AWICS Housing News

August 2016

Flats on the Briant Estate in Lambeth, London.

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Right to Buy in Local Government and Housing Associations

In an analysis of the government's Right to Buy figures, the Local Government Association has found that the number of houses that councils have started to replace 'right to buy' sales fell by over a quarter last year. The analysis found that 12,246 council homes were sold to tenants under Right to Buy in England in 2015/16. However, councils only started building 2,055 replacement houses, around 17% of the total. The number of new constructions was also down 27% from 2,809 in 2014/15.

The Local Government Association forecasts that 66,000 homes will be sold to council tenants by 2020, and warns that councils are unlikely to be able to replace the majority of these homes.

Councillor Nick Forbes (Newcastle-on-Tyne City Council, Labour), Local Government Association senior vice chair, told 'Inside Housing' that the current arrangements for 'Right to Buy' were restricting councils from being able to replace homes being sold under the scheme. He warned that it could:

"Quickly become a thing of the past in England if councils continue to be prevented from building new homes… Housing reforms that reduce rents and force councils to sell homes will make building new properties and replacing those sold even more difficult… Such a loss in social housing risks pushing more people into the more expensive private rented sector, increasing homelessness and housing benefit spending."

For some time, the Local Government Association has argued that as well as giving councils greater ability to borrow to invest in housing, councils need to be able to retain 100% of receipts from sales and to set Right to Buy discounts locally so they reflect the cost of houses in the area. However, the government does not favour this approach.

Current restrictions dictate that the Treasury receives a portion of the receipts from 'Right to Buy' sales that is not necessarily reinvested in affordable housing. Councils must also spend receipts from 'Right to Buy' within three years, and they are not allowed to use receipts in combination with government grants or money made from the sale of public land.

The Local Government Association has warned that the lack of replacement homes will only exacerbate the growing housing crisis. It cites a recent report that suggested millions more Britons are likely to require some kind of affordable housing due to low housing stock and slow wage growth. The revelation that the 'reinvigorated right to buy' scheme for local authorities has not resulted in the 'one-for-one' replacement that the government envisaged will not surprise many in the sector!

Meanwhile, housing associations are contemplating the 'voluntary' scheme for extending the 'right to buy' to their tenants. One of the contentious issues is the 'compensation' that housing associations will receive from the government for selling their homes at a discount under the Housing & Planning Act 2016. Discussions are ongoing between Ministers and the National Housing Federation prior to the issuing of regulations that are expected next month.

'Inside Housing' has reported that Ministers are set to insist on withholding 30% of compensation payments for 'right to buy' discounts until replacement homes are started, despite strong criticism of the idea from housing associations. It is also reported that South Yorkshire Housing Association may decline to operate the 'voluntary' scheme because of 'changes in the operating environment' since the 'voluntary' scheme was agreed. The compensation is, of course, to be funded through the sale of high value council homes but the regulations that are required to introduce this are not expected to be published until the autumn.

One of the United Kingdom's largest housing associations plans to discount tenants' rents, freeze property prices and top up savings in a pioneering bid to help tenants buy their social home that would offer an alternative to the 'voluntary right to buy'. Home Group (that owns 55,000 homes) is in talks with the Department for Communities and Local Government on a proposed new scheme it has badged 'Graduated Ownership'. It hopes that the model that it plans to offer to tenants in a pilot in autumn 2016, could be picked up by other associations to run alongside the 'Right to Buy'.

John Hudson, Chief Financial Officer at Home Group, said that 86% of its tenants want to own some or all of their property, but many struggle to raise a deposit. He said that Home Group has developed a three-pronged package that it hopes will offer tenants who do not qualify for 'Right to Buy' discounts a route to buy their home:

- First it would match the government's contribution in a Help to Buy ISA – the government saving scheme that pays a £50 bonus for every £200 saved.
- Second, it would freeze the price of the property for five years once a tenant began saving for a deposit, protecting them from house price inflation.
- Third, it would offer the opportunity for tenants to sign up to a 'reduced service' – such as taking responsibility for certain repairs – in exchange for a reduced rent which would help them save for a deposit.

John Hudson said that the amount rents could reduce by had not yet been fixed, but it would need to be 'a material amount' to help them to save. He told 'Inside Housing' that:

"When we talked to people we realised the biggest single aspect preventing them getting into homeownership is that they can't afford the deposit… Customers say the three main things that stop them saving for a deposit are limited cash each month, the target deposit being too high, and price inflation meaning it gets further out of reach as they save. So we tried to design a scheme which addresses all three of these points."

He said tenants would be able to use the scheme to buy even a small proportion of their homes, depending on what they could afford. Home Group would pay for the scheme through the profit made on sales that would also provide investment to build replacement properties. John Hudson said that current ten-year residency restrictions on the Right to Buy extension, that is due to be rolled out to housing association tenants in the autumn, means some tenants will not benefit. It is understood that conversations with government officials had been 'very positive' and it had been continuing to work with new appointments following Theresa May's reshuffle.

A spokesperson for the Department for Communities & Local Government told 'Inside Housing that:

"We welcome housing associations undertaking an innovative approach to support homeownership."

However, Councillor Judith Derbyshire (Eden District Council, Liberal-Democrat) has tweeted a question about the proposed scheme:

"If Home Group sell a home in Glenridding (a rural village), would they replace it with a similar truly-affordable home in Glenridding?"

Of course, in Scotland and Wales the 'right to buy' is being ended and alternative approaches are being taken to encourage home ownership. In time, this will enable us to compare the effectiveness of these different approaches to promoting home ownership and providing social housing.

Our seminar on 'Developments in Local Authority Housing Finance' (see below) will cover recent developments in the 'right to buy' scheme for local authorities in England; whereas our webinar on the extension of the 'right to buy' to housing association tenants (see below) will cover the position for housing associations.

Local Government Association calls for more Council Houses

The Local Government Association has published research that concludes that millions of working people will no longer be able to afford somewhere decent to live by 2024 and will need access to some type of affordable housing.

The Local Government Association is therefore calling on new ministers to take urgent steps so that councils can resume their historic role as a major builder of new homes and help to tackle the nation's deepening housing crisis. It warns the economic uncertainty caused by 'Brexit' and a widespread and growing demand for affordable homes - including for social and affordable rent - makes it even more important for councils to be handed greater powers to build new homes.

Analysis from the Learning and Work Institute for the Local Government Association projects that:

- A minimum of 3.98million people of working age will still need access to affordable housing options by 2024 even if the country is able to achieve full employment by upskilling 3.5million people to take higher paid jobs the economy has been projected to create.
- Around 5.4million people of working age will need access to affordable housing by 2024 if qualification levels do not increase. Overall demand will be higher should the economy not create the jobs projected.
- The likely demand of affordable homes for working age people will range from 2.25million to 3.07million, compared with 2.87million in 2011. Overall demand will be much greater when taking into account those not working, such as pensioners.

Affordable is defined as someone who has to spend 30% or more of their household income on their housing costs.

To spark a revitalisation of council house building, the LGA is calling on government to allow councils to:

- Borrow to invest in housing in the same way that they are able to borrow to invest in other projects;
- Keep 100% of the receipts from properties sold through 'Right to Buy' to build new homes;
- Combine 'Right to Buy' receipts with other funding, to use receipts to build through housing companies, and to count the value of council land in building replacements.

The Local Government Association is also urging government to work with councils to review how different elements of the Housing and Planning Act should now be implemented in light of the economic uncertainty created by the United Kingdom's decision to leave the European Union.

Councillor Peter Box (Wakefield City Council, Labour), Local Government Association Housing spokesman, said:

"More and more families will be affected by our housing crisis every year. As our analysis shows, millions of people studying hard and succeeding in work will also no longer be able to find an affordable and decent place to live… Bold new action is needed to solve our housing crisis following the vote to leave the European Union. A renaissance in house building by councils must be at the heart of this… The private sector clearly has an important role to play but the reality is that it cannot build the homes we need on its own, and will likely be further restricted by uncertainties in the months and years ahead.

“Councils want to get on with the job of building the new homes that people in their areas desperately need… If we are to stand any chance of solving our housing crisis, councils must be able to replace sold homes and reinvest in building more of the genuine affordable homes our communities desperately need now more than ever."

The Local Government Association set up a Housing Commission in 2015 to explore how a renewed investment in the different new homes that people need could deliver significant wider benefits for communities. It has heard from developers, planners, charities, health partners, housing associations and many others and published its early findings at the second day of the Local Government Association's Annual Conference in Bournemouth in July 2016. The report include calls for:

- National backing for new local government housing delivery models building new and different types of homes that could include new intermediate rent, rent-to-buy, modular housing, and co-housing options. This would coincide with a revitalisation of council house building by allowing councils to keep a greater proportion of ‘Right to Buy’ receipts and to combine receipts with Homes and Community Agency funding.
- Allowing councils to set planning fees locally so they can cover costs and continue to develop a proactive planning approach for unlocking housing growth, and developing powers for councils to ensure homes are built on sites where planning permission has been granted but building may have stalled.
- Building a new market of homes attractive and suitable for older people better able to meet health needs and supporting moves that, in turn, would release more family homes into the local market. A sustainable funding model would need to be established to provide more supported housing options for vulnerable people.

The Chartered Institute of Public Finance & Accountancy and Chartered Institute of Housing have published a report entitled: ‘Investing in Council Housing – The impact on Housing Revenue Account Business Plans’. This report looks at the self-financing settlement of 2012 that was intended to provide local authority housing services with sufficient income to meet their costs; financial certainty that would enable them to prepare robust long-term business plans; and the capacity to build new council homes. This was done by ending the previous housing negative subsidy system but requiring councils to pay the Treasury £7billion instead. This left councils with £30billion of debt to be financed and repaid from council rents on the basis that this would be affordable because rents would increase in real terms. The reform was implemented by the coalition government based on proposals made by the former Labour government and was supported by all political parties and by the local government and housing sectors.

However, since 2012 the government has made significant changes to housing policy as follows that the Chartered Institute of Public Finance & Accountancy and Chartered Institute of Housing say have undermined the settlement:

- Rent levels have had to be reduced to substantially below expected levels
- Assets are being sold more quickly than anticipated
- Welfare reform is making it harder to collect rents

The Chartered Institute of Public Finance & Accountancy and Chartered Institute of Housing calculate that the effect of this is to reduce the capacity of local authorities to build new council houses from 550,000 over thirty years to just 45,000.

The report also notes that the Decent Homes Standard that was adopted in 2000 and that all local authorities were expected to achieve by 2010 for all their council homes was not achieved in 22% of cases in 2012 and is still not achieved in 15% of cases in 2016. The self-financing settlement did not provide councils with resources for decent homes on the grounds that government grants would be available but in practice insufficient grants have been provided.

The Chartered Institute of Public Finance & Accountancy and Chartered Institute of Housing produce six recommendations for government and two for local authorities. One of the recommendations for local authorities is:

"That they urgently review their housing revenue account business plans if they have not yet done so, taking into account the full range of factors covered in this report."

The Smith Institute has recently published a report entitled 'Devo Housing: The Emerging Agenda' that looks at the role housing has played in the eleven devolution deals agreed so far between combined authorities and HM Treasury.

The report concludes that there is widespread support for regions to receive more housing powers but that the process is too 'top-down' and progress to date has been:

"Slow, piecemeal and undermined by centralising tendencies and inappropriate national programmes and targets".

Partnerships between stock-retaining local authorities and combined authorities are seen as 'unlikely and risky' because of the government's decision to cut social rents. Therefore, the Smith Institute considers that combined authorities are more likely to work with housing associations and finds that some are seeking to pool funding for housing schemes. The relationship with the Homes and Communities Agency is seen as 'critical' to unlocking land and delivering new housing.

A copy of the report can be downloaded from the Smith Institute's website by clicking here: http://www.smith-institute.org.uk/wp-content/uploads/2016/07/Devo-Housing-The-emerging-agenda.pdf

There is clearly a consensus in the local government and housing sector that the government should remove the current restrictions that prevent local authorities from fulfilling their potential to build new council houses. For example, it seems ridiculous that local authorities can borrow as much as they wish to build new leisure facilities or offices but are prevented from borrowing to build much-needed new housing. To date the government has resisted these arguments but it is now expected that the government will introduce a reflationary budget in the autumn of 2016 in an effort to tackle the effects of the 'Brexit' vote and that there is therefore an enhanced opportunity to argue for more council houses to be built.

The up-to-date position regarding the building of new council houses will be considered at our seminar 'Developments in Local Authority Housing Finance' (see below).

Supported Housing and the Local Housing Allowance Cap

The government's decisions to cap housing benefit at the level of the local housing allowance and to reduce social rents by 1% a year – combined with proposals for the funding of supported housing under universal credit - have created considerable uncertainty about the future funding of sheltered and supported housing. The 'Local Housing Allowance cap' will be applied in April 2018 for supported housing tenancies starting in 2017. As a result, most new schemes have been deferred by local authorities and housing associations and there have been warnings that many schemes will actually be forced to close. The changes to housing benefit and universal credit affect Scotland and Wales as well as England. In response, the government has launched a review into the costs and future funding of supported housing.

Ministers had been widely expected to make an announcement before the summer recess. The government-commissioned report into the costs of supported housing that is intended to inform future policy, had been due to be published at the end of March.

However, the government has put off the announcement into the future funding of supported housing until after the summer recess. In a House of Commons debate in July 2016, the new Secretary of State for Work and Pensions Damian Green MP stated his intention to announce the Government's plan for the future of supported housing in 'the early autumn' as it does not want to rush any decision. Damian Green told Parliament that:

"I do understand the urgency of the matter… I can commit to making an announcement early in the autumn that will set out the government's view on what that future funding solution will look like. It will also set out our plans for working with the sector and the other key stakeholders to ensure a safe transition."

David Orr, Chief Executive of the National Housing Federation said that he was 'disappointed' and that:

"It is a real concern that the uncertainty hanging over the sector will now drag on through the summer. However, we appreciate that significant change has taken place across government."

'Inside Housing' has written to Damian Green and to Sajid Javid MP, the new Secretary of State for Communities and Local Government, to express concerns that this delay prolongs the uncertainty facing people in need of supported housing. They have stressed again the urgency for housing associations to know what the Government's future funding framework looks like, so that planned developments and existing services are not put at risk. They have asked for clarification on what is meant by early autumn, and are urging the Government to work towards a September announcement.

The debate was well attended and saw MPs from across the political spectrum showing their support for this vital model of housing. The National Housing Federation's figures were quoted several times during the debate and Damian Green echoed some of the principles set out in their recent proposal, namely that supported housing should:

- Be properly funded
- Offer value for money for customers and taxpayers
- Be judged on the high quality outcomes it delivers.

John Healey MP (Labour), a former housing minister, told Mr Green that his 'test' would be whether he could persuade the chancellor to scrap the cap for supported housing providers.

The National Housing Federation has said that it is encouraging that the Government has made clear it values the contribution that the Federation and members have made and will continue to work with the sector going forward. However, it will continue to push for the earliest possible decision, to give the sector the certainty required to meet the housing needs of the most vulnerable people in society.

A National Housing Federation consultation paper in July also suggested that supported housing providers could sign up to an independent regulator to receive additional levels of housing benefit.

It has been claimed that associations could lessen the impact of the government's 'Local Housing Allowance cap' by leasing their supported housing to a non-registered subsidiary. Sector experts, including a senior civil servant, have said that under the policy as currently envisaged, landlords could take action to exempt some of their tenants from the government's plan to cap housing benefit for social tenants in line with private sector rates. This is because supported housing units leased to a non-registered subsidiary would be classed as private instead of social housing. The issue has been raised by the National Housing Federation with the Department for Work and Pensions.

The government has not yet published any regulations and could if it wanted to close the 'loophole', although a senior source at the Department for Work & Pensions said that ministers would be unlikely to do this as they wish to ensure the new cap only captures housing that is social and not private.

It is not yet clear whether there would be a lot of appetite in the sector for seeking to exempt supported housing units from the 'local housing allowance cap' in this way. Sam Lister, policy and practice officer at the Chartered Institute of Housing, said transferring properties would be a "risky thing to rely on" because of the uncertainty over future regulations. It is also possible that landlords would face a number of risks in leasing properties to a subsidiary, such as having to bail out a loss-making subsidiary if rents did not rise as expected.

The exemption would apply to supported housing provided by private landlords classified as 'exempt accommodation' providers. Exempt accommodation must comply with certain criteria, such as being non-profit and support being provided. If a private provider not registered with the Homes and Communities Agency meets exempt accommodation criteria, the government's new local housing allowance rates would not apply. Existing private local housing allowance rates would also not apply as long as they met the criteria.

The future funding of sheltered and supported housing in local authorities will be considered at our seminar 'Developments in Local Authority Housing Finance' (see below).

Pay to Stay and Regulations under the Housing & Planning Act

Ministers have said that it will be up to councils to decide how they determine 'market rent' levels under the Pay to Stay policy. The move, announced by former housing minister Brandon Lewis MP, means that local authorities would have more powers over what to charge people affected by the measure, and could potentially limit tenants' rent increases.

Under 'Pay to Stay', that the government intends to introduce in April 2017 through regulations under the Housing & Planning Act 2016, council tenants earning more than £31,000 (£40,000 in London) will be obliged to pay up to market rent. However, it has been unclear how the government will decide how 'market rent' will be determined. In an answer last week to a parliamentary question tabled by John Healey MP (Labour), Brandon Lewis said:

"In those cases where a full market rent is payable, it is for the local authority to decide on a methodology for determining market rent appropriate to their particular area."

Councils had feared a blanket methodology for determining market rents could have ignored substantial variations in average rent levels within local authorities. By allowing councils to set their own methodologies for determining local market rents, the government enables local authorities to cater their rent levels to smaller market areas. This could prevent big rent rises for council tenants living in a low-value ward but a high value local authority area.

'Inside Housing has reported that there are variations even within a relatively small geographical area. For example, in Gateshead market rents are not much higher than social rents, but there are some wards where the market rents are higher.

The Department for Communities and Local Government will be giving 'advice and guidance' to help councils to determine rent levels.

Eamon McGoldrick, Managing Director of the National Federation of Arms' Length Management Organisations, told 'Inside Housing' that:

"Any discretion for local authorities is most welcome because irrespective of the background, it's much better to have things designed and operated locally than centrally imposed."

It has been calculated that there are 350,000 social rented tenants with household incomes of more than £30,000; and more than 40,000 have incomes of £50,000, The government expects 130,000 tenants to be affected when the policy is introduced in April 2017.

However, the publication of the 'Higher Value and Pay to Stay Regulations' is now likely to be delayed along with other regulations expected under the Housing & Planning Act 2016. These include guidance on the 'Right to Buy Levy', Sale of higher value voids, 'Pay to Stay' and phasing out of lifetime tenancies. The Department for Communities & Local Government had expected the Regulations and Guidance to have been available in July 2016. However, officials who attended a recent Association of Retained Council Housing event could give no firm date by when local authorities could expect to see them.

However, officials indicated that a decision on the Regulations and Determinations on the definition of higher value voids and 'Right to Buy levy' were now unlikely to be made until September 2016 - although there was a possibility that some information on the draft Determination may potentially be available for informal consultation beforehand.

The regulations on the sale of higher value council homes is also subject to scrutiny by both Houses of Parliament. There is a possibility that the first payments from local authorities may not be levied until 2017/18 or later if Parliamentary time cannot be found to debate the draft Regulations prior to March 2017.

On 'Pay to Stay', officials said that they 'understood' that the proposed implementation date of April 2017 was 'extremely tight' and appreciated that without sight of the draft Regulations and Guidance local authorities could do very little by way of planning for implementation. They also said that they 'understood' the call by the Association for Retained Council Housing and the National Federation of Arms' Length Management Organisations to consider delaying implementation.

It is understood that officials will be discussing the timetable with the new Ministerial Team at the Department for Communities & Local Government. They asked local authorities to provide any evidence that they had of difficulties that would arise in implementing the policy by the April 2017 deadline, together with evidence of implementation costs and forecasts of additional rental income expected as a result of the agreed income thresholds and tapers.

The regulations on the sale of high value council homes, 'pay to stay' and the ending of lifetime tenancies will be considered at our seminar 'Developments in Local Authority Housing Finance' (see below).

Starter Homes

In July 2016, the Department for Communities & Local Government announced that the number of homeless households in England has increased by 9% in the first quarter of the year compared with the same period in 2015.

While the Housing & Planning Act 2016 has been passed, many of its provisions do not come into force until Ministers introduce regulations or further parliamentary approval is secured. In view of the vote to leave the European Union and its effects on the housing market and construction industry it may be an appropriate time for Ministers to reconsider some of the measures.

One of the measures in the Act is 'Starter Homes'. This policy is designed to reverse the recent decline in home ownership by offering first time buyers under the age of forty a discount of 20% on properties valued up to £250,000 (or £450,000 in Greater London). It is planned that 200,000 of these starter homes will be made available by 2020. To focus on this policy, government is drastically reducing financial support for all other forms of housing and is ending financial support for new social housing completely.

One concern about Starter Homes is that it is targeted at the wrong people. Research by the Local Government Association's reveals that discounted Starter homes prices will be out of reach for all people in need of affordable housing in 220 council areas (67%) and are out of reach for more than 90% of people in need of affordable housing in a further 80 (25%) of council areas. Shelter have calculated that to be able to afford a 'Starter Home' a person would need:
- In England, an income of £50,000 a year and a deposit of £40,000.
- In London, an income of £77,000 a year and a deposit od £98,000.

So, to benefit from the scheme a person has to have a relatively high income and a significant amount of capital. It is not a scheme that will assist people in housing need.

However, 'Starter Homes' could fail to deliver its objective of more home-owners; supply in the housing market is what economists call 'inelastic' meaning that if there is an increase in demand there will be an increase in prices rather than an increase in supply. This is why house building by private developers has been remarkably constant ever since the 1950s despite fluctuations in the economy and significant long-term price increases. Therefore, any scheme that is based on subsidising home ownership is doomed to failure because it will simply increase prices and reduce affordability

If the government really wants to increase home-ownership they could:

- Abandon the Starter Homes scheme.
- Reduce all public subsidies in the private housing market, including the exemption from capital gains tax.
- Increase the 'elasticity' of supply by introducing more competition to the construction industry.
- Bring about a fundamental redistribution of wealth and income in favour of people on low to average incomes so that they can afford to sustain home-ownership

The construction industry in the United Kingdom is dominated by a small number of large property developers. Furthermore, at local level the market is often dominated by a single property developer. It appears that there is little incentive for these monopolistic providers to provide more homes if their profits are maximised by restricting supply thus increasing property values.

Greg Clark, the former Secretary of State for Communities & Local Government, took up this issue in his recent speech to the Local Government Association conference where he said that:

"I don't think it is at all acceptable or desirable that the domination of the house building sector by a relatively small number of the biggest players should be there unchallenged… You want to have a mixed economy, and you want to have competition and diversity, so we need to have more competitors of all kinds."

Housing Association Mergers

There is an increasing interest in mergers among housing associations. For example, Greater Manchester landlords Mosscare Housing Group and St Vincent's Housing have announced their intention to work together to deliver a business case for merging both organisations into a formal partnership.

The merger proposals are at an early stage, but build on the success of Mosscare Shared Services – a Cost Sharing Vehicle which St Vincent's and Mosscare set up in 2015 to achieve savings in delivering repairs and voids maintenance works.

Charlie Norman, St Vincent's Chief Executive, has been appointed as group chief executive designate, while Rob Ferguson, chief executive of the Mosscare Housing Group, has decided to take the opportunity to retire in 2017 after 36 years' service.

The new partnership will focus on becoming more efficient; creating further opportunities; having greater influence and above all continuing to provide residents with a quality service.

Rob Ferguson said:

"This is an exciting opportunity for the Mosscare Housing Group and St Vincent's Housing Association. We are strong, well regarded organisations, with similar values and a shared ethos. We are optimistic about the opportunities that will be created by this new partnership which will be built on a proven track record over many years."

Charlie Norman added:

"St Vincent's and Mosscare Housing Group are already involved in a great partnership through our cost sharing vehicle. I am delighted that we are now taking this further and I feel very honoured to have been selected as CEO Designate. We have a common bond which is rooted in our history and values over the last 50 years, and we have a shared ambition to do more together. By combining our tradition and ambition, we will continue as trusted social businesses and high quality Greater Manchester landlords. We will be even stronger and able to do even more. This is an exciting and important time and I am very happy and privileged to be part of this."

YMCA East London and YMCA London Southwest have recently agreed to merge as part of a long-term vision to create a London-wide YMCA. The merged organisation will offer services across South and East London including over 700 bed spaces of accommodation, six health and well-being centres and over thirty Children, Youth and Family work projects. Alongside the local work it will also have a national role and voice through the award winning Y: Cube low cost housing venture that has attracted interest from around the world. With a turnover of £15million, a strong asset base as well as an appetite to grow the merged association will be a significant provider in London.

AWICS assisted YMCA East London and YMCA London Southwest with preparing business plans and a business case for merger. We are now working with other housing associations on business plans and business cases for merger. For further information on advice and assistance that AWICS can provide please contact Adrian Waite at Adrian.waite@awics.co.uk or 017683-51498.

To download a briefing paper on mergers in the housing association sector please click here: http://www.awics.co.uk/dynamicdata/data/docs/housing%20association%20mergers%20-%20briefing%20paper.pdf

Rent Setting in Housing Associations and Local Authorities

The National Housing Federation is drawing up detailed proposals for a new model for rent-setting that it hopes ministers will support as part of the government's deregulation agenda. Landlords hope the government may be persuaded to allow associations to control their own rents as part of its plans to deregulate housing associations to ensure their debt is taken off the public balance sheet. The National Housing Federation wants more flexibility for housing associations in the way they are allowed both initially to set and increase rents when the current four-year 1% rent cut comes to an end in 2020.

It is looking at alternative rent models such as those used by Dolphin Living in its New Era development and new mayor of London Sadiq Khan's 'London Living Rent' model. Under both these models rents are set in line with tenants' incomes. Currently social rents must be set in line with a 'rent formula' set by government, with affordable rents set at up to 80% of market rate. Both tenures are subject to a 1% annual rent reduction that lasts until 2020.

The Federation believes that greater freedom over rent-setting would allow associations more certainty over their income and enable them to set fairer rents. As part of its representations to government, the Federation is also looking at ways it can ensure the proposed new model does not increase housing benefit expenditure above a certain level.

Ken Youngman, Finance Director at Family Mosaic Housing Association told 'Inside Housing; that:

"Post-2020, if the government decided it wanted another rent cut, that would be very hard for us so if we got freedoms over rents which meant that couldn't happen, that would be good."

The Federation has been talking with a number of associations in its finance policy advisory group to ask whether they are in favour of being given rent flexibility and assessing whether it would work in all areas of the country. More detailed plans will be put to a wider group of social landlords later this year, in preparation for the chancellor's Autumn Statement.

Dolphin Living that acquired the controversial New Era Estate in Hackney, is set to introduce a personalised means-tested rent model based on income.

The National Housing Federation has also called for flexibility in the way housing associations are able to use £7billion of grants. It said that associations are capable of starting 300,000 homes by 2020 if they can use the money to build homes for rent, as opposed to shared ownership schemes.

I am surprised that local authorities have not commented on these proposals. If the government is minded to let housing associations control their own rents surely it would not be appropriate to continue with the current prescriptive, centralised and detailed national rent formulas that local authorities in England are currently obliged to follow. Both the Scottish and Welsh Governments have agreed rent policies with local authorities and housing associations that allow both sides of the sector considerable discretion regarding the setting of rents within broad principles. It is clear to me that a similar approach should now be adopted for both housing associations and local authorities in England. I would urge the Local Government Association to work with the National Housing Federation to develop and advocate a more flexible system for setting social rents in England that would apply to the local authorities as well as the housing associations.

Homelessness in Scotland

Shelter Scotland has published research in a report entitled 'Funding Homeless Services in Scotland' that shows that the standard of accommodation and the quality of services provided for homeless people are under threat from funding cuts to Scotland's councils. Shelter Scotland is therefore calling on the Scottish Government and the Convention of Scottish Local Authorities to find new ways of funding and protecting homelessness services after the study showed some local authorities were concerned that the standard of accommodation used for housing homeless people could deteriorate due to lack of repairs and maintenance caused by budget constraints. It was also found that there was little evidence of recent investment in the quality of accommodation for homeless people.

United Kingdom government changes to the way temporary accommodation is funded – by being linked to the Local Housing Allowance from 2017 – will also mean a significant reduction in the money local authorities receive from central government to pay for temporary accommodation (see above).

The research showed how local authorities are concerned that further funding cuts will impact their ability to maintain personalised homelessness services developed under the Housing Options approach.

The independent research by Anna Evans Housing Consultancy, and commissioned by Shelter Scotland, also found that some local authorities think the reduction in homelessness applications seen over the last decade has now plateaued and they fear the number of people making homelessness applications will begin to rise again.

Shelter Scotland said the report shows that while many local authorities have done what they can to protect the funding of homelessness services, the fact they are now paid from councils' General Fund means they aren't protected from future swingeing cuts.

Graeme Brown, director of Shelter Scotland, said that:

"The provision of accommodation and homelessness services together provide a vital safety net that helps people in crisis. But if services are cut, more homeless people will fall through that safety net. If nothing changes then something has to give. Our fear is that, due to underfunding, the quality of accommodation for homeless people and the services they receive will deteriorate, in effect, failing some of the most vulnerable people in our society at the very time they most need help.

"Homelessness can happen to anyone. It's unthinkable that we now face a situation where much of the progress made in Scotland over the last decade to combat the human tragedy of homelessness could be undone. We can't let that happen. A way must be found to stop the cuts and maintain and build our homelessness services. The Scottish Government and Convention of Scottish Local Authorities need to find a new funding model that recognises and supports the full cost of providing good quality temporary accommodation and delivering world-class homelessness services. Councils must be supported so they can continue with their frontline person-centred services – not just their statutory duties. It's vital that we find some practical and creative ways of tackling this very worrying situation. Politicians also need to develop a new National Homelessness Strategy for Scotland to bring a joined up approach to tackle this issue head-on and focus on the root causes of homelessness."

Housing Benefits and Poverty in Wales

The Bevan Foundation has concluded that current policies aimed at combating poverty in Wales are not working; and that devolving housing benefits to Wales could help to boost affordable homes and tackle poverty. They said that it was 'disappointing' that nearly a quarter of people were in poverty, as in 2006/07. The number of children living in poverty has fallen from 33% to 29% since 2012, but pensioners in poverty has risen from 14% to 17% since 2013. For its report, the foundation took its definition of poverty as those living with a household income of less than 60% of the median (middle) figure.

United Kingdom government figures for 2014/15 showed that about 23% of people in Wales were living in poverty.

Dr. Victoria Winckler, the Director of the Bevan Foundation told BBC Wales that:

"The latest figures are very disappointing… That around 700,000 people - many of them in work - are struggling to make ends meet suggests that United Kingdom and Welsh Government policies aren't working… Even worse, reducing poverty seems to have fallen off the current Welsh Government's agenda, with few references to it in Welsh Labour's [assembly election] manifesto and the post of tackling poverty minister disappearing.

"We think there's scope to devolve some welfare benefits and bring those in-house where they're a good fit with Welsh Government policies… So housing benefit we think could make a real difference. There's £1billion coming into Wales and going straight into landlords' pockets… If that money was used differently and better, we could be building more houses and people could have more affordable and secure homes."

Dr Winckler believes that benefits for young people could be devolved:

"So they're not being forced into low paid, low skilled work before they know what they want to do with their lives".

In response, the Welsh Government said that it was 'working hard' to increase prosperity and take people out of poverty. A Welsh Government spokesman said:

"Wales has the fastest growing rate of employment in the United Kingdom along with the sharpest declining rate of unemployment over the last twelve months. We are working hard to identify ways we can increase prosperity for people in Wales and help people out of poverty. Job creation, closing the education attainment gap and improving skill levels are top priorities for this government and represent the most effective levers at our disposal to tackle poverty in Wales."

Plaid Cymru spokesman Steffan Lewis called for a transfer of social security powers from Westminster to Wales, claiming that:

"Our most vulnerable people are exposed to policies designed to benefit the London City square mile at everyone else's expense".

Housing in Europe

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency, whose role is to provide knowledge in the area of social and work-related policies. Eurofound was established in 1975 by Council Regulation (EEC) No. 1365/75 to contribute to the planning and design of better living and working conditions in Europe.

'Eurofound' has recently published a report "*Inadequate housing in Europe: Costs and consequences".*

The report finds that inadequate and poor housing is costing European Union economies nearly €194billion per year in terms of both direct costs associated with healthcare and related medical or social services, as well as indirect costs such as lost productivity and reduced opportunities. The removal of housing inadequacies across the European Union, or at least improving them to an acceptable level, would cost about €295billion at 2011 prices.

If all necessary improvements were completed at once, the cost to European Union economies and societies would be repaid within eighteen months by projected savings in healthcare and through better social outcomes.

The report, requested by the European Parliament's 2013 resolution Social housing in the European Union and based on data from the third European Quality of Life Survey finds that, although the quality of housing has been gradually improving in recent years, issues such as heating, insulation, structural problems and cramped conditions continue to affect a substantial proportion of the population in most Member States. These inadequacies have negative impacts on health, result in a greater vulnerability to accidents, and have a negative impact on productivity and economic output.

The report also shows considerable divergence in the standards of housing in Europe. Although only 3% of European Union residents reported lacking basic facilities such as an indoor flushing toilet, or a bath or shower, this statistic masks large national differences. In Romania, for example, 22% of the population have neither a toilet, nor a bath / shower. Issues associated with structural problems are more widespread; 12% of European Union residents reported damp or leaks, and 9% lived in accommodation with rot in windows, doors and floors. Again, there are pronounced national differences; in Cyprus more than half of residents reported a structural issue in their dwelling, whereas in Austria and Sweden it was less than one in ten.

If all the work to correct these issues was done at once, the €295 billion cost involved in removing housing inadequacies in the European Union would be paid back via direct medical savings, and indirect savings and efficiency gains, in eighteen months. In countries such as Cyprus, Portugal, Malta, Spain, Greece and Hungary the investment would be recuperated in less than one year. This figure does not include non-health related outcomes such as the impact on market values, home insurance, enforcement action, or the potential economic and social capital associated with community development via the improvement of housing.

The report recommends immediate actions that can be taken, such as improving data collected at national level, so that interventions can be well planned and capitalise on a strong return on investment. The report is also accompanied by a set of case studies from across Europe that will be of particular interest to housing policy experts and legislators.

Finally, it highlights that the removal of housing inadequacies is a long-term investment that will pay both short-term and long-term social and economic dividends. The positive outcomes are not limited to health, where savings on healthcare provision alone would be some €9billion in the first year, but can also entail the stimulation of the local economy, improved social protection of groups in difficulties, the integration of migrants, and fostering social mobility, particularly for Europe's most disadvantaged children living in inadequate housing.

The report demonstrates the importance of housing across the continent and the need for government action to address housing problems.

Developments in Local Authority Housing Finance

October 2016

We are holding seminars on 'Developments in Local Authority Housing Finance in England' in London and Leeds during October 2016. This seminar is designed to look in depth at current developments in local authority housing finance in England – especially the implications of the policies of the new government, the implementation of the Housing & Planning Act 2016, the vote for Britain to leave the European Union, the public finances, welfare reform, rent reductions, sale of high value properties to fund the extension of 'right to buy' to housing associations, 'pay to stay' and new development. If you want to be up to date with the world of local authority housing finance, this is the seminar for you!

The seminar will address the following questions:

- What is the Political, Economic, Social and Technical Context?
- What are the implications for local authority housing finance of the government's policies on housing and welfare?
- How will the Housing & Planning Act be implemented?
- How can councils develop effective self-financed business plans and invest in existing and new housing including regeneration?

Who should attend?

All those with an interest in developments in local authority housing finance in England, including Managers in Local Authorities and Arm's Length Management Organisations, Elected Members, ALMO Board Members, Housing Accountants and Tenant Representatives. The session will assume a basic knowledge of local authority housing finance but will not assume that delegates are experts.

The session is accompanied by a very useful book entitled:
"Developments in Local Authority Housing Finance in England 2016"

Venues and Dates:

London: Novotel Hotel, Waterloo – Tuesday 4th October 2016
North: Novotel Hotel, Leeds – Tuesday 11th October 2016

For further information or to make a booking please click here:
http://www.awics.co.uk/devts16.asp

Other Seminars:

All You Want to Know about Service Charges in Social Housing

- Cardiff - 6th September 2016
- London - 13th September 2016
- Leeds - 8th November 2016

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. This seminar gives an introduction and overview to this important subject and is fully up to date with all developments. The session in Cardiff will focus on the issues that are important in Wales. For more information, please click here: http://www.awics.co.uk/schs2016.asp

All You Want to Know about Local Authority Housing Finance

- London - 1st November 2016

This seminar is designed to give an introduction and overview to this important subject and is fully up to date with all developments. It explains how the housing revenue account, housing general fund and housing capital programme works and considers the threats and opportunities facing local authority housing especially in view of the government's recent policy initiatives. For further information or to make a booking please click here: http://www.awics.co.uk/lahfin16.asp

Webinars

These webinars look at a range of subjects of interest to clients in local government and housing. They last between 1½ and two hours and offer participants plenty of opportunities for questions and discussion as well as a presentation on the topic. The cost is between £25 and £50 a session plus value added tax.

The webinars conform to the same standards that clients have come to expect at our seminars and workshops but will offer a different format in which to learn and exchange information and points of view. Participants in each webinar will also receive a digital copy of the presentation used and a digital copy of a briefing paper on the subject.

The subjects that we will cover during the next few months are as follows:

Sale of High Value Council Homes

This webinar considers the United Kingdom government's proposal to oblige local authorities to sell high value council homes to fund the extension of the 'right to buy' to housing association tenants. Date: 2pm on Thursday 8th September 2016.

Business Planning in the Housing Revenue Account

This webinar considers how to produce a high quality, fit for purpose housing revenue account business plan. It covers developing the strategy and 'crunching the numbers' in the context of recent changes in government policy. Date: 2pm on Thursday 15th September 2016.

Scottish Local Authority Housing Finance

This webinar is an introduction and overview of the finances of Scottish local authority housing. It considers income and expenditure, rent and service charges, capital programmes, the impact of government policy and much more. Date: 2pm on Thursday 22nd September 2016.

Introduction to the Housing Revenue Account

This webinar provides a comprehensive introduction and overview of the housing revenue account in English local authorities. Date: 2pm on Thursday 29th September 2016.

Welfare Reform and Work Act

This webinar considers the Welfare Reform and Work Act and its implications for housing and local government in England, Scotland and Wales in the context of the United Kingdom government's overall approach to welfare reform. Date: 2.00pm on Tuesday 6th October 2016.

For further information, including future planned webinars, or to make a booking please visit our website at: http://www.awics.co.uk/webinars.asp

Technical Books

AWICS publishes books on technical topics useful for those providing public services. Further information about all our publications is available on our website at: http://www.awics.co.uk/publications.asp

Client Survey

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

Editorial Note

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

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Vacancy	Salary/pay	Closing date	Interview date
Customer Services Officers	£15,507 - £16,191 progressing to £16,481 - £17,457 (pro-rata)	10am on Tuesday 30 August 2016	The week commencing 12 September 2016

For further information please visit the Eden District Council website at: http://www.eden.gov.uk/your-council/job-vacancies/

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About 'AWICS'

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

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

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

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