Agency's main concern was with financial management. May I make clear that this is what I understand the Regulator decided and that I am not saying this is necessarily my view. I would also like to make clear that I understand that the issue was around the capacity of the organisation rather than the role of any individual.

Following the In-Depth Assessment, the Board commissioned consultants to carry out a 'forensic analysis' of Impact Housing Association's accounts. I am not aware of who carried out this analysis or what their brief was. However, I am told that:

"The in-depth financial analysis found that there is little financial resilience in Impact's business plan to comfortably cope with unforeseen events or multiple risks and that it would be difficult for Impact to remain independent in the long-term. To do so requires significant initial savings of £1.3million, stopping any new development for the foreseeable future, limiting the level of investment in major improvements to properties and hoping no unplanned events happen to wipe out a tight operating margin."

I understand that the main issues identified in the 'forensic analysis' are:

- Flood Insurance
- Levels of Debt
- Pension Funding
- Future Savings

In December 2015 there was significant flooding in Cumbria that affected many of Impact Housing Association's properties. I understand that the Association had difficulty in arranging appropriate insurance following these floods and at one point had a £5million excess.

The debt issue has been described by the Director of Business Transformation as follows:

"Impact… has a debt per unit of £23,000… which is at the extreme high end of costs per unit… Impact's profit is the lowest of 31 housing associations in terms of operating surplus… In the past that wasn't a real problem, but the rent reduction then made the profit position worse."

This is an interesting statement. During 2016, Impact Housing Association had an average debt per unit of £23,000 whereas according to the global accounts of housing associations the national average was £20,000. Impact Housing Association had a gross profit margin of 23% whereas according to the global accounts of housing associations the average was 30%. While Impact has a relatively high level of debt and a relatively low gross profit margin, the Homes & Communities Agency has never specified a maximum acceptable level of debt nor a minimum acceptable gross profit margin. On the contrary, the Government and the Homes and Communities Agency have consistently urged housing associations to 'sweat their assets' and to use their surpluses to maximise their borrowing. I do not understand the reference to 31 housing associations. There are 319 housing associations listed in the global accounts and Impact Housing Association does not have the highest debt or the lowest profit margins among them.

At the same time, the pensions issue was described, rather vaguely, as follows:

"In two years' time when the pension deficit becomes a problem… we could be close to breaching our loan covenants which could cause us a problem."

And the savings issue was described as follows:

"There's no strategic plan in place for the £20million (rent reduction) savings needed over the thirty-year business plan. There are tight margins within insufficient headroom."

The Director of Business Transformation was also quoted as saying that:

"(The) accounts are a true reflection of (the) financial position and there are no huge issues… The organisation is well run, rent arrears are very good but (it has) ended up in a tight position due to external factors such as the 1% reduction in rent for four years and the floods; the lack of capacity to respond quickly enough and not dealing with some of the issues at a strategic level."

It appears to me that there is some inconsistency between the view that 'there are no huge issues' and the view that 'there is little financial resilience in Impact's business plan'. The 'forensic analysis' also appears to ignore the financial management issues that concerned the Homes & Communities Agency at the time of the In-Depth Assessment in favour of constructing an argument 'that it would be difficult for Impact to remain independent in the long-term'.

The financial accounts for 2017 have yet to be published and it would be interesting to know what they show. Obviously, they have yet to be finalised, but I assume that since 2015 the Management Team and the Board have continued to receive regular management accounts and so the financial position during the year should be well known to them.

While the In-Depth Assessment was concluded early in 2017, the 'forensic analysis' was carried out towards the end of the year and could have been expected to focus on the 2017 accounts as this would have been the most up to date information available. I therefore find it surprising that Impact Housing Association has made NO reference at all to the 2017 accounts in explaining or justifying any of its conclusions or actions.

In the absence of any actual data it is only possible to speculate what the 2017 accounts may show. The possibilities include:

- A financially disastrous year. This would explain the conclusions of the 'forensic analysis'.
- A financially successful year, like (or even better than) 2016.
- Somewhere in between.

If I were to forecast the financial out-turn for 2017 it would be as follows:

	£million	Notes
Rent Income	12.1	1% reduction
Service Charges	1.4	3.5% increase
Properties for sale	1.1	As in 2016
Other Income	2.7	Various assumptions
Total Income	17.3	
Management	4.0	3% inflation & full year effect of savings
Routine Maintenance	2.4	3% inflation
Depreciation	2.0	As in 2016
Development services	1,2	3% inflation
Properties for sale	1.1	As in 2016
Other Expenditure	2.7	Various assumptions
Total Expenditure	13.4	
Operating Surplus	3.9	
Loss on Disposals	0.3	As in 2016
Interest and Financing Costs	2.7	As in 2016 (most loans at fixed interest)
Surplus	0.9	

This analysis suggests that the out-turn in 2017 should be like that in 2016; and appears to be inconsistent with the conclusions of the 'forensic analysis'. If the 'forensic analysis' is correct it appears that there must have been some adverse changes to Impact Housing Association's finances during 2017. However, Impact Housing Association has not identified the emergence of any significant adverse changes during 2017. In the absence of any clear information about the 'forensic analysis' or any clear information about the 2017 accounts it is difficult to draw a clear conclusion about how the finances of Impact Housing Association now stand.

Conclusions

This is a longer article than I intended to write when I started but I think it raises some important issues for Impact Housing Association and for housing associations generally. My conclusions are as follows:

- For Homes England, the viability rating is more about financial management than about the strength of an organisation's finances. As outlined in the regulatory standard, the focus is on business planning and risk management processes. Housing Associations cannot rely on having robust finances to retain V1 or V2 ratings – they also need processes that are acceptable to Homes England.
- An In-Depth Assessment can be triggered by simple errors in returns.
- Homes England, when it decides to downgrade a housing association, does not publish a report in support of its decision or any evidence to support its decision – I find this surprising.
- In the case of Impact Housing Association there has been a significant shift in emphasis between the In-Depth Assessment and the 'forensic analysis'. The former concluded that there were weaknesses in financial management, the latter has shifted the emphasis away from this to construct an argument for a takeover based on a view that Impact Housing Association is not viable in the long-term.
- The 'forensic analysis' has not been made public or made known to tenants or shareholding board members, and no information has yet been made available about the 2017 financial accounts. It makes assumptions about what level of debt and what level of gross profit margin is appropriate that do not appear to be justified. It would be useful if a copy of the 'forensic analysis' and the 2017 accounts could be made available to shareholding members.
- The question for Impact Housing Association's shareholding members (who I assume will have to approve the merger at some point) is whether they consider that Impact Housing Association's problems are to do with governance and financial management and can be resolved without a takeover; or whether they consider that Impact Housing Association is on the verge of bankruptcy and needs to be taken over. The lack of transparency and accountability that has been experienced to date will not help them to take this decision.
- The lesson for all housing associations is: 'Do Not Be Complacent'. Impact Housing Association has more robust finances than many housing associations, yet it appears that its future is now threatened because of weaknesses in governance and financial management.

As I wrote in the January edition, if anyone at Impact Housing Association or at Homes England would like to comment on what I have written, I would be pleased to hear from them and to publish their comments in my next newsletter.

I intend to write about the case for the takeover next.

Service Charges: Some Relevant Legislation

Service charges are governed by legislation including the Landlord and Tenant Act 1985.

The Landlord and Tenant Act 1985 as amended in sections 18-30 sets out the basic ground rules for service charges. It:

- Defines what is considered a service charge
- Sets out requirements for reasonableness and for prior consultation of leaseholders
- Defines a service charge as 'an amount payable by a tenant of a dwelling as part of or in addition to the rent which is payable directly or indirectly for services, repairs, maintenance, improvements or insurance or the landlord's costs of management and the whole or part of which varies or may vary according to the relevant costs'
- Provides that the items included are those required to be reasonable and on which a Tribunal may decide of reasonableness.

Section nineteen provides that Service Charges must be reasonable, meaning that the charges are reasonable, the provision of the services and / or works is reasonable, the services and / or works are of a reasonable standard and payments in advance must be reasonable; and that either the Landlord or the Occupant can apply to the Tribunal for a determination.

Section 20(B) provides that:

- If any of the relevant costs taken into account in determining the amount of any service charge were incurred more than 18 months before a demand for payment of the service charge is served on the tenant, then (subject to subsection 2) the tenant shall not be liable to pay so much of the service charge as reflects the costs so incurred.
- Subsection 1 shall not apply if, within the period of 18 months beginning with the date when the relevant costs in question were incurred, the tenant was notified in writing that those costs had been incurred and that he would subsequently be required under the terms of his lease to contribute to them by the payment of a service charge.

Section 21B of the Act (as amended) sets out the rights and obligations of service charge payers. It is summarised in appendix A.

The statutory basis for charging service charges is enshrined within each lease. It is also important to ensure that service charges could be levied under the terms of the lease.

The Housing Act 1985 Schedule 6 ensures all leases granted under the Act have several features in common:

- The ground rent is set at £10 per annum
- The landlord is responsible for building insurance
- Leases are to be for 125 years, with leases in a single block ending at the same date, meaning that after the first sale of a dwelling in a specific block, other "Right to Buy" leases are for less than 125 years
- The landlord must maintain the common parts of the building and estate

The Leasehold Reform, Housing and Urban Development Act of 1993 gives leaseholders the right to a management audit and the Secretary of State power to approve codes of good practice relating to the management of residential property. There is one code of practice that relates to leasehold management in housing associations being the 'Code of Practice on Retirement Housing' published by the Association of Retirement Housing Managers.

The Housing Act 1996 made it easier for leaseholders to challenge unreasonable service charges and restricts the landlord's right to forfeit where an item or items of service charges are disputed. It also gave jurisdiction for Leasehold Valuation Tribunals to determine leaseholder service charge disputes.

The Commonhold & Leasehold Reform Act of 2002 includes:

- A new definition of variable service charges.
- A widening of the jurisdiction of the Leasehold Valuation Tribunal to determine the liability to pay service charges, the reasonableness of administration charges and variations of leases.
- Improvements in the rights of leaseholders and tenants paying variable service charges to be consulted about 'qualifying works' and 'qualifying long-term agreements'.

The 2002 Commonhold and Leasehold Reform Act expects the landlord to behave in a 'reasonable' manner about his expenditure on the building. The landlord has a long-term interest in maintaining the condition and the value of his investment. The leaseholder may have a much shorter-term view, only intending to remain in the property for a few years. These different viewpoints need to be reconciled. A landlord is not usually bound to minimise the costs but his costs must be reasonable.

As a rule, for works of improvement, leases in the private sector do not oblige leaseholders to contribute to costs of works of improvement to the building. However, leases from local authorities and housing associations often do contain such provision.

The Service Charges (Consultation Requirements) (England) Regulations 2003 set out what consultation must be made so that a landlord can lawfully charge for 'qualifying works' or services under 'qualifying long-term agreements' over the minimum amounts of £250 per contract or £100 a year, per contract, respectively.

The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007 set out the requirements for the content and format of service charge demands. This requires that where a demand for payment of a variable service charge is made, the demand must be accompanied by a summary of the rights and obligations of leaseholders in relation to service charges. Failure to comply with this requirement can result in leaseholders having the right to withhold payment of service charges.

Our 2018 series of seminars on 'All You Want to Know about Service Charges in Social Housing' will start with a session in London on 27th February 2018. For further information or to make a booking, please click here: http://awics.co.uk/all-you-want-to-know-about-service-charges-in-social-housing-2018

Treasury Committee recommends abolishing 'Borrowing Cap'

In January 2018, the House of Commons Treasury Committee published its report on the Autumn Budget of 2017. The report covers many aspects of the budget and includes a recommendation that the government should abolish the local authority housing 'borrowing cap' that was introduced as part of the self-financing settlement in 2012.

The report concludes that:

"The decision in the Budget to raise the Housing Revenue Account borrowing cap by £1billion is a positive step. However, in order to increase Local Authority construction to levels sufficient to meet the Government's 300,000 target, the Housing Revenue Account borrowing cap should be removed. Raising the cap would have no material impact on the national debt but could result in a substantial increase in the supply of housing, allowing local authorities to determine the level of additional housing needed in their area.

“The bidding process proposed by the Treasury to allocate the additional £1 billion of local authority housing revenue borrowing may not direct resources to areas of greatest housing need. The criteria for allocation are currently unclear. The Chancellor stated in his speech that the bidding process will be aimed at ‘high demand areas’ but the Budget itself referred to ‘areas with high affordability pressure’. The Treasury should establish clearly defined, needs-based criteria for allocating the additional borrowing.

“Greater measures are needed to increase housing supply. 300,000 homes a year will not be achieved with the current measures. The Government will need to show greater commitment to housing supply to achieve its aspiration and will need to bring forward additional policy measures.”

During its deliberations, the committee heard evidence from Councillor Nick Forbes (Labour), the Leader of Newcastle-on-Tyne City Council, who said that:

“Rather than having a competitive process, it is better to lift the borrowing cap for all local authorities, so that we can all get on and take the decisions that are in the interests of our respective communities. We have a situation where most of the HRAs for local authorities are operating within 10 per cent or 20 per cent of their cap, so the flexibility to manoeuvre is very limited.

“There was a slight disparity in the announcement that the Chancellor made and the language in the Budget book, because areas of low affordability are not necessarily areas of high demand. It is possible to have high demand in areas of high affordability… We could do more and faster, if we were allowed to get on with it sooner.”

In launching the report, Nicky Morgan MP (Conservative, Loughborough), the committee Chair, said that:

“The increase in the cap on borrowing for local authorities to build homes is a step in the right direction, but it doesn’t go far enough… The borrowing cap restricts the number of homes that local authorities could deliver. To achieve the government target of 300,000 new homes per year, the cap should be abolished. The potential of local authorities to build should be unleashed.”

And Lord Gary Porter (Conservative), Leader of South Holland District Council and Chair of the Local Government Association, told ‘Inside Housing’ that:

“This is significant recognition of our central argument about the vital role councils must play in solving our housing shortage.”

Unfortunately, though, expectations that the government will respond to this recommendation are not high!

A copy of the report can be downloaded from the Parliamentary website at: https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/600/600.pdf

My briefing paper on the 2017 budget and its implications for public services is at: http://awics.co.uk/files/module_document_pdfs/budget_2017_-_the_implications_for_public_services_-_briefing_paper.pdf

Our 2018 series of seminars on ‘All You Want to Know about Local Authority Housing Finance’ will start in March 2018. For further information or to make a booking, please click here: http://awics.co.uk/all-you-want-to-know-about-local-authority-housing-finance-2018

Scottish Housing Regulator launches Discussion Paper on Regulation

The Scottish Housing Regulator was established in April 2011 under the Housing (Scotland) Act 2010. Its objective is to safeguard and promote the interests of tenants and others who use local authority and registered social landlord housing services.

The Regulator operates independently of Scottish Ministers and is accountable directly to the Scottish Parliament. It assumed its full regulatory responsibilities in April 2012. The Regulator consists of the Chair and seven Board members.

The Scottish Housing Regulator regulates around 160 registered social landlords and the housing activities of 32 local authorities. It sets out how it regulates social landlords in its published framework – Regulation of Social Housing in Scotland.

The Scottish Housing Regulator is looking for feedback and ideas on the future of social housing regulation in Scotland. It has published a discussion paper and is inviting tenants, landlords and others with an interest in its work to contribute their views by 30th March 2018.

The discussion paper sets out the Regulator's early thinking on its future approach, regulatory priorities and how it will work. The Regulator will use the feedback on the paper to develop its detailed proposals for a new Regulatory Framework. It will consult on the new Framework later this year.

One of the important themes in the paper is how landlords and the Regulator can promote a strong tenant voice.

The Scottish Housing Regulator plans to introduce:

- Annual Assurance Statements for all landlords, with a programme of visits
- A Requirement for all RSLs to have internal audit and audit committees
- A way for landlords to notify us about disposals and constitutional changes

And to Explore new ways for them, and landlords, to get more information to more tenants

George Walker, the Regulator's Chair, said that:

"For social landlords, effective ways for tenants and service users to have their voices heard are critical. Our work to date has promoted a strong tenant voice. We want to build on the strengths and successes of the existing Regulatory Framework. We also want to learn from our experiences over the last five years, respond to new challenges and consider the future context for landlords. "We want our work to have the most positive impact that it can, so we have also taken account of the latest thinking in wider regulatory best practice. We are keen to hear what people think about our ideas overall, and to get their views on a number of more specific questions. We welcome feedback from all organisations and individuals with an interest in our work."

The Regulator's discussion paper explains how it will continue to focus on safeguarding and promoting the interests of tenants, people who are homeless and others who use social landlords' services. Further information can be found on the Scottish Housing Regulator's website at: https://www.scottishhousingregulator.gov.uk/news/regulator-launches-national-discussion-future-social-housing-regulation-scotland

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Supporting People funding in Wales

Supporting People funding has been protected for 2018/19 in the Welsh Government's budget. However, it has been proposed that in 2019/20, it will be merged with several other grants that are paid to local authorities to create a single grant - the new Early Intervention, Prevention and Support Grant. This follows a letter to local authorities in 2017 announcing a funding flexibilities pathfinder that will allow seven local authorities to trial full flexibility across several funding streams including Supporting People, Families First and Flying Start.

The Welsh Government considers that this single grant would lift constraints and allow the funds to be determined locally as opposed to funding national programmes.

However, Community Housing Cymru has written to the Minister for Housing & Regeneration to raise their concerns over these proposals to remove the ring-fence from Supporting People Grant and to merge the fund with other non-housing related funds. Community Housing Cymru will continue to work with the Welsh Government to influence their decision making on funding flexibilities and the future of Supporting People.

Community Housing Cymru have said that:

"Although we are pleased that the Supporting People funding is being preserved for the 2018/19 financial year, there are concerns that, following this, the funding will not be protected as it will be merged with other grants. This is a significant concern for Community Housing Cymru as many housing associations rely on this funding to manage programmes that are proving very successful. Community Housing Cymru is working with Welsh Government to ensure the best outcome possible for members and those who receive Supporting People services."

Tracey Burke, Director General for Education and Public Services at the Welsh Government, appeared before the Welsh Assembly Public Accounts Committee in January 2018 and sought to ease concerns about the decision saying that no final decision has yet been taken on plans to roll the Supporting People budget into other grant schemes. She said that the pathfinders are part of the decision-making process and that the Welsh Government would work with stakeholders before making a final decision. She said that:

"Ministers are absolutely clear they are in listening mode and no decision has been taken."

And she maintained that councils' delivery plans for the Early Intervention, Prevention and Support Grant would be held to account so there are no cuts on the ground to Supporting People. However, she added that the Welsh Government believes creating a merged poverty prevention grant would 'improve effectiveness and efficiency' of services. The Welsh Government has pledged to protect levels of Supporting People grant at £125million over two years.

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.

Feedback

All feedback from readers is welcome and should be sent to adrian.waite@awics.co.uk

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AWICS Surveys

At AWICS we value feedback from our clients and from users of our website. This is for two reasons:

- We actively seek feedback from clients so that we can evaluate what we are doing now and use the information to improve our services in future.
- We like to have a dialogue with clients and users of our website so that we can understand their developing needs and provide services to meet them as part of a long-term commercial relationship.

We have therefore developed a series of surveys and questionnaires that can be found at: http://awics.co.uk/questionnaires-and-feedback

These include surveys about our seminars and our webinars. Whether or not you have attended one of our seminars or webinars recently, I would be grateful if you could assist us by completing one of our short surveys.

The survey on seminars can be found at: https://form.jotformeu.com/71926426584364 and the survey on webinars can be found at: https://form.jotformeu.com/73325960384360

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. Services that we offer include:

- Management Consultancy – http://www.awics.co.uk/ManagementConsultancy.asp
- Interim Management – http://www.awics.co.uk/interimmanagement.asp
- Regional Seminars - http://awics.co.uk/seminars-2018
- In-House Training - http://www.awics.co.uk/inHouseCourses.asp
- Webinars - http://www.awics.co.uk/webinars.asp
- Independent Residents' Advice – http://www.awics.co.uk/IndependentTenantAdvice.asp
- Technical Books - http://www.awics.co.uk/publications.asp
- Information Service - http://www.awics.co.uk/aboutUs.asp

All You Want to Know about Service Charges in Social Housing - Seminar

We are holding our 2018 series of seminars on 'All You Want to Know about Service Charges in Social Housing' between February and September 2018. This seminar is designed to give an introduction and overview to this important subject and is 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.

Housing Associations have traditionally levied service charges with most local authorities in England introducing them in the 'noughties'. Financial constraints and proposals for the future funding of supported housing are leading many local authorities and housing associations to look at reviewing their approach to service charges. The rolling out of Universal Credit is having an impact on benefit entitlement for service charges.

According to the Homes & Communities Agency, Service Charges income in English housing associations fell short of service charge costs by £300million (20%) in 2016, a wider margin than was the case in 2015. This represents a significant cost that could be avoided if full recovery of service costs could be achieved as is regarded as best practice. The situation in local authorities is similar.

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. They are 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?
- 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 2018"

The cost of this seminar is £250 plus VAT making a total of £300. **However, there is a £20 discount for people who book a month or more in advance making the cost £230 plus VAT making a total of £276. The cost of this seminar in Manchster is £195 plus VAT making a total of £234.** However, there is a £20 discount for people who book a month or more in advance making the cost £175 plus VAT making a total of £210.

Venues and Dates:

- **London:** Novotel Hotel, Waterloo - 27th February 2018
- **North:** Novotel Hotel. Manchester – 22nd May 2018
- **London:** Novotel Hotel, Waterloo – 11th September 2018

For further information or to make a booking, please click here: http://awics.co.uk/all-you-want-to-know-about-service-charges-in-social-housing-2018

Other AWICS Seminars

Our next seminars include:

- All You Want to Know about Local Authority Housing Finance
- Funding Supported Housing
- Local Housing Companies and Development

Information about all our seminars can be found at: http://awics.co.uk/seminars-2018

Feedback that we have received at our seminars can be found at: http://awics.co.uk/course-feedback

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- presents data in reports, tables and maps which are all easy to export

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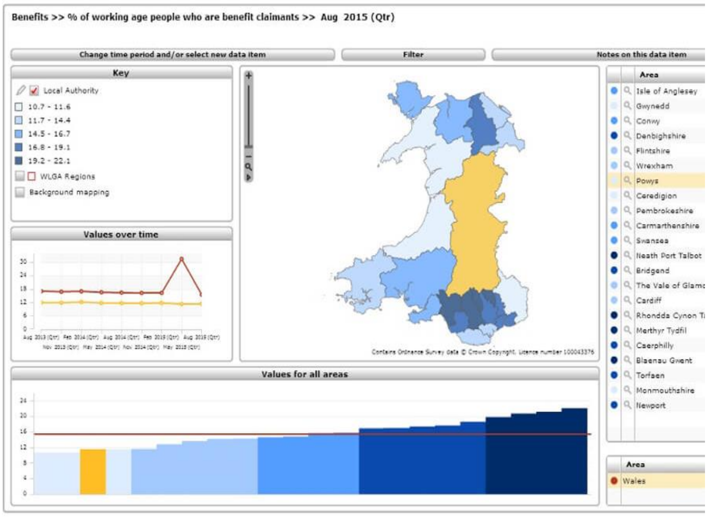

Please contact us and we will do our best to help you find the data you are looking for.

InfoBaseCymru is accessed via the internet for public use, we can provide restricted shared access to specific data sets where necessary.

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