AWICS Housing News

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Flats at Byker, Newcastle-on-Tyne.

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Business Planning in the Housing Revenue Account

What needs to be done to produce a high quality, fit for purpose housing revenue account business plan? It is often considered that a business plan has two important elements-an analysis of the business and its environment and the production of a financial plan.

Local authorities were first required to produce housing revenue account business plans in 2001 as part of the introduction of resource accounting. At that time the government provided guidance regarding what made a business plan 'fit for purpose' The implementation of self-financing in 2012 has allowed local authorities to plan ahead with more certainty leading them to produce more robust business plans and asset management plans. It is clear that local authorities are responding differently to the challenges and opportunities that have been provided by self-financing. Some are focusing on achieving and maintaining the decent homes standard while balancing the housing revenue account; and others are considering how to use their surpluses.

The Chartered Institute of Public Finance & Accountancy considers that the business plan is, and will continue to be:

- The main tool to manage the housing landlord business financially.
- The main source of financial advice for planning the strategy for the housing business and the interaction with the council's strategic housing role.
- A tool to inform and be informed by the asset management strategy, creating the boundaries for investment.
- Developed in consultation with tenants on the balance in the use of resources between investment in new and existing stock and day-to-day services.
- The main tool for accountability to tenants on performance and value for money of services.

Many social landlords focus their business plans on the core business of owning and managing the housing stock. However, others seek to do more than this by providing services that 'shape places' and support individuals. Business plans should ideally be prepared in consultation with partners and residents. The business plan should demonstrate that the Council can balance income and expenditure in the long-run avoiding an illegal cumulative deficit while meeting capital financing costs and other obligations and achieving and maintaining the decent homes standard.

Some key issues for local authorities to consider when developing their business plans some include:

- Consult with tenants on resource allocation
- Link to the asset management plans and the treasury management strategy
- Use an iterative process to balance resource utilisation
- Ensure that the housing revenue account does not have an overall deficit.
- The plan is likely to be stressed in the early years.
- Debt needs to be kept within the 'cap'
- Understand the risks.

In 2001 the then Office of the Deputy Prime Minister issued a business plan financial model for local authorities to use. However, since then most local authorities have developed their own models usually using spreadsheets. Effective Models have flexibility to test different assumptions and scenarios and are owned by the organisation rather than consultants. Effective Models can also demonstrate how the authority will balance the Housing Revenue Account and finance the capital programme at the Decent Homes Standard at least.

There is currently a positive picture with housing revenue account business plans. Local authorities with council housing have responded appropriately:

- All have business planning models & plans
- Two thirds have updated their asset management strategies
- Two thirds are planning annual business plan updates
- A number of stock retention local authorities have established management boards
- Most local authorities are investing wisely:

In the budget of July 2015 the government announced a change in policy on social and affordable rents as follows:

"The government will reduce rents in social housing in England by 1% a year for four years, requiring housing associations and local authorities to deliver efficiency savings, making better use of the £13billion annual subsidy they receive from the taxpayer. Rents in the social sector increased by 20% over the three years from 2010-11. This will allow social landlords to play their part in reducing the welfare bill. This will mean a 12% reduction in average rents by 2020/21 compared to current forecasts."

The Local Government Association and Chartered Institute of Housing calculate that Councils will lose £2.6billion over four years, equivalent to 60% of maintenance budgets. They calculate that this will reduce capacity to build by 19,000 homes and that £40billion will be lost over thirty years. This will need to be included in the financial modelling and decisions made about ways of increasing income (for example through service charges or commercial income) or reducing expenditure.

Following the election the government introduced the Welfare Reform and Work Bill that reduces welfare expenditure. Clearly, there will be a corresponding reduction in the income of benefits claimants, many of whom are tenants of local authorities. This will have an impact on the ability of tenants to pay rent and sustain tenancies, the demand for different types of housing and the need to address poverty among tenants. Local authorities will have to consider the implications of this for their policies and financial projections as part of their business plans.

Business Planning is not just about 'crunching the numbers'. It is also about:

- Strategy
- Responding to external challenges including changing government policy
- Asset Management
- Risk Management

Now is not only a good time to revise and update business plans. It is essential that this be done so that local authorities can be responsive to changing government policy and other significant changes in the environment in which housing services are provided. A detailed briefing paper on housing revenue account business planning is available on our website at: http://www.awics.co.uk/dynamicdata/data/docs/business%20planning%20in%20the%20housing%20revenue%20account%20-%20briefing%20paper.pdf

AWICS is currently assisting a number of local authority clients with housing revenue account business plans. Further information about this service is available by contacting adrian.waite@awics.co.uk

We are also holding seminars in March on local authority housing finance in London and Leeds. Please see details at the end of the newsletter.

Self-Financing, Depreciation and the Private Finance Initiative

For some time, I have been expressing my concerns about the ending of the transitional period for accounting for impairment, depreciation and major repairs in local authority housing revenue accounts in England. The problem is that, when the government introduced self-financing in 2012 it decided that impairment and depreciation would become real charges in the housing revenue account and that the amount of money that councils have to set aside for major repairs would have to be equal to depreciation. This could make impairment and depreciation unaffordable for some authorities and could also make new build and buy-back schemes unviable. The government recognised that these problems existed and so in 2012 agreed that there would be a transitional period during which impairment and depreciation charges could be 'reversed out' and the amount set aside for major repairs could be based on the old major repairs allowance. However, this transitional period comes to an end in 2017. I have written a briefing paper on this that can be freely downloaded from: http://www.awics.co.uk/dynamicdata/data/docs/housing%20revenue%20account%20-%20valuations,%20depreciation%20and%20impairment.pdf

However, I have recently realised that the ending of the transitional period will also have an adverse effect on local authorities with housing revenue account private finance initiative schemes because they will be obliged to pay twice for major repairs and accumulate significant amounts of money in the major repairs reserve which they would be unable to spend. This situation will arise because:

- Under the terms of Private Finance Initiative agreements, properties remain in the ownership of the Council and therefore the Council is required to calculate depreciation and to charge this to the housing revenue account and to credit it to the major repairs reserve.
- Under the housing subsidy system, however, Councils made a further transfer to or from the major repairs reserve so that the amount transferred was equal to the major repairs allowance that the Council received. As Councils received no major repairs allowance for Private Finance Initiative schemes this meant that any depreciation charged for these schemes was 'reversed out'. These arrangements were continued under the transitional arrangements that were introduced with self-financing but that will come to an end in April 2017.
- From April 2017 depreciation charges will not be 'reversed out' unless the transitional arrangements are extended or other arrangements are introduced.

I have raised the implications for authorities with Private Finance Initiative schemes with the Department for Communities & Local Government and have received the following response from a civil servant in the local authority housing finance division:

"As promised, we have discussed with colleagues and believe that your interpretation of the provisions concerning the depreciation charges on PFI properties is correct. Options are currently being considered for when the transitional arrangements finish, and we shall engage with interested parties when any revisions to the provisions are proposed."

I will keep readers of the 'AWICS Housing News' updated with developments but if anyone would like to discuss this issue further please contact me at Adrian.waite@awics.co.uk

Service Charges and Value for Money

The Welfare Reform & Work Bill as originally drafted would have applied the 1% annual rent reduction for the next four years to service charges as well as to net rent. However, the Bill was amended by the government in committee stage in October 2015 to remove all service charges from the requirement for a 1% rent reduction. The relevant clause now reads:

"In the social housing rents provisions, a reference to an amount of rent payable to a registered provider for social housing:
(a) In the case of social housing that is affordable rent housing and is let at an affordable rent, includes a reference to an amount payable by way of service charge, and
(b) In the case of other social housing, does not include a reference to an amount payable by way of service charge."

This means that if landlords have any potential to further de-pool service charges they would have the potential to protect at least some of their income from the rent reductions. However, there would remain a need to secure value for money.

The regulatory framework provides that social landlords should take steps to ensure that their service charges represent value for money. In particular, they provide that:
- There should be arrangements for tenants to influence the services delivered, the local standards and the cost of those services that result in service charges.
- Resources must be managed effectively to ensure that viability is maintained.

This implies that service charges should be set at a level where costs are recovered but are also affordable for the tenants and leaseholders.

In 2007 the Housing Corporation published 'Service Charges: Value for Money?' that included ten 'tips' for securing value for money in service charges. The advice is now nine years old, but the National Housing Federation has stated in 2016 that it considers that the guidance is still relevant today. The ten 'tips' are:
- Provide user-friendly information about service charges that explains how they are set, what services they are for, and how service delivery is monitored.
- Involve tenants and leaseholders at an early stage in setting the service charges and agreeing appropriate arrangements for monitoring estate service delivery.
- Ensure you comply with legislative requirements for consultation with residents paying a variable service charge.
- On multi-landlord / multi-tenure estates it is good practice (and helpful for community co-hesion) to consult tenants and leaseholders in a similar way, especially where everyone is receiving the same services.
- Create sub-accounts for service charges in order to separate service charge elements from the rent.
- On multi-landlord and multi-tenure estates, liaise with other landlords and their tenants to consider whether an estate-wide service contract for some communal work is feasible and whether it will achieve a better value for money service.
- Explore with residents the options to include or exclude services for which service charges are made.
- Ensure that any information about tenders and contracts for the work is in plain language so that all residents can understand what this will mean for them: this will help the consultation process to be effective.
- Consider people who will need information in other languages or formats.
- Consult individual residents as well as any recognised residents' association.

The National Housing Federation has said that:

"Service Charge reviews usually address Value for Money because residents can relate to the service delivery and its value. Splitting out and de-pooling service charges from rents, often as a result of previous rent restructuring or stock transfers, has made an impact on services, with more in-depth reviews of standards and a greater customer engagement and consultation. It is expected that the full roll-out of Universal Credit and the requirement to disclose the eligible and non-eligible elements of the service charges may give rise to some service charge reviews, or at least a better understanding of such costs. To reduce eligible costs and charges whilst delivering good value to residents has broader benefits than just reducing the social bill.

"To demonstrate Value for Money some housing associations are using measures of social return on investment, with practical implementation to include creating jobs, local procurement, supporting social enterprises and involvement in local partnerships.

"Once the need for a basic shelter has been met by a landlord providing a resident with a property, together with maintenance and housing management, it is worth ascertaining what elements make that property into a home and reviewing the value of each service delivered on a zero based approach. This would mean measuring what difference a given service would make to the residents, to gain assurance and get evidence of the outcome delivered by a service.

"To get the service right first time implies smart working – planning for services would mean to start before the development and design stages, not delivering more of the same services, but working in new ways to meet desired outcomes."

Clearly, service charges are not just about collecting revenue to help to meet costs. They are at the heart of the offer that social landlords make to their residents.

We have published a briefing paper that provides an update on service charges. It considers: Service Charges and the Welfare Reform & Work Bill; Recent Court cases; National Housing Federation conference on service charges; Limits on what local authorities can charge leaseholders; Service Charges in Wales and Value for Money good practice. Your copy can be freely downloaded from: http://www.awics.co.uk/dynamicdata/data/docs/service%20charges%20update%20-%20briefing%20paper.pdf

We are also holding seminars on 'All You Want to Know about Service Charges in Social Housing' in London and Leeds during February 2016. Please see below for further information.

Spending Review and Autumn Statement 2015: The Implications for Housing

The Spending Review and Autumn Statement were announced on 25th November 2015. Following their defeat in the House of Lords the government have decided to abandon their proposed reductions in tax credits. There has also been a change of approach towards police budgets that are now protected in the light of increased public concerns. The four-year spending plans will reduce government expenditure by an average of 19%, less than had been anticipated but still a significant amount.

One reason why the reductions in budgets were not as large as had been expected is that the Office for Budgetary Responsibility has identified a £27billion improvement in the public finances compared to the summer Budget, due to higher tax receipts and lower rates of interest.

£4trillion of spending has been allocated by the government over the next five years. The Spending Review sets out how this will be allocated. On average, departmental spending will fall at less than half the rate of the previous five years. The biggest Whitehall cut in day-to-day spending is the 37% cut to the budget of the Department for Transport.

The government is expected to borrow £8billion less than forecast as it aims to secure a £10.1billion budget surplus by 2020. Total spending is to rise from £756billion in 2015/16 to £821billion by 2019/20. State spending - as a share of total output is to fall to 36.5% in 2020 compared with 45% in 2010. Overall day-to-day departmental spending is to be cut by £20billion, equivalent to 0.8% of total expenditure each year by 2020 in real terms, meaning a cumulative reduction of 19% to 2019/20.

The government states that in 2014/15 the deficit was halved compared to its 2009/10 level, in 2016/17 it will be down by three quarters and that by 2019/20 there will be a £10billion surplus. The Chancellor said:

"With housing associations included, the Office for Budgetary Responsibility predicted at the time of the Budget that Britain would borrow £74.1billion this year. Instead, they now forecast we will borrow less than that at £73.5billion. Borrowing then falls to £49.9 billion next year.

"In the end Spending Reviews like this come down to choices about what your priorities are. And I am clear: in this Spending Review, we choose to build. Above all, we choose to build the homes that people can buy. For there is a growing crisis of home ownership in our country. Fifteen years ago, around 60% of people under 35 owned their own home, next year it's set to be just half of that… Almost half of them will be our Starter Homes, sold at 20% off market value to young first time buyers. 135,000 will be our brand new Help to Buy: Shared Ownership which we announce today. We'll remove many of the restrictions on shared ownership – who can buy them, who can build them and who they can be sold on to.

"The second part of our housing plan delivers on our manifesto commitment to extend the Right to Buy to housing association tenants. From midnight tonight, tenants of five housing associations will be able to start the process of buying their own home."

The Chancellor committed to a £6.9billion housing investment programme. Funding for new affordable homes will be doubled to more than £2billion a year and refocused so that most of the funding will be spent supporting new homes for low cost home ownership, rather than to rent. This is intended to help deliver 400,000 affordable new homes by the end of the decade. It is not yet clear whether developers and housing associations will be able to access this cash before 2018. There will also be £2.3billion in loans to help regenerate large council estates and invest in infrastructure needed for major housing developments.

The Office for Budgetary Responsibility has forecast that housing associations will build 185,000 homes by 2020/21. This is 46,000 more than the figure it forecast following July's announcement of a 1% social housing rent cut. However, it is still 34,000 lower than the 219,000 homes it predicted by 2020/21 before July's Budget. Therefore, the additional resources for affordable homes provided by the spending review will not make up for the reductions in housing associations' development plans caused by the social housing rent cut.

The Office for Budgetary Responsibility forecast shows the amount of capital grant received by housing associations will decrease from £960million in 2015/16 to £590million in 2017/18, before increasing to £1.2billion in 2019/20 and £1.7billion in 2020/21. Furthermore, the bulk of funding that housing associations are expected to receive in 2021 – £1.5billion of the £1.7billion – will be for shared ownership. Resources for low-cost rent will gradually reduce from £960million in 2015/16 to £130million a year between 2018 and 2021. It will take until 2020/21 for housing associations to be building the same amount of homes a year they would have been building had the rent cut not been implemented. It said:

"Taken into account the Spending Review, we now expect lower grants to lead to even fewer new builds in 2016/17."

The Chancellor also announced measures on welfare including:

"The rate of Housing Benefit in the social sector will be capped at the relevant local housing allowance – in other words, the same rate paid to those in the private rented sector who receive the same benefit. This will apply to new tenancies only. The Temporary Accommodation Management Fee will no longer be paid through the benefits system – instead, councils will receive £10million a year more, upfront, so they can provide more help to homeless people."

The Spending Review confirmed the government's direction of travel with regard to housing. Housing is moving up the political agenda and despite 'austerity' increased resources are being allocated to housing. However, the priorities are changing. The emphasis is now on subsidised low-cost home ownership whether through starter homes, shared ownership or right to buy. Social and affordable rented housing is clearly a lower priority.

The message for housing associations is clear. If they wish to retain the confidence of ministers and optimise their financial position they will shift their emphasis, especially in terms of development, away from building social and affordable homes to rent towards building homes for low cost home ownership and selling existing homes to tenants through 'right to buy'.

For local authority housing services facing the sale of high value council homes as well as 'pay to stay' and the 1% annual rent reductions the situation appears to be more complex. If they wish to build new homes it is likely that they will need to consider low cost home ownership and will also have to consider innovative models for the delivery of new homes.

We have prepared a comprehensive briefing paper on the implications for housing of the 2015 spending review and autumn statement. The full briefing paper, including a summary of the government's spending plans is available from: http://www.awics.co.uk/dynamicdata/data/docs/spending%20review%20and%20autumn%20statement%202015%20-%20the%20implications%20for%20housing%20-%20briefing%20paper.pdf

Lambeth Borough Council Sets up 'Homes for Lambeth'

In October 2015, Lambeth Borough Council published ambitious plans to set up 'Homes for Lambeth' – a company that will be 100% owned and run by the council – allowing them to tackle the housing crisis head on by building more of the homes that residents so desperately need. The Council is to set up a company in a bid to build an extra 1,000 homes for low-cost rent while avoiding the impact of government housing policies. The Labour-led authority is to establish a 100% council-owned company called 'Homes for Lambeth' to develop new homes.

Councillors believe that the plan that was approved at a meeting on 12th October, will prevent the 15-20% of development surplus going to developers and instead allow it to be reinvested in homes. The council believes the company will more easily allow the council to secure finance from lenders and institutional investors. The council will also lend to 'Homes for Lambeth' that will be granted long leases to build new homes. Lambeth Council believes the setting up of a company allows surpluses generated to be more easily invested in new housing without having to transfer funds into the housing revenue account that it says is difficult due to the housing revenue account borrowing cap and budget cuts.

The Council considers that across London the private market is failing to build the homes that local people need. High land prices and foreign speculation has driven up house prices beyond the reach of even fairly well-paid professionals – meaning that the private rented sector is housing more and more people and pushing private rents beyond the means of many ordinary families.

There are now 21,000 people on the council's waiting list for social housing and another sixty to eighty families join the list weekly. With only twenty to forty homes available every week, there simply aren't enough homes available at affordable and council rents. On top of that the Council has over 1,850 homeless families, the vast majority with children, living in temporary accommodation and across the borough some 1,300 families are severely overcrowded. Families in high priority on the waiting list, many with disabled children, are waiting years to secure a suitable home. Lambeth is not prepared to continue leaving the provision of housing just to a private market that is failing local people.

'Homes for Lambeth' will allow the Council to build homes for council rent, intermediate rent and private rent, all with long tenancies and rent stability. Council-rent properties will be let with lifetime tenancies matching, as closely as possible, existing council tenancies with rents set in the same way as for existing council properties, at about a third of market rent.

The first phase of planned development is planned to deliver a total of 511 new homes by September 2018, with 60% of these at council-rent levels. That means there will be 310 new homes available for those families on the waiting list in desperate need for a secure, affordable place to live.

The cabinet also approved plans to rebuild most of the South Lambeth estate. This will triple the number of homes there, rebuilding all existing homes for the people who live there and building at least 100 extra homes for council rent and a further 100 homes for private renters so that the Council can meet the broad needs of the local population.

Over the coming years 'Homes for Lambeth' intends to give the council much greater control over the pace and type of house building in the borough, so that the needs and aspirations of local families can be met.

'Homes for Lambeth' is a new company set up by the Council and wholly owned by the Council. The company will bring in money from pension funds and other sources that the Council can't itself use. It will use this money to build more homes and better homes in Lambeth to meet the growing demands for home in the borough.

Homes for Lambeth' is a special purpose vehicle. A special purpose vehicle is a company that the Council can set up, control and own to fund the development of new Council homes. In addition, where appropriate, it will undertake commercial development for the benefit of local people – so that we retain and reinvest surpluses into building homes and delivering the services that local people need and desire.

Homes for Lambeth will allow the Council to: ·

- Take greater control over the pace, quality and volume of new housing delivery in Lambeth across a range of tenures to address market failures and to support the Council's growth agenda. ·
- Take an active role in delivering complementary regeneration, commercial and infrastructure developments in addition to new housing. ·
- Access funding from a variety of public and private sources. ·
- Minimise the leakage of financial surpluses to the private sector and generating income that can be reinvested in housing and other development. ·
- Enable the Council to invest in developments that are intended to generate an investment return to support front line services. ·
- Provide the Council with a flexible platform that can grow and evolve to support it to realise new strategic delivery opportunities; and ·
- Effectively manage the Council's overall exposure to the risks of development.

The Council will grant long-leases to Homes for Lambeth to build new homes. However, the Council will still own the land. In addition Council tenants who move into a home owned by Homes for Lambeth will still be managed by Lambeth Council. It is not expected that Homes for Lambeth will take on the ownership of buildings that it has not delivered.

The Council will own all the shares in Homes for Lambeth. There will, however, be the potential for Homes for Lambeth to create subsidiary companies. These could be joint ventures in which the equity could be shared with a third party. The Council would consider doing this so, for example, they could use Right to Buy Receipts to build more and better homes.

Ultimately the Council could sell 'Homes for Lambeth', however the articles and governance arrangements for Homes for Lambeth will safeguard the Council's long-term commitment to prioritising the needs of Lambeth's communities. In addition the Council will require that any proposed sale of part or all of Homes for Lambeth (and any of its companies) be subject to a 'triple lock' of approvals:

- A unanimous vote of full Cabinet; and
- A 2/3rds vote of full Council approval; and ·
- A unanimous agreement of the Homes for Lambeth Board.

In addition, the Council will deploy a robust approach to governing the actions of Homes for Lambeth to ensure that it remains fully committed to its objectives to support Lambeth's communities.

If a tenant moves to a new home built by Homes for Lambeth, they would not have the Right to Buy under the Lifetime Assured Tenancy. If they move to an existing Council property off the estate, their secure tenancy would still include the Right to Buy unless for example the home they move to is exempt, for example sheltered accommodation.

A council paper said that the council's development ambitions:

"Cannot be effectively realised through conventional approaches alone under the current government's policies for housing."

However, the plan has also angered some residents as they would be stripped of the Right to Buy. Tenants with 'secure' council tenancies would only be offered an 'enhanced' form of 'assured lifetime' tenancy when they move into replacement homes as only councils are legally allowed to offer secure tenancies.

According to council papers the new tenancy will match those offered by councils 'as closely as possible'. In addition to losing the 'right to buy', the new tenancy will exclude the 'Right to Manage' that allows tenants to take over the running of their homes and the 'Right to Transfer', used to trigger the transfer of homes to a housing association.

New tenants of the 1,000 extra rented homes Lambeth wants 'Homes for Lambeth' to build will also only be offered the new kind of tenancy.

The Housing Budget in Scotland

The Scottish Government has increased its annual housing capital budget by 29%, which it says will allow it to build up to 9,000 affordable homes next year. Deputy First Minister John Swinney said:

"The spending plans that I am announcing today will equip the country for the future and lay the foundations for the reforms that will define the next parliament - reforms that will reshape our health and social care services, deliver a step change in educational attainment, deliver a fairer system of local taxation and use new powers over tax and welfare in a way that supports our central purpose.

"This Budget is driven by two themes: supporting inclusive growth and protecting and reforming public services. We will deliver inclusive growth by focusing on investment in innovation, infrastructure, education and skills, and by maintaining a competitive business environment."

Infrastructure secretary Keith Brown described the Budget as a plan 'to improve infrastructure and increase house building' and said:

"We are committing to an increase of £90million in affordable housing supply compared to 2015/16 – and a total investment of around £690million in housing. This will support our overall commitment to delivering 50,000 new affordable homes by 2020/21."

The capital budget has increased from £333.5million in 2015/16 to £430.5million in 2016/17, while the Treasury's financial transactions contribution for loans or equity investment for housing fell from £326million to £250.5million over the same period.

Mr Swinney also introduced a supplement to the land and buildings transaction tax for anyone purchasing a second home for £40,000 or more. This will be 3% of the total purchase price of a home to be paid in addition to Land & Building Transaction Tax. The supplement brings Scotland in line with recent English changes and will come into effect from April 2016. The move is estimated to raise between £17million and £29million in 2016/17. Individual Land & Building Transaction Tax rates and bands remained unchanged.

A package of measures was also unveiled to help protect low income households and some of the most vulnerable people in society from the United Kingdom government's austerity agenda. A total of £35million is planned to fully compensate people in Scotland for the impact of the 'under-occupation penalty' while the Scottish Welfare Fund was handed a £38million boost to continue giving emergency support or helping people stay in and set up their home. Up to £343million was announced to protect vulnerable households from increased council tax liabilities created by the Council Tax Reduction Scheme.

Social justice secretary Alex Neil said that against a backdrop of real term budget reductions from the United Kingdom Government, the Draft Budget for 2016/17 will aim to tackle poverty and inequalities and protect family budgets.

The social housing sector in Scotland was broadly supportive of the announcements.

Rosemary Brotchie of Shelter said that the budget was a step in the right direction:

"Shelter Scotland's own research shows that we need to double affordable house building – from around 6,000 units per year to 12,000 – to meet need. But crucially, these homes must be genuinely affordable – with at least two thirds socially rented homes. With 150,000 people on local authority waiting lists and 4,896 children in temporary homeless accommodation the time to act on affordable housing is now.

"Many of these changes will need to be analysed in greater detail to assess what the combined impact of this budget is. For now, signs are positive that government is seeking to close the gap between the need for affordable housing and actual delivery."

However, she has concerns about the cut to legal aid stating that 'legal aid is a fundamental pillar of the housing safety net in Scotland' and without it those badly homed or homeless could struggle to assert their legal rights.

The Chartered Institute of Housing (Scotland) welcomed the increased budget for affordable housing and the proposed increase on transaction tax for second homes and buy to let properties. However, they would like to see the income generated invested in increasing housing supply.

The Scottish Federation of Housing Associations welcomed the £90million increase in spending on affordable housing as they consider it will provide jobs in the construction industry in the short term and safe, warm, affordable homes in the long term .It hopes that the Scottish government will increase its grant to enable housing associations to build more affordable homes.

Concern was expressed that the budget did not go far enough on funding for warm homes or low carbon infrastructure in light of fuel poverty figures and the Paris climate deal. Spending on energy efficient housing has only increased by £14million despite agreement that it should be a National Infrastructure Priority. David Stewart of the Scottish Federation Housing Association said:

"Research shows that no other investment can do so much to cut energy bills for the fuel poor, create 8-9000 jobs all over Scotland, reduce climate emissions and improve physical and mental health – a 2:1 benefit to cost ratio. This would be an important stimulus for the economy"

Philip Hogg of Homes for Scotland recognised that while providing more 'affordable housing' is a key element in tackling the country's chronic undersupply of housing, this alone would not address Scotland's housing crisis or meet the diverse needs and aspirations of all those living and working in Scotland. He said:

"Scotland needs a balanced housing policy which places equal emphasis on having enough homes of all tenures, recognising the economic and social benefits that this would bring for communities throughout the country."

Housing in Wales – Update

Recent statistics have confirmed the value of housing associations to the Welsh economy. According to the latest economics research report by the Welsh Economy Research Staff at Cardiff University, the Welsh economy gained £2billion from the effects of investments made by housing associations in the past financial year. The continued growth in the affordable housing sector has also provided a significant boost to employment.

Overall, employment depending on the affordable housing sector has grown by 30% over the past five years. This comes alongside the Welsh Government investment of an additional £7million into training to link with recent changes that require certification of housing providers. A further £2.1million was allocated to fund apprenticeships and employment support.

The Draft Wales Bill was introduced to the United Kingdom Parliament in October 2015. The Bill amends the Government of Wales Act 2006 and provides a number of changes that will strengthen the self-administration and authority of the Welsh assembly in a range of policy areas, such as energy and transport.

Housing policy is one of the areas in which decisions in Wales and England have differed most. While English rents have increased significantly before the mandatory cuts in social housing rents of 1% were announced in July 2015, rents in Wales have historically remained much lower than those in England. Additionally, the social rented housing market in Wales has been stronger and received considerable investment over the years. Wales has also differed to England in its plans for abolishing the Right to Buy for council homes. This policy is already in place in certain high pressure areas such as Swansea. Furthermore, the Welsh Assembly decided not to follow England in its extension of Right to Buy to housing associations.

In late November 2015, Community Housing Cymru held its annual conference. At the conference, there was debate about the effects of housing policies in England, including the reclassification of English Housing Associations as public organisations and the mandatory annual rent reductions of 1% by social housing providers. There is a potential for this to have effects on the Welsh housing sector. This debate was held at the same time as the recent release of the Wales Bill that sets out arrangements of for how the Welsh Assembly will produce legislation affecting Wales in the future.

Much of the debate concerned the classification of English Housing Associations. For the national accounts, the Office for National Statistics has reclassified the associations as public as opposed to private. Whilst some argue that these labels are merely technical, Stuart Ropke, Chief Executive of Community Housing Cymru argues that the implications are more sinister. Instead of an arbitrary semantic change, Ropke argues that the reclassification is a 'battle… within the United Kingdom Government', and that Westminster is attempting to redefine where power truly resides.

The Office for National Statistics apparently based its decision regarding English Housing Associations on the provisions of the 2008 Housing & Regeneration Act rather than on the current government's policies on 'right to buy' and rents. However, the argument that English Housing Associations must be classed as public sector organisations because they are regulated by the state could also be applied to Welsh Housing Associations Pertaining to the effects of the Wales Bill on Welsh housing, Stuart Ropke described the situation as 'perverse' saying:

"We might have to move policy because of changes over the border."

In December 2015, the Welsh Government set out its commitment to supporting social landlords and increasing the supply of affordable homes in Wales. In the draft Budget for 2016/17, the Welsh Government pledged an additional £21.7million to increase the number of social houses in Wales. This significant investment in housing associations is expected to support the construction of over 250 new affordable homes, providing a safe and secure place to live for hundreds of Wales' most vulnerable people.

"Investment in housing helps to stimulate the economy as well as providing funding for new affordable homes, and it is heartening to see Welsh Government's confidence in Welsh housing associations' ability to deliver. We will continue to work on behalf of our members to evidence their impact."

Following the decision of the United Kingdom government to require annual rent reductions of 1% in English social housing, the Welsh government consulted with local authorities and housing associations in Wales about the potential to introduce a similar policy in Wales and required social landlords to carry out modelling to demonstrate the impact of a similar cut in Wales, or other options including no rise in rents. It is understood that the financial modelling showed that most Welsh housing associations would cease to be viable after about two years.

In the event it was decided to make no changes to the existing Welsh policies on social rents that have been introduced only recently and provide for modest increases and local discretion.

AWICS SEMINAR: Service Charges in Social Housing

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

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

Housing Associations have traditionally levied service charges with most local authorities in England introducing them in the 'noughties'. In Wales, local authorities have introduced service charges as part of the Welsh government's new rent policy. The rolling out of Universal Credit is having an impact on benefit entitlement for service charges.

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

What the Session Covers:
The session will answer the following questions:

- How do Service Charges work:
- In Housing Associations and Local Authorities?
- For Leaseholders and Tenants?
- How are Service Charges calculated?
- How to de-pool service charges?
- Legal obligations, accounting guidance and good practice
- When are service charges eligible for housing benefit?
- How to ensure excellent customer service?

The session is 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 2016"

Venues and Dates:
London: Novotel Hotel, Waterloo - 16th February 2016
North: Novotel Hotel, Leeds - 24th February 2016

For further information or to make a booking please visit our website at: http://www.awics.co.uk/schs2016.asp

AWICS SEMINAR: All You Want to Know About Local Authority Housing Finance 2016

We are holding our 2016 series of 'All You Want to Know About Local Authority Housing Finance' from March to November. This series of seminars is designed to give an introduction and overview to this important subject and is fully up to date with all developments.

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

Do you think that a working knowledge of local authority housing finance would put you and your colleagues in a position of advantage?

The session will answer the following questions:

- How does the Housing Revenue Account work?
- How does the Housing General Fund work?
- How does the Housing Capital Programme work?
- What are the financial opportunities and threats for local authority housing?

The session is fully up to date and refers to recent government policies on sale of high value council homes, charging near market rents for tenants on high incomes, annual reductions in social and affordable rents of 1%, welfare reform and the implications of the Welfare Reform and Work Bill and Housing and Planning Bill.

The session includes a participatory case study and is accompanied by a very useful 100-page book that is designed for reference after the session entitled: **"All You Want To Know About Local Authority Housing Finance 2016"**

Venues and Dates:
London: Novotel Hotel, Waterloo - 8th March 2016
North: Novotel Hotel, Leeds - 12th July 2016
London: Novotel Hotel, Waterloo - 1st November 2016

For further information or to make a booking, please visit our website at: http://www.awics.co.uk/lahfin16.asp

AWICS WEBINARS

Our next webinars are on the following subjects:

- Right to Buy for Housing Association Tenants
- Introduction to the Housing Revenue Account
- Sale of High Value Council Houses
- Business Planning in the Housing Revenue Account
- Self-Financing in the Housing Revenue Account
- Local Authority New Build: The Financial Implications
- Social Rent Reforms
- Service Charges in Social Housing
- Welfare Reform & Work Bill

For further information 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. Our most recent book is on ‘Local Authority New Build – The Financial Implications’.

For more information or to order a copy please visit our website at: http://www.awics.co.uk/booknewbuild.asp

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.

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://www.awics.co.uk/seminars2015.asp
- In-House Training - http://www.awics.co.uk/inHouseCourses.asp
- Independent tenant advice http://www.awics.co.uk/IndependentTenantAdvice.asp
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