AWICS Housing News

July 2018

Newcastle-on-Tyne Civic Centre. Newcastle-on-Tyne City Council is one of the Councils that will be eligible to bid for additional housing revenue account borrowing capacity to fund new social housing.

Contents:

Additional Housing Revenue Account Borrowing and Grants for Social Housing

The Ministry for Housing, Communities & Local Government has finally announced how it intends to raise the housing revenue account borrowing cap by a total of up to £1billion in areas of high affordability pressure for local authorities that are ready to start building new homes.

Local authorities in England outside London will be able to bid for increases in their caps from 2019 to 2020, up to a total of £500million by the end of 2021 to 2022. The government states that the programme will help to deliver an increase in council housebuilding. A separate programme of £500million will operate in London with the Greater London Authority expected to announce how this will work soon. Of the total, £400million will be available in 2019/20, £300million in 2020/21 and £300million in 2021/22.

A prospectus inviting eligible local authorities to bid for additional borrowing under this programme was launched in June 2018, along with instructions to local authorities about the bidding parameters. The deadline for submitting bids is 5pm on Friday 7th September 2018.

However, the new borrowing flexibility for new council homes will be limited to areas where private rents are at least £50 a week more than social rents and the government has identified the 168 local authorities that meet this criterion. Councils will be able to use social housing grant, capital receipts and prudential borrowing to fund the new build. New homes will have to be social, affordable or shared ownership. The scheme cannot be used to fund housing that will be held by a local housing company, joint venture or other arms' length vehicle.

Bids will be assessed for value for money, deliverability and affordability and the bids that attract the highest scores will be prioritised.

Homes England has also announced an increase of £1,670million in the social and affordable housing programme for England outside London that follows the additional funding that was provided for London in March 2018. This takes the form of an addendum to the Shared Ownership and Affordable Homes Programme 2016 to 2021.

In his foreword to the prospectus, James Brokenshire MP, the Minister for Housing, Communities & Local Government wrote that:

"Like the Prime Minister, I want to see a new generation of council house building. Historically, local authorities have been a driving force in council house building in this country. You have the land, the planning responsibilities and you know what your communities need.

"Crucially, you also have the ambition. Local authorities often say they would build more houses, if only they could borrow more money. There are also repeated calls for greater flexibility when it comes to using this money. You have been keen to build, but held back for too long. We are listening and taking action.

"Last year the Chancellor said we would lift the Housing Revenue Account caps for councils in high-demand areas. Today, I am also enabling councils to combine borrowing with AHP grants or Right to Buy Receipts, so the money goes even further. This prospectus outlines a long-awaited chance for local authorities to show the government what can be achieved when money is there."

The government has committed to building 27,000 new 'affordable' homes in London and 23,000 in the rest of England, as part of its £9billion investment in affordable housing. Of these 50,000 homes, roughly 22,500 will be for social rent, 12,500 outside of London and 10,000 within the capital. These numbers could increase if councils apply to the additional borrowing fund. However, they appear small in relation to council waiting lists. For example, there are 22,000 people on the waiting list in Lambeth alone.

It is generally accepted that there is a need to build at least 300,000 homes a year in England. Taken in this context, the government's programme is quite modest. The Local Government Association has consistently argued that the 'borrowing cap' should either be abolished or lifted significantly to enable local authorities to invest £7billion in new social housing but these proposals only offer one seventh of that borrowing to fund investment. They therefore fall short of the aspirations of those in local government.

The government's calculations show that there is 'affordability pressure' in all the London boroughs and in most local authority areas in Eastern England, the Southeast and the Southwest. However, there are only 23 local authority areas in the Midlands and only eleven in the North that are found to be facing 'affordability pressure'. 88% of authorities in the south (excluding London) will be eligible, compared with only 15% of authorities in the north. Furthermore, the government states that priority will be given to schemes that are in the areas of greatest 'affordability pressure'. It is therefore clear that most of the additional investment will be in London and in relatively affluent areas of the East, South and West.

However, there are currently 376,297 people waiting for social housing in the north of England – including the north-east, north-west and Yorkshire and the Humber – compared with 258,135 in the south-west and south-east - 118,162 more people on council housing lists in the north of England than in the south outside London. There are 243,668 people on waiting lists in London.

Some commentators have suggested that, these programmes will not necessarily provide additional homes where they are needed most, and that they will also contribute to the increasing divide between the relatively prosperous parts of England and those that are in relative decline. They suggest that extending the scheme across the whole of England would be preferable.

It is also the case that most of the unused 'headroom' in housing revenue accounts nationally is currently in London with some borough councils unable to use the 'headroom' that they already have because of a shortage of revenue resources in their housing revenue accounts. This situation was created by the initial self-financing settlement and exacerbated by the rent reductions required by the Welfare Reform & Work Act 2016. Whether such councils will be able to make use of the additional resources that are now being made available is therefore open to some doubt.

In January 2018, it was reported in the 'Local Government Chronicle' that HM Treasury had only set aside £880million in its budgets for this initiative claiming it did not expect councils to be able to take up all the additional borrowing capacity that is being offered. This may reflect the shortage of revenue resources to support additional borrowing, especially in London.

Some commentators have suggested that if the government was serious about housing people who are on waiting lists in social housing, they would also be reducing the number of social homes that are being lost through the 'right to buy' scheme. The Scottish and Welsh governments have already abolished the 'right to buy' but in England, the United Kingdom government is still pursuing a policy to 're-invigorate' the 'right to buy' through increased discounts and, in practice, the homes that are lost are not being replaced.

Some commentators have also suggested that the government's definition of 'affordability pressure' demonstrates that their 'affordable homes' programme is not actually affordable.

Research by Trust for London states that the average rent for a two-bedroom property in London is £1,730 per month. Therefore, an affordable rented property would be available for around 80% of that figure that is £1,384 per month. Local authorities in London rent two-bedroom social housing properties at an average of £470 per month. This means an average £914 per month gap between affordable rented and social rented housing.

The £50 / week that the government considers produces 'affordability pressure' equates to £217 / month. That gap suggests that any new affordable rents would cost over four times the level the government itself defines as creating 'affordability pressure' in the case of London. This analysis suggests that the 'affordable rent' product is not actually affordable.

Any increase in resources for social housing either through borrowing or grants is welcome as it will help local authorities and housing associations to tackle the housing crisis. However, it appears that the additional resources being offered are probably not sufficient and that the government's plans to target them at areas of highest affordability pressure may not be appropriate.

I have prepared a briefing paper that summarises the government's prospectus, Homes England's addendum and the reaction to them of the sector and that provides some commentary.

To view or download your copy, please click here: https://awics.co.uk/files/module_document_pdfs/additional_housing_revenue_account_borrowing_and_grants_for_social_housing_-_briefing_paper.pdf

---

Impact Housing Association and the Riverside Group

I attended the Impact Housing Association Annual General Meeting on 4th June 2018 as a shareholding member. Readers of this blog may know that I joined the Impact Board in 2009 and was Chair from 2011 to 2015 after which I stood down due to pressure of work. Throughout my time as Chair, Impact enjoyed a G1/V1 rating with the Homes & Communities Agency but in 2017 was downgraded to G3/V3. Following this the Board continued in office and decided that Impact should be taken over by the Riverside Group. Readers of this blog will know that I have not been happy with the process that has been followed.

The annual general meeting was held at the George Hotel in Penrith on a Monday evening. The George Hotel is probably the most prestigious in Penrith but seemed a strange choice of venue as most of Impact's homes and tenants are in Workington – forty miles away – and the association has its own meeting rooms in Workington, Carlisle and Penrith. Top of the agenda were the proposals to change the rules to enable the takeover by the Riverside Group to take place; alongside which were proposals to reduce the number of tenants on the board and to reduce the number of shareholding members (currently there are thirty). The 2017 accounts – that contained some surprises - were also up for approval and some board members were up for re-election.

In my view there was never anything inevitable about Impact Housing Association becoming financially unviable and being taken over by a larger association. In my view the problems that arose were principally caused by the choices and actions (or inactions) of the Board.

For example, the global accounts of housing associations published by Homes England show that most housing associations reduced expenditure on repairs and maintenance in 2016/17. Impact Housing Association reduced its expenditure on routine repairs by 28% (the fourth largest cut in the whole of England). One of the reasons cited by the board in support of the takeover of Impact by Riverside is that homes have not been well maintained. However, the board's own decisions seem to have created that situation.

I was somewhat disappointed that only eleven members attended such an important meeting. They decided to accept the annual report and accounts for 2017, to re-elect the current board and to make the necessary changes to the rules to enable the Riverside Group to take over.

I was also disappointed that several board members failed to attend.

Impact Housing Association will now come under the control of the Riverside Group. I do not think that the Impact Board have negotiated a good deal, but nonetheless I hope that Riverside will respect Impact's values, maintain existing homes and services and even make some improvements – including making some changes at board level.

Following the meeting I have resigned as a shareholding member of Impact. In my letter of resignation, I wrote that:

"I would like to resign as a shareholding member of Impact Housing Association with immediate effect.

"As you know, I attended the Annual General Meeting earlier today at which I expressed my disagreement with the strategic direction recommended by the present board.

"In particular:

- *The annual report and financial accounts for 2017 demonstrate a very poor financial outturn for 2017. During the year the association recorded a loss of £3million (the worst financial result in the association's 43-year history) and was downgraded by the regulator from the top V1 rating for financial viability to an unacceptable V3 rating. Furthermore, financial management, financial monitoring and risk management appear to have been so poor that neither the Board nor the management team were aware of the mounting difficulties when the last annual general meeting was held half way through the year. There are numerous specific examples of apparently poor management that I could refer to, including the failure of the association to implement the board decision to dispose of the Brewery halls of residence. Unlike the Board and the majority at the Annual General Meeting, I do not consider that this is an acceptable approach to financial management.*
- *The changes that have been agreed to the rules will place Impact under the total control of the Riverside Group, will reduce the role of the shareholding members and will marginalise tenants and other residents by removing all but one of the tenant and resident places on the Board. There are no guarantees that the values of Impact will be protected.*
- *The Annual General Meeting was provided with very little specific information about the process that was followed to identify the Riverside Group, or any more about what was being offered by the Riverside Group other than vague generalities. For example, shareholding members have not been shown the Business Case, Heads of Terms or Inter-Group Agreement. I am not convinced that the Board has negotiated the best possible 'deal' with the Riverside Group. In my view, the consultation with tenants and residents was flawed in that some of the information provided was misleading – for example, the statement that the takeover would not result in a change of landlord. I think that the Board should have provided fuller and more accurate information to the tenants, residents and shareholding members; and that the Annual General Meeting should have refused to approve the rule changes until this was done.*

- *The regulator has downgraded Impact's rating for governance from a top G1 rating to an unacceptable G3 rating. The regulator stated that: "The Homes & Communities Agency lack assurance that the Board is managing its affairs with skill, diligence, effectiveness, prudence and foresight and the foresight is about the strategic direction." The Board has not disputed this conclusion and, having considered the activities of the Board during recent years I would agree with the regulator. In view of this, I do not think that the current Board should have continued to take decisions about strategic direction including decisions about potential mergers or takeovers. In my view, the current Board members should have been replaced and no strategic decisions taken until a new Board was in place. However, the Annual General Meeting has approved the rule changes and the takeover at the recommendation of the current Board and has re-elected the current Board members.*

"I find this a very sad day. I have been involved with Impact since 2009 when I first joined the Board, was Chair from 2011 to 2015, and since 2015 have been a shareholding member.

"I originally became involved with Impact because I saw it as a good organisation that I wanted to support. I am afraid that we have now reached a position where I no longer consider Impact to be a good organisation and where I no longer support the strategic direction. Hence my decision to resign as a shareholding member."

Housing Association Regulation, Accountability and Mergers

In my view, the experience of Impact Housing Association raises issues about housing association regulation, accountability and mergers that have a significance for the whole sector.

Therefore, I have written to Fiona MacGregor, the Executive Director of Regulation at the Regulator of Social Housing to share with her my thoughts and to make some suggestions for a changed approach to regulation, accountability and mergers in future.

My suggestions are as follows:
1. When the regulator downgrades a registered provider to an unacceptable grade (G3 or V3) a report should be made publicly available making clear the principal reasons for the downgrade so that shareholding members, tenants and other stakeholders are fully aware of the situation.
2. When the regulator downgrades a registered provider to an unacceptable grade (G3 or V3) the Board should be obliged to call a general meeting of shareholding members that would consider the report of the regulator and the response of the Board; and at the same time all board members would have to submit themselves for re-election.
3. There needs to be a review of the accountability of registered providers. In my view this should involve the meaningful accountability of boards to tenants, other stakeholders and to the wider communities in which registered providers work. In the past I have suggested that any tenant who has held a tenancy for five years and who has not been in serious breach of their tenancy agreement should become a member of their registered provider. However, there may be other ways of ensuring that boards are genuinely accountable to members who are representative of tenants and communities and can carry out that role effectively.
4. The making of a voluntary undertaking to merge should be a decision for all shareholding members and not just the board.
5. Before a merger goes ahead that involves one housing association being absorbed into another, there should be a ballot of all tenants. For the merger to proceed it would be necessary that a majority of those voting, vote in favour of the merger.

6. Registered providers that propose to merge should be obliged to produce a full prospectus, like the offer documents that a registered provider must produce if it is involved in a stock transfer from a local authority, prior to the ballot taking place.
7. The Regulator, or another independent person, should be responsible for ensuring that any information provided to tenants is accurate, objective and balanced. Ideally, an Independent Tenants' Advisor should also be appointed.

Anyone who would like to view or download a copy of the letter can do so by clicking here: https://awics.co.uk/files/module_document_pdfs/impact_housing_association_-_regulation_accountability_and_mergers.pdf

I have received a reply from Fiona MacGregor, but unfortunately it focuses on explaining the current approach of the regulator and justifying its approach in the case of Impact Housing Association, rather than providing me with a reaction to my suggestions for reform. The letter concludes by saying:

"Thank you for setting out your suggestions for areas we might consider changing in future. I hope that this letter has helped to set out the regulator's current position, both generally, and where appropriate, specifically to the case of Impact. As you may be aware the Government has announced that it intends to publish its housing Green Paper soon. As part of this it has been talking to tenants, including about views on the role of tenant involvement. Members of the public and organisations will be given an opportunity to respond to the content of the Green Paper once published. The forthcoming Green Paper on Social Housing may therefore provide a further opportunity for you to feed in views."

I will obviously look forward to reading the Green Paper and perhaps responding to it.

A copy of the letter from Fiona MacGregor can be viewed or downloaded by clicking here: https://awics.co.uk/files/module_document_pdfs/20180706_-_letter_to_adrian_waite.pdf

---

House Building and Homelessness

A recent edition of 'Inside Housing' included an interesting piece by Sinead Butters, the Chief Executive of Aspire Housing Association and Chair of 'Place-shapers'. She describes the 'housing crisis' as follows:

"We aren't building enough homes – only half of what we need. It takes nineteen years to save for a deposit today; it was three years when I bought a house in 1988.

"Homelessness has increased by 48% in just eight years. There will be a 25% increase in people over 65 with care needs by 2025. Technological advancement continues, with even now 85% of sixteen to 75-year olds having access to a mobile phone.

"In-work poverty is set to worsen as wages stagnate and house prices increase, and the gap between rich and por, between failing cities and thriving cities, will also widen. And there is no money.

"With GDP almost flatlining and forecast growth by the Office for Budgetary Responsibility at 1.4% per annum, there's not much in the pot to tackle what is happening now, never mind what's coming."

Homes England has released some interesting statistics recently. During 2017/18, they provided direct financial funding for 42,652 homes of which only 17,159 were affordable homes and a mere 1,409 social homes. The number of social and affordable homes was a reduction of 19.5% when compared with 2016/17 and the lowest since current records began in 2009/10.

However, this should not come as a surprise as the intention of the Ministry for Housing, Communities & Local Government is to focus its diminished housing budgets on an attempt to arrest the decline in home ownership. In 2017/18, Homes England supported 14,747 homes for sale or rent at market value and 9,184 homes for affordable home-ownership or shared ownership.

One question that occurs to me is: 'Why do homes that are to be sold or let at market value need public subsidy at all?' Surely if a developer is to sell at market value or a landlord is to let at market value they shouldn't need a gratuitous subsidy. In my view, private businesses should rely on their enterprise and not on state handouts. I think that this part of the programme should be discontinued.

At the end of 2017, there were 79,000 households in temporary accommodation in England of which 54,000 were in London. According to 'London Councils' the boroughs spent £663million on temporary accommodation in 2014/15 and this is likely to have increased since then. Enfield Borough Council has already started to address the problem through a Local Housing Company – 'Enfield Housing Gateway Limited' and now 'London Councils' is proposing to extend the concept by creating a Local Housing Company that would provide an alternative to private temporary accommodation across London. The Company is to be piloted by ten borough councils and will procure homes from private landlords to be used for temporary accommodation at a reasonable rent rather than the high rents currently paid for nightly accommodation. The scheme is to be supported by £39million over three years from the Flexible Homelessness Support Grant.

An interesting article by Sir Michael Lyons about housing appeared in the March 2018 edition of 'Public Finance'. In it, he writes that:

"The 2014 housing review that I chaired stressed the need for more ambition in the supply of new homes. It drew attention to the fact that, within living memory (1952-78), we built more than 250,000 homes a year for a population only 85% the size of our current one. Notably, this happened only when there was a cross-party commitment to homes for all and the public sector was fully engaged in the task."

In 1951, Winston Churchill was returned to power at the head of a Conservative administration. His manifesto had stated that ensuring that everyone was adequately housed was a priority for the government second only to national defence. Harold Macmillan became minister of Housing and launched an ambitious programme of council housing that peaked in the 1960s under Harold Wilson's Labour government. It was only during this period of significant council house building that Britain has ever built enough homes.

My conclusion is that if Britain is ever to build enough homes again, there is a need for a more substantial building programme by local authorities as well as housing associations.

These matters will be considered further in our seminar on: 'Developments in Local Authority Housing Finance'. For more information or to make a booking, please click here: https://awics.co.uk/developments-in-local-authority-housing-finance-2018

Right to Buy

The Ministry for Housing, Communities & Local Government has announced that it will publish a consultation paper on introducing more flexibility to the 'right to buy' scheme in England. This follows the release of figures showing that, between April 2012 when the 'reinvigorated' scheme was introduced with more generous discounts and December 2017, 63,518 council houses have been sold, but only 15,981 new council houses have been started. The government's stated intention that there would be 'one for one' replacement has therefore not been achieved with only about one in four homes being replaced.

Of the £4.9billion raised in capital receipts, only £2.3billion has been made available to councils to fund replacements, with £1.1billion being used to repay debt, £0.9billion going to the Treasury and £0.6billion covering administration and other costs. Councils will be hoping that, in future, a greater proportion will be made available to fund replacements. However, I am sure I am not alone in thinking that it would be even better if the scheme was abolished as it has been in Scotland and Wales.

Some interesting statistics on social housing in London have been published by the Ministry for Housing, Communities & Local Government. They show that from 2012 to 2017 the number of council homes reduced from 412,820 to 393,940 (4.6%), a loss of about 4,000 a year mainly due to 'right to buy'. However, the stock of housing association homes increased from 385,000 to 407,240 (5.8%) – an increase of about 4,000 a year. The number of social homes therefore increased from 797.820 to 801,180 (0.4%). In view of the increasing population of London, increasing household formation and reduced affordability this is bad news as a significant increase in social housing is required but is not being achieved. However, closer examination reveals an even more worrying trend. Between 2016 and 2017, councils lost 3,620 homes but housing associations increased their stock by only 1,910. Consequently, the total stock of social housing reduced. The largest reductions were in Ealing and Islington. This trend can be expected to continue with worrying consequences.

Sheltered Housing: Responses to the Consultation

Last October the government launched a consultation on the future funding of supported housing and this week the Ministry for Housing, Communities and Local Government and the Department for Work & Pensions published a summary of the responses that they have received.

The sheltered and extra care consultation received 304 responses. The main points raised by respondents were:

- Both sheltered and extra care housing have a range of features and characteristics to allow people to live independently. While there are common features, Government should not be too prescriptive in any definition.
- Service charges should allow housing providers to continue to be able to recover actual costs and there are a number of legitimate reasons service charges vary. Any cap should be high enough to allow for reasonable rent and service charges; and
- Many suggest that Government should be working with providers to model and/or test impacts and identify suitable service charge levels.

The short-term supported accommodation consultation received 434 responses. The main points raised by respondents were:

- Concerns about the definition of the short-term accommodation model;
- Assurance that Government is committed to maintaining this ring-fence indefinitely; and
- Several providers urged the Government to revise its policy.

My briefing paper on the government's policy statement and consultation paper can be viewed or downloaded from here: https://awics.co.uk/files/module_document_pdfs/funding_supported_housing_-_policy_statement_and_consultation_paper_-_briefing_paper.pdf

---

Loreburn Housing Association and the Stranraer Youth Foyer

Loreburn Housing Association has welcomed Jamie Hepburn, the Scottish Minister for Business, Fair work and Skills, to Stranraer to discuss its innovative Youth Foyer that represents a significant and innovative opportunity to improve the lives of young people in the area.

Stranraer is one of the most deprived areas of Scotland with low employment prospects for young people. Around 16% of school leavers are unemployed in the area, double the national average.

Youth Foyers, that are recognised as international best practice, provide safe and secure housing, support and training for young people. The innovative project, which is a first for Dumfries and Galloway and only the second of its kind in Scotland, gained planning permission in January 2018 and is expected to be complete in early 2020 on the site of the former Garrick Hospital.

The Youth Foyer will cater for twelve 16 -25-year olds at risk of homelessness, giving them a stable, secure affordable environment and support from trained staff. They will also have access to education, training and employment pathways and volunteering options, and an opportunity to develop independent living skills.

The proposals for the Garrick Hospital site, that were designed by architects Aitken Turnbull, will also see the creation of eight one-bed and four two-bed 'extra care' dementia-friendly homes alongside the Youth Foyer. The Foyer will also offer community access areas, a state of the art conference facility, breakout spaces and access to Wi-Fi, creating a transformational space for Stranraer and Wigtownshire.

Loreburn Housing Association knows that it needs to form new and effective partnerships with local employers to support the young people who will live at the Foyer into sustainable employment. The Association wants to work together with local businesses to co-design highly supported training and employment pathways that will help make this happen.

The purpose of the event attended by Jamie Hepburn was to encourage local employers to participate in this innovative model by:

- Contributing to the design of a tailored training / employment pathway.
- Providing work placements for young people living at the Foyer that, if successfully completed, could lead to a longer-term job.
- Providing feedback and contributing to the development of best practice demand-led employment programmes.

Loreburn Housing Association said that no business is too large or small to have a positive impact on the life of a young person, so it is seeking partner organisations of all sizes. Lorraine Usher, Chief Executive at Loreburn Housing Association, said that:

"We were delighted to welcome Jamie Hepburn to our employer event encouraging businesses in the area to support this innovative project. This shared space project provides employers with an opportunity to work with talented young people locally while supporting and making a huge difference to the life chances of these individuals.

"The Foyer will be there to give a helping hand to young people who are motivated to study or work, and the young people living there will be expected to make a positive contribution to their local communities. All youngsters must be either working, studying or volunteering.

"Loreburn is committed to creating great places to live and great communities for all. As the Foyer will be located right beside the dementia specific accommodation, it will also offer opportunities for intergenerational projects that involve both the young people and older people. This will help reduce social isolation in older people and increase civic participation for young people. Loreburn already has a successful track record of bringing younger and older people together through projects like the Galloway Gateway."

Jamie Hepburn said that:

"This Youth Foyer is a brilliant idea which benefits everyone involved, including the employers. Organisations willing to support this will get a chance to work with young people in the area with a wide range of skills. Importantly these employers could make a massive impact on the lives of these young people, not just now but for the rest of their lives."

Global Accounts of Housing Associations in Wales

Community Housing Cymru has recently published the global accounts of housing associations in Wales. They demonstrate that the sector continues to be financially robust with a clear ongoing commitment and capability to support the provision of quality, affordable housing across Wales, stimulate the Welsh economy and help mitigate the impact of poverty on people's lives. Overall, the sector as a collective group of organisations has posted a positive financial result recording increases in turnover and reserves, whilst attracting additional debt and an increase in gearing. Accounting surpluses are essential to support funding the maintenance of existing homes and provide the necessary investment to build new homes.

The key messages identified by Community Housing Cymru are that:

- The sector now owns and manages 160,636 homes with general needs properties and retirement accommodation accounting for 90% of this figure; 144,316 homes.
- Community Housing Cymru members have directly spent £1.1billion of which 89% was retained in Wales, and with the indirect supplier the total impact equates to almost £2billion.
- Turnover for the year was £908million; an increase of £3million on 2016.
- Operating costs reduced from £734million in 2016 to £715million in 2017.
- Operating surplus for the year was £193million (2016: £171million), with a net surplus, after interest payments and before tax, of £59million (2016: £79million).
- Housing fixed asset levels, before depreciation, are now shown at £7billion, an increase from £6.5billion in 2016 (7.7% increase).
- Increased borrowings - the total debt level is now £2.7billion, a rise from £2.5billion in 2016 (8% increase).
- Sector gearing on 'Historic Cost basis' is 44%, the same as in 2016.
- Sector gearing on a 'Net Worth' basis is now at 61%, an increase from 60% in 2016.
- Capital and Reserves levels are now £1.07billion (2016: £1.0bn).
- Directly and indirectly housing associations continue to support around 25,000 jobs in Wales, representing a similar figure to 2016 levels.
- Community Housing Cymru member organisations spent £471million on regeneration during 2017.
- Free cash generated was £32million for 2017, an increase from £8million in 2016.

Community Housing Cymru finds that the sector continues to progress and has become a collection of highly capitalised organisations that own and manage long-term assets supported by long-term financing. Some housing associations are adopting more commercial tactics to help fulfil their social objectives. To sustain a role in providing new affordable housing supply, cross-subsidisation initiatives and alternative financial models are being developed seeking to extract maximum value from assets whilst mitigating associated risks. The requirement to meet increasing debt repayments when they fall due is crucial, so managing risk around income collection remains fundamental when undertaking new strategies.

The indebtedness of the sector is increasing and to meet these long-term obligations, and to achieve more affordable finance, a strong sector-wide financial performance is crucial; the continued posting of annual surpluses underpins this. Also, given the many fiscal challenges facing the sector, surpluses act as a buffer against potential increases in bad debts due to welfare reform.

Turnover continues to increase. The relationship between the money received from Welsh Government compared to other sources of associations' income is calculated by Community Housing Cymru as for every £1 received from the Welsh Government, the housing associations bring in £6.

Across the United Kingdom the need for greater volumes of affordable homes has never been so acute, and the sector in Wales is playing a vital role in helping meet this need. Housing associations' clear social vision offers assuredness for tenants, stakeholders and funders, and alongside the supportive levels of Welsh Government Capital and Revenue subsidy has enabled much of the sector to achieve their objectives. Robust regulation of the sector alongside steady rental income streams, coupled with strong historical performance, provides a high level of confidence and comfort to stakeholders.

There are macro-economic and socio-political factors that the sector manages; UK wide Treasury decisions and the impact of legislation has heightened the need for continuous business plan stress-testing and regular assessment of association's assets and liabilities. From a governance perspective, board members continue to grow their understanding of the complex businesses they oversee, offering appropriate challenge to executive management to ensure suitable strategies are adopted that offer optimal chances for growth and success of associations.

With the presence of greater accounting complexity, demonstrated by the introduction of FRS102 reporting in 2016, 'free cash flow generation' evidences a metric of business performance and strength that provides measurable and meaningful information to stakeholders including funders. Free cash shows the level of cash generated, or consumed, by the existing portfolio of properties. It is the cash left over after meeting all expenditure required to run operations daily, including loan interest, and before loan repayments, investment in new housing stock and related grant receipts. Pleasingly during 2017 there has been an increase in free cash flow for both Traditional and Large Scale Voluntary Transfer associations. Community Housing Cymru considers that this will help to support sector investment to achieve the 12,500 affordable homes target during this term of Government.

Community Housing Cymru consider that, in aggregate, sector financial performance has been robust, meaning the sector as a whole is well placed going forward to continue investing in existing stock and new supply. The regulator monitors the financial position and governance arrangements of all associations and where necessary engages with individual organisations to seek assurances on their ability to be financially viable, well governed and able to deliver homes and services to a wide range of needs.

AWICS is holding the 2018 edition of our seminar 'All You Want to Know about Welsh Social Housing Finance' in Cardiff on 23rd October 2018. This seminar provides an introduction and overview of this important subject and will include reference to the global accounts. For more information or to make a booking, please click here: https://awics.co.uk/all-you-want-to-know-about-welsh-social-housing-finance-2018

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.

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

---

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

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 fall short of service charge costs by £300million a year. 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 in London 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.**

Remaining Venue and Date:

- **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:

- Developments in Local Authority Housing Finance
- All You Want to Know about Social Housing Finance in Wales
- All You Want to Know about Local Authority Housing Finance

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

---

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