AWICS Housing News
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Oldham Civic Centre and flats at Stockwell Park owned by Community Trust Housing. Oldham Borough Council and Community Trust Housing are both significant AWICS clients. What will be the implications for them and other landlords of the election of the new government?

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The New Government and the Implications for Housing

Following the election of a new government on 7th May 2015, George Osborne has been re-appointed as Chancellor of the Exchequer and will hold an emergency budget in July 2015 to set the framework for an autumn spending review in which he will outline the details of the cuts as part of a planned £30billion fiscal consolidation. He plans to eliminate the budget deficit by 2018/19 by imposing £12billion in welfare cuts, reducing day-to-day government spending by £13billion and raising £5billion from tax-avoidance measures.

Clearly austerity will continue as the government attempts to reduce the public sector deficit through reducing public expenditure rather than through raising taxation. Furthermore, as the government is committed to protecting budgets for education, health, welfare for the elderly and overseas aid; the budget reductions will be especially large in unprotected budgets such as local government, housing and welfare.

The headlines in the Conservative's manifesto regarding housing were:
- "The chance to own your own home should be available to everyone who works hard. We will:
- Help to keep mortgage rates lower by continuing to work through our long-term economic plan
- Build more homes that people can afford, including 200,000 new Starter Homes exclusively for first-time buyers under 40
- Extend the Help to Buy Equity Loan scheme to 2020 to help more people onto and up the housing ladder, and introduce a new Help to Buy ISA to support people saving for a deposit
- Give more people the chance to own their home by extending the Right to Buy to tenants of Housing Associations and create a Brownfield Fund to unlock homes on brownfield land
- Ensure local people have more control over planning and protect the Green Belt."

In 2010 it was clear that significant cuts would be made in local government, housing and welfare budgets regardless of the outcome of the general election. However, 'localism' the under-occupation penalty, affordable rents, fixed term tenancies and help to buy all took the sector by surprise. Similarly, the proposal to extend the 'right to buy' to housing association tenants came as a surprise in 2015 with many in the sector reacting with shocked disbelief. The sector has spent the election period promoting the 'Homes for Britain' campaign (which Adrian Waite supports fully as a non-party-political campaign aimed at raising the profile of housing problems, issues and opportunities) but while the Conservative Party has agreed to end the housing crisis within a generation and to build more 'affordable' homes the other policy proposals of the housing sector have not found their way into the Conservative manifesto.

The new government will clearly build on the changes to local government, housing and welfare delivered by the coalition. In the briefing paper we conclude that, many of these proposals are controversial but it is clear that they will now be implemented. One example is the extension of the Right to Buy to Housing Associations, as discussed in the first article in this series. For example, for housing associations there will be a much tighter focus on value for money based on costs, operating margins and new homes being delivered. The same principles are likely to be applied in local authority housing services. It dovetails with the government's need to deliver more for less, and with their personal responsibility and independence agendas.

But the proposals will probably go much further.

There is therefore a need for the housing sector to 'tune in' more to Conservative thinking on housing. The sector may be wise to consider statements made by Conservative ministers including the following:

> "We will continue to challenge the established complacent consensus around social housing, which has plainly contributed to an inefficient system" - *2011 Housing Strategy*

> "More social housing is not the solution to the country's housing problems' - *George Osborne post 2013 budget statement*

Among the options that it has been suggested the government could consider are:
- Replacement of homes sold under the right to buy on a one for one basis via American style housing trusts or existing Institutional investment groups on an affordable rent basis – not via housing associations or councils

- Any grant for new homes being funneled into home ownership – directly via shared ownership or indirectly via rent to buy schemes being taken forward by associations including Gentoo and RentPlus. This would involve no direct taxpayer investment in social housing as we know it.
- The Value for Money Regulatory Standard sharpened up to require a return on assets on the taxpayers £43billion existing investment in social housing, and how well that is being utilized to fund the development of more homes rather than subsidising other activities or operational inefficiencies.
- Allowing housing associations to 'buy out' their grant funding if they wish to opt out of developing new homes or if they can fund them in other ways, or to focus on their social purpose. This would effectively make them private sector landlords.

We need to be aware that this is a government that is determined to reform housing and to move it away from what they see as a welfare-based model of service provision towards one that is more commercial and consumes fewer public resources. The government will not appreciate opposition that they see as being politically motivated or based on a wish to protect bureaucratic empires either in local authorities or housing associations. Rightly or wrongly they see housing associations in particular as organisations that do not make best use of their resources and that government has a right to intervene. Local authorities and housing associations will have to be clear about what their objectives are in this political situation, how they can achieve them and how they can influence government policy and (more importantly) influence outcomes in communities.

During the next five years we will continue to provide our usual information service. This blog, our newsletters and briefing papers and our seminars and workshops will bring factual information and informed comment especially on matters of importance in local government and housing.

We have published a detailed briefing paper on the new government and its implications for housing. This briefing paper can be freely downloaded from: http://www.awics.co.uk/ge2015housing.asp

The implications of the new government for local authority housing finance will also be explored at our seminar and workshop: 'Developments in Local Authority Housing Finance'. Details can be found below.

Extension of Right to Buy to Housing Associations

In their election manifesto, the Conservative Party pledged to extend the Right to buy scheme beyond council-owned homes to housing associations. The policy is controversial not only for what it does (requiring housing associations to sell off homes) but also for how it may be financed and delivered. The Conservatives plan is to finance the extension of right to buy through the sale of higher value council-owned homes.

In their manifesto they estimate that there are 210,000 'expensive' council properties in England, and that around 15,000 become vacant a year. Hence they calculate that £4.5billion a year can be raised by the sale of high value council homes that could in turn be invested in the extension of right to buy to housing associations.

The scheme would even extend to housing association homes that were built without government subsidy. Housing association homes built without government subsidy would still be subject to the revised Right to buy discounts, currently £103,900 in London and £77,900 elsewhere in England.

There are 1.3million housing association tenants who would be able to access the Right to buy discounts. According to the National Housing Federation, 221,472 tenants could be eligible and able to afford to buy their housing association home.

David Cameron, the Prime Minister, has said that he cannot wait to introduce the policy and added:

"Whatever the armchair critics say - usually from the comfort of a home they themselves own - this is about giving thousands more families the security of their own four walls, and I can't wait to make it happen."

The government maintains that the policy will help to address the current housing crises. All over the country, tenants and particularly those from low-income households struggle to get onto the property ladder. The extension of the right to buy to housing associations has been supported by Natalie Elphicke, who co-authored the Elphicke-House review that considered how to boost housing supply.

Many commentators and people in the sector expressed surprise when it became known that these policies would be included in the Conservative manifesto. However, perhaps they should not have been as the 'Policy Exchange' – a right-wing 'think tank' – had proposed this in 2012 in a paper entitled 'Ending Expensive Social Tenancies'. The paper defined a 'high value' social home as being one that is worth above the regional median, calculated that sales would raise £4.5billion a year and proposed that this be used to compensate housing associations for discounting right to buy sales, replace sold homes with new homes in lower value areas and establish a £1billion 'brownfield regeneration fund'. The report starts with the following bold statement:

"When an expensive social property becomes vacant, it can go to a single fortunate household, or be sold to fund the building of multiple less expensive properties. This report argues the second option is a cost free way to fund building more homes."

It goes on to argue that:

- Expensive social housing has a much larger rental subsidy than normal properties as only 30% of the rent is set by the property's value. A sensible estimate is that a property with a weekly £100 market rent has a weekly social rent of around £65, (£35 subsidy), but one with a weekly £300 market rent has a social rent of around £104, (£196 subsidy, five times higher).
- Right to buy for expensive properties means large government losses. Only large discounts could work, but large discounts (e.g. 66%) are poor value. Raising £5.5billion on a 66% discount means £16.5billion in sales and £11billion in discounts lost to government.
- Future rents can be borrowed against new homes. Given cautious projections this could raise another £1.5billion on top of the £4.5billion raised, £6billion in total.
- Using sensible estimates on land and construction the £6billion this policy raises could build 80,000 homes. This is a net gain of 50,000 social homes a year, given 30,000 of this are replacing homes sold.
- Alternatively, the annual £4.5billion this raises before borrowing against future rents is similar to the last spending review's £4.5billion capital spend on housing. This paid for 170,000 social homes, meaning a net annual gain of 140,000 homes.

Many in the sector would dispute this analysis and these conclusions but it appears that the government does not; although it has opted to use the proceeds to fund right to buy for housing association tenants in a way that was not envisaged by the 'Policy Exchange'.

This policy would clearly have an impact on housing revenue account business plans. Firstly, there would be the effects on capital: The level of additional capital receipts would be highly unpredictable and potentially large – and complex processes would have to be introduced to re-distribute them and to allocate proportions of them to repay debt and build new homes. Secondly, there would be the effects on revenue: Reduced income from high value properties that had been relied upon in business plans and the self-financing settlement.

John Bibby, Head of Housing at Lincoln City Council told the 'Local Government Chronicle' this week that:

"There are a lot of implications for council business plans, which were all based on the assumption that there would be continued income from these properties over thirty years. The impact varies between local authorities and depends on what thresholds are set for sales."

There are issues with regard to the private and charitable status of housing associations. The extension of right to buy to housing associations may risk the status of housing associations as private and charitable organisations. Should they be classed as public suppliers their debt would be classed as public debt and they may experience reduced access to private funding.

Housing Associations have questioned the right of the government to force them to accept a deal whereby they may receive less than what the future rent income may give them. For example, Brendan Sarsfield, Chief Executive of Family Mosaic and Chair of the G15 group of housing associations, said:

> *"We are independent organisations trying to meet housing need. We are not agents of the state and this is treating us as if we are. It is starting to feel more about the destruction of social housing than enabling aspiration."*

Ian Munro, Chief Executive of New Charter and regional chair of the National Housing Federation in the north, added:

> *'It's ludicrous. We are private not-for-profit organizations and this is a sequestration by any other name.'*

To some extent, Housing Associations have been caught off guard by the government's promise to compensate their property sales through public money. It may mean that housing associations actually benefit financially even though social housing stock could be further depleted. However, Elphicke does not share these concerns saying that:

"Housing associations would be fully compensated by a Conservative government for the discount; they are being treated as private bodies."

Other commentators consider that extension of 'right to buy' to housing associations may be a disaster in waiting. The argument here is that few working-age tenants will be able to afford to buy even with the increased discounts. Homes are likely to be sold on to private landlords and there are concerns about what housing associations would be able to do to replenish the sold-off stock.

Property and consultancy firm Savills questions the government's assumption that £4.5billion can be raised by selling high value council homes to fund the extension of right to buy to housing associations. The Savills analysis calculates that the average value of a social home in England is just under £208,000 - but the Conservative Party's calculation that selling 15,000 vacant council homes a year raising £4.5billion assumes an average sale value of £300,000.

The Institute for Fiscal Studies has warned that the scheme could damage the United Kingdom's fiscal position by selling public assets to fund the policy and it could result in a wider gap between the poor and the rich. The think tank concludes that the implementation of the policy risks exhausting the social housing stock saying:

> *"There are considerable uncertainties surrounding the revenues that can be raised from sales of expensive properties, the costs of Right to Buy discounts and the cost of replacing sold properties… These reflect both genuine difficulties in predicting the effect of the policies and a lack of detail in the Conservative Party's announcement… Given this uncertainty, and the coalition's less than impressive record in delivering replacement social housing under the existing Right to Buy, there is a risk that these policies will lead to a further depletion of the social housing stock something the proposal explicitly seeks to avoid."*

Likewise in 'Public Finance', Ken Lee, the Chair of the Housing Panel at the Chartered Institute of Public Finance & Accountancy writes:

> *"Offering housing association tenants homes at a knockdown price while forcing councils to sell their most valuable stock makes no business sense"*

Some housing associations are said to be considering legal action but others think this would be unlikely to be successful. For example, Nick Billingham, lawyer at company Devonshire's said:

"If you look at the challenges to welfare reform, the judges see them as parliamentary territory. It is highly unlikely they will cross the bright line to interfere with Parliament."

There is a clear enthusiasm for the policy within the Conservative government. In particular David Cameron has it on his 'wish list' and intends to implement it no later than 100 days into his new government. It is therefore clear that the government will press ahead with extending the right to buy to housing associations but it is also likely that they will refine their detailed plans for introducing this policy. It has recently been reported that the government has withheld their own impact analysis and declined requests from the media and the sector to release it. There is also significant disquiet not only within but also outside the sector. This clearly indicates the many political and practical obstacles that the government would need to overcome.

We will continue to follow the development of this controversial policy. Its implications for local government will be considered in our seminar and workshop: 'Developments in local Authority Housing Finance' that will be held in London on 9th June 2015. It will also be referred to in our seminar and workshop: 'All You Want to know about Housing Association Finance'. Information about both events can be found below.

Councils, New Build and Purchase

In 2014, it was announced that forty councils would receive funding from the Homes and Communities Agency under its 2015/18 affordable homes programme. This represents a big increase over the nineteen that had received grant in the previous 2011/14 programme. Overall, the pattern of allocation showed a shift from larger housing associations towards councils and smaller associations.

The councils that will obtain funding include:

COUNCIL	NUMBER OF DEVELOPMENTS FUNDED
HULL	634
LEEDS	408
BIRMINGHAM	147
WIGAN	88 (plus an additional 24 through its ALMO)
SHEFFIELD	45
EPPING FORREST	40 grant-aided; 17 nil-grant homes
BARNSLEY	37

However, a survey conducted by 'Inside Housing' among 130 stock-holding councils revealed that 30% to 39% will buy instead of building new homes to cater to the waiting list of tenants for social housing. In some cases, councils buy back previously owned council housing.

Javed Ditta, Housing Development Acquisition Manager at New Forest Council, indicated that a lack of skills and expertise at some councils who want to build may make them reluctant to take the risk. He said:

> *"There is a desperate and acute need in the New Forest. We are surrounded by national park and it's not easy to develop here, as it is in some of the neighbouring urban districts. The skills existed 20 to 25 years ago, [when] all councils were developing. That came to a pretty sharp decline back in the early 1990s and with it went a lot of the skills that are associated with new build. As a council, we are not geared up to doing massive programmes,'*

It has been questioned whether the buying up of former council homes and other developments represents good value for money. The answer is likely to depend on the locality, the property stock available, and the financial situation of the local authority. In a feasibility study, Sheffield City Council concluded that buy up is cheaper than building homes themselves. However, Ealing Borough Council's comparison of two- and three-bedroom flats found that purchasing instead of building 'offered poor value for money ... both in relation to initial purchase / construction costs, and longer-term maintenance'. Birmingham City Council has not undertaken a formal comparison at all.

In many cases, the ability to buy and have the homes available as soon as possible is a major factor in the decision to buy. With doubts regarding the value for money in the buy up of properties, buy-back of former council property does not seem to be too uncommon where the council is already sufficiently aware of the nature of the homes it re-acquires. Dave Richmond of Rotherham Metropolitan Borough Council indicated, that in some cases the buy up of homes in private development projects worked to bring forward more properties onto the market.

Many local authorities are using arms' length management organisations to build new homes. As at December 2014, ALMOs managed 650,746 properties across England in fifty local authorities. Commenting on the member report "Today's ALMO World", and the delivery of 542 homes by ALMO's in 2014, Eamon McGoldrick, the managing director of National Federation of ALMO's, said:

> *"In the current funding environment delivering over 500 new homes is a significant achievement and I applaud our members for their hard work and dedication. However this survey clearly illustrates how changes to the finance available for new build is preventing ALMOs from getting anywhere near the number of homes we need to build if we are to ease the chronic housing shortage. Once again we call on the government to consider increasing the local authority borrowing cap to help kick-start the delivery of badly needed social and affordable housing."*

The building and purchase of new homes by local authorities will be referred to in our seminar and workshop: 'Developments in Local Authority Housing Finance'. Details can be found below.

Valuations, Depreciation and Impairment in the Housing Revenue Account

Ever since self-financing was introduced in 2012 I have been warning that the system includes a well concealed 'time-bomb' in the form of the arrangements for valuation, depreciation and impairment that it is envisaged will come into being when the transitional period comes to an end in 2017.

Now some councils are beginning to realise the threat to their finances and to their development programmes.

This is a rather technical accounting issue but it could cost councils and their tenants millions so I will try to explain it in relatively simple terms. The problem is that when councils reduce the value of their housing stock on the balance sheet either to reflect depreciation (the planned write down of asset values over time) or impairment (the immediate write down of asset values when something happens) they make an equivalent charge to the housing revenue account. However, before self-financing was introduced, and during the transitional period until 2017, councils are able to 'reverse' this charge so that it is not a real cost to the housing revenue account and to tenants. After 2017 they will not be able to do this and the depreciation and impairment charges will become real costs.

Furthermore, problems already exist with the treatment of non-dwelling assets, and problems are already looming for authorities that are building new housing where the schemes may complete after March 2017.

It appears that the combination of the current Chartered Institute of Public Finance & Accountancy arrangements and the Department for Communities & Local Government determinations creates difficulties. In particular:

- The determinations do not allow the housing revenue account to be credited with revaluation gains that reverse previous losses charged to revenue in accordance with proper accounting practice. This position exists now for non-dwellings assets. It will exist at the end of the transitional period for dwellings.
- The requirement to make non-reversible charges to the housing revenue account for valuation and impairment losses means that it is not possible to treat the full working balance on the housing revenue account as a usable reserve as it is being reduced by non-cash entries that relate to unusable reserves.

This is an urgent issue. Councils are being encouraged to build new dwellings. Right to buy retention agreements allow councils to retain 'extra' Right to buy receipts. It is possible to bid for increases in the debt cap to support new build schemes. Councils will shortly reach the point where they will be taking decisions on new build schemes where completion will take place after March 2017. If such schemes would result in impairment losses that could not be 'reversed out' it would be questionable whether such schemes would remain economic.

One solution would be for the determinations to be amended so that revaluation losses and gains and all impairments would be shown in the housing revenue account in accordance with proper accounting practice. All such entries would then be 'reversed out' including those relating to dwellings and non-dwellings. This would leave the housing revenue account working balance unaffected by such entries and to continue to be treated as a usable reserve. The revised determinations would allow local authorities to implement these changes with immediate effect. Retrospective adjustments may be appropriate in some cases.

An alternative would be to split the housing revenue account working balance between a usable and unusable reserve. The calculation of whether the housing revenue account is in surplus or deficit would need to be based on a calculation using the usable reserves and confirmation would be required that this would meet the requirement of Section 76 of the Local Government & Housing Act 1989.

Urgent action is needed to address these issues. Without it, there is a real risk that housing revenue account working balances will be reduced by revaluation and impairment losses that would lead to requirements to curtail spending plans.

In April 2015 it was reported that civil servants were drawing up plans to ensure that these technical accountancy rules do not prevent councils building new homes.

The Department for Communities & Local Government said that it does not want councils to be put off building new homes because of accountancy rules and has told sources it will publish a consultation to ensure housing revenue accounts do not take the hit for depreciation and impairment losses after 2017. This consultation is still awaited.

The Chartered Institute of Public Finance & Accountancy do not expect any immediate mitigation for valuation losses relating to non-dwellings as there are still no clear messages of intent regarding the non-dwelling side of things. However, I understand that Department for Communities & Local Government representatives have indicated that the accounting issues should not become a barrier to councils engaging in the Government's social housing policies. They have indicated that this would mean changing the determinations to ensure losses are reversed beyond the five-year transition period, however there is no draft legislation in place to effect this.

We understand that the Department for Communities & Local Government will be going out to consultation on amended determinations now that the 2015 general election has been held. As the transitional period runs out in March 2017 there is still some time to address this but the existing accounting position remains for 2014/15. Doubtless, local authorities will wish to respond to any consultation that emerges.

The move could encourage councils to continue to build more homes as it would mean they would not have to take more financial risk. Housing Minister Brandon Lewis has said that:

"Subject to the need to pay off (the) deficit, we will continue to remove Whitehall barriers and encourage long-term investment in affordable house building."

My personal view is that is it remarkable that these issues were not identified before self-financing was introduced in 2012 and surprising that we are still awaiting the government's proposals within two years of the ending of the transitional period.

I have written a detailed briefing paper on Valuations, Depreciation and Impairment in the Housing Revenue Account. Your copy can be freely downloaded from: http://www.awics.co.uk/dynamicdata/data/docs/housing%20revenue%20account%20-%20valuations,%20depreciation%20and%20impairment.pdf

This matter will be among those that will be considered at our seminar and workshop: 'Developments in Local Authority Housing Finance' that will be held in London on 9th June 2015. Details are shown below.

Rent Increases

Since the government has revised the rent formula, starting rom April this year, rent increases for local authorities and housing associations are now tied to the Consumer Price Index (CPI). Rental prices can only be increased by the rate of the CPI increase at the previous September plus an extra 1%. The guidance of increasing social housing rents by a maximum of CPI + 1% effectively abolished the government's previous target of rent convergence between different social housing providers who offer similar housing, in a similar area.

In September 2014, CPI was 1.2%. For rent increases, the CPI from the September of the past year is used. Hence, according to guidelines, rent increases should be capped at a maximum of 2.2%.

A comparison of rents at 104 English Councils conducted by 'Inside Housing' revealed that one third planned to increase rents by more than the 2.2% allowed under the government's rent increase formula for 2015/16. For example, West Leicestershire District Council increased its average weekly rent by 5.4% and Welwyn and Hatfield Borough Council by 5.7%**.**

The large increase was met by objections given the otherwise low rate of inflation, but Councillor Tony Trigg, cabinet member for housing and community at Welwyn & Hatfield Borough Council pointed to the challenging financial environment that prevents them from applying the government's formula immediately:

> *"We recognise that times are difficult for many tenants at present, and in making this increase we have had to balance that understanding with the financial challenges we face. We have set our rent increase at a fair level to enable us to continue to deliver key services, including repairs and maintenance to homes and meeting local people's housing needs. We would encourage anyone to get in touch if they are struggling to make ends meet. There is a wide range of support available to residents and we will always look at cases on their individual merits."*

The Department for Communities & Local Government had earlier indicated that the rules regarding rent rebate subsidy limitation would be changed to enforce the new rent policies on local government. However, this has not happened and as the government's rent policies only have the status of guidance it is possible for councils to pursue different policies if they feel them to be justified.

In February 2015, the Office for National Statistics (ONS) reported that the inflation to the Consumer Price Index (CPI)[1] had stagnated at 0% for the first time. If the rate of inflation continues to stay low, it risks undermining the assumptions on which many local authorities' and housing associations' business plans are based and thus contribute to increased cost pressure. A housing association manager, who preferred to stay anonymous, confirmed to 'Inside Housing' that the slowing rate of inflation and hence limited increases in rent may constitute a problem:

> *"It's the differential inflation that's the real problem, because build costs have risen significantly so we could get escalations in cost coupled with lower returns. In one year, it might not make a huge amount of difference, but if it goes on, it would reduce development capacity over time."*

A report by the Bank of England issues in May 2015 forecasts that the Consumer Price Index will remain close to zero 'in the very near term', but sees it rise towards the end of the year. The real worry for social housing providers is that the CPI may not significantly increase by September 2015 as the September rate will contribute towards the calculation of rents for the following year.

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[1] According to the ONS, the Consumer Price Index is "a measure produced to international standards and in line with European regulations." Similar to the Retail Price Index, it is based on the prices of a collection ('basket') of house hold goods

The government and the Homes & Communities Agency have previously recommended that housing associations undertake comprehensive risk assessments of their business plans to test for the effects of falling rates of inflation and it would be appropriate for local authorities to do the same.

This matter will be among those that will be considered at our seminar and workshop: 'Developments in Local Authority Housing Finance' that will be held in London on 9th June 2015. Details are shown below.

Temporary Accommodation, Subsidy and Universal Credit

While local authorities have a legal duty to provide temporary accommodation for homeless people, they can ask households to pay a reasonable charge for it. Most households in temporary accommodation receive housing benefit and a specific subsidy regime sets a limit on the amount of housing benefit that can be claimed for temporary accommodation.

Housing benefit for temporary accommodation is already subject to its own cap, of £500 per week in inner London and £375 per week elsewhere. Within these caps, the housing benefit subsidy is set in relation to local rents, at the local housing allowance rate (as of January 2010), minus 10%, plus a management fee of £40 per week in London and £60 elsewhere. If a local authority procures more expensive temporary accommodation than can be covered by this, it must meet the shortfall from its own budget.

From April 2013 the total amount of benefits that can be received by any out of work family has been limited to a maximum amount of £500 a week for single parents and couples with children, and £350 a week for single people. This covers all benefits but is applied by the local authority through a reduction in housing benefit. The cap was rolled out nationally to all local authorities between July and September 2013.

From October 2013 households moving onto Universal Credit have been subject to a different funding regime. Temporary accommodation costs have been based on contemporary local housing allowance rates and the management costs for temporary accommodation have been paid directly to local authorities through the Discretionary Housing Payments budget. This means the cost of temporary accommodation for homeless households has been the same as renting a private home within local housing allowance rates.

Universal Credit has been subject to numerous delays but is being rolled out from October 2013 to 2017. As temporary accommodation tends to be more expensive than the private rented sector, households in temporary accommodation are likely to be affected by the cap and therefore to see a reduction in their housing benefit. This creates significant challenges for local authorities, as they will still have a legal duty to provide temporary accommodation for homeless families, even though those households will be unable to claim sufficient housing benefit to cover the rent.

To find temporary accommodation within the cap levels local authorities in areas with high rents such as Central London often have to place homeless households out of the area. For larger households it is especially difficult to find affordable temporary accommodation anywhere in England. Local authorities therefore have to rely on other sources of funding.

During the passage of the Welfare Reform Act Ministers did not accept an amendment to exempt homeless households from the cap and the benefit cap applies to households in temporary accommodation both with housing benefit and with Universal Credit. It is estimated that applying the cap saves the government £30million a year.

The Department for Work & Pensions has said that discretionary housing payments can be used to meet the cost of temporary accommodation and it made available an additional £75million for 2013/14 and £45million in 2014/15. However, discretionary housing payments are, by their nature, discretionary and cash-limited and as a result they do not provide certainty for homeless households or local authorities. Local authorities will need to draw on the additional discretionary housing payments to protect households at risk of homelessness, as well as those in temporary accommodation (although LAs may choose to prioritise families in temporary accommodation because of the specific legal duties owed to homeless families).

The Homelessness Code of Guidance limits the extent to which local authorities can expect homeless households to use benefits such as income support of tax credits to 'top up' housing benefit shortfalls. As such, it is difficult for local authorities in areas with above-average housing costs to comply with the guidance and procure temporary accommodation within the overall benefit cap. Local authorities may try to develop their own definitions of affordability but these would be vulnerable to costly legal challenges.

Where local authorities procure temporary accommodation in cheaper locations out of borough and send homeless families to live a long way from their local area this often results in serious disruption (such as children having to move school) and a loss of support networks (such as informal childcare, and contacts in local employment networks) thus actively undermining people's ability to get back into work. If a local authority makes an offer of accommodation that is technically 'suitable' but that the family refuses due to the disruption it would entail, the local authority will nonetheless have discharged their legal duty and the family will be left to fend for themselves.

Alternatively, local authorities have to meet the additional cost of temporary accommodation out of their own stretched budgets, or deplete limited discretionary housing payments budgets. For the largest families this will be inevitable, as no accommodation in any area will be affordable within the level of the cap.

In Housing Benefit / Council Tax Benefit Circular G10/2012 the Department for Work & Pensions confirmed that Housing Benefit subsidy for all temporary accommodation cases would continue to be based on the 'current arrangements' from April 2013 (as set out in Housing Benefit/Council Tax Benefit Circular S1/2011). The Circular provides the following information on the treatment of housing costs for temporary accommodation when Universal Credit is phased in:

> *"Universal Credit claimants housed in temporary accommodation will receive their housing support as part of their Universal Credit. This will be based on the appropriate local housing allowance rate for the household. The management element for temporary accommodation cases in Universal Credit will be separated out and paid directly to local authorities in order to protect this funding stream. We are still considering how the separate management element will be paid for Universal Credit claimants, but our preferred option is to provide additional funding through top-ups to local authorities' discretionary housing payment pots with a mechanism to reflect changes in local caseloads. This is intended to be an interim solution to protect provision and local authority funding. We are looking to work with stakeholders and other Government Departments on a long term solution. All people claiming housing benefit will continue on the current rules until the claim migrates into Universal Credit. The migration timetable is still to be confirmed."*

When Universal Credit is introduced the subsidy for management that currently stands at £40 a week in London and £60 a week elsewhere in England will be paid direct to the local authority. It is not clear whether the tenant would be liable for making up any shortfall if they did not get full housing benefit or whether the cost would fall on the local authority.

However, in 2014, the Department for Work & Pensions issued circular HB/A9/2014 that stated that:

> *"All Housing Benefit temporary accommodation subsidy claims will continue on the current rules until the claimant migrates to Universal Credit. That is, in most cases, 90 per cent of the appropriate January 2011 Local Housing Allowance rate for the property (not the household size), that the local authority places the claimant into; plus £40 (for London authorities) or £60 (for non-London authorities). All the detailed rules set out in the Housing Benefit Subsidy circular S1/2011 and subsequent updates will continue to apply.*
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> *"For claimants already in receipt of Universal Credit who report a change of circumstances resulting in their becoming homeless and placed in temporary accommodation, the claimant will continue to receive Universal Credit, including a rental element for their accommodation. The rental element will be based on the local housing allowance rate for the household size or the actual rent, whichever is the lowest with the rent paid directly to the claimant. The benefit cap will apply, as will the shared accommodation rate; the RSRS is not applicable as it does not apply to LHA cases and the housing element is based on the size of the claimant's household.*
>
> *"Individual decisions on managed payments for claimants in temporary accommodation will be made within the current arrangements for assessing the need for alternative payment arrangements. The criteria for those assessments already include those in temporary accommodation and are not time limited. Universal Credit has been built to provide alternative payment arrangements and to apply criteria for managed payment of rent to the landlord. Temporary accommodation is already one of those criteria. Any Discretionary Housing Payment a claimant might receive will not be taken into account when calculating the benefit cap.*
>
> *"A contribution-to-costs-fee for temporary accommodation cases in Universal Credit will be paid. It will be a single, flat rate national fee of approximately £45 per week. These payments will be outside of Housing Benefit and Universal Credit and will require new enabling legislation. Consideration as to how this fee will be allocated and distributed are ongoing. Stakeholders will be invited to take part in discussions regarding the distribution, shortly.*
>
> *"In the meantime local authority association representatives have been advised informally that for the small number of cases which may arise during the current rollout of Universal Credit there is sufficient money in the system to be able to absorb additional costs of claimants moving into temporary accommodation while claiming Universal Credit. It would be disproportionate for them and us to put further accounting and payment arrangements in place at this time."*

This matter will be among those considered at our seminar and workshop: 'All You Want to Know about Service Charges in Social Housing' that will be held in London on 10th June 2015. Details are shown below.

New books available from AWICS

AWICS publishes books on technical topics useful for those providing public services.

Information about all our publications can be found on our website at: http://www.awics.co.uk/publications.asp

We have recently release the following two fully updated books.

Book title	*Content*	*Buy*
SERVICE CHARGES IN SOCIAL HOUSING 2015	This book is designed to give an introduction and overview to service charges in social housing and is fully up to date with all developments. Service charges are an integral part of landlords' work in financing value for money services and sustaining customer satisfaction. They have always been relatively complex but with increased financial challenges and legal and financial complexity there is an increased need to understand how service charging works.	**Buy**
LOCAL AUTHORITY HOUSING FINANCE 2015	The 2015 version of 'All You Want to Know about Local Authority Housing Finance' has been fully updated this year and is the latest version of our useful introduction and companion to the complex and important subject of Local Authority Housing Finance. It is published in March 2015 and has 100 pages.	**Buy**

Updates to AWICS website and information services

We have revised some pages on AWICS' website including:
- An updated biography for Adrian Waite — Link
- A new overview section for training, workshop, and in-house courses offers — Link
- A new overview section for briefing papers which are now available with new, more detailed categories — Link

Please also consider to give us feedback on how we are doing through our client survey: http://form.jotform.me/form/50612526489459.

Editorial notes

This edition of the Housing newsletter was edited by Sebastian Weise. Sebastian is a freelancer and PhD student at the Centre for Digital Innovation at Lancaster University. He is knowledgable about participatory urban planning, local government, government reform, and geospatial services.

The AWICS Housing News is published by 'AWICS' Limited. Articles are written by Adrian Waite unless otherwise stated. However, the views expressed in articles are not necessarily those of 'AWICS' or Adrian Waite unless expressly stated.

Developments in Local Authority Housing Finance in England 2015

June 2015

We are holding a seminar and workshop on 'Developments in Local Authority Housing Finance in England' in London on 9th June 2015. 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, ongoing austerity, welfare reform, sale of high value properties to fund the extension of 'right to buy', self-financing and new development. If you want to be up to date with the world of local authority housing finance, this is the seminar and workshop for you!

The seminar and workshop 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 new government's policies on housing and welfare?
- How can we develop effective self-financed business plans?
- How can we invest in existing and new housing including regeneration in the light of the 'borrowing cap'?
- How can we get 'value for money' and excellent customer service?

The day also includes a Participatory Case Study – Business Planning for a Local Authority Housing Revenue Account.

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. Attending this seminar and workshop is a good way of keeping up to date with developments in local authority housing finance.

The session is accompanied by a very useful book entitled:
"Developments in Local Authority Housing Finance in England 2015"

Venue and Date:

London: Novotel Hotel, Waterloo – Tuesday 9th June 2015

For further information or to make a booking, please visit our website at: http://www.awics.co.uk/devts15.asp

Other Upcoming seminars and workshops

The seminars and workshops for 2015 will retain the same high standards for which 'AWICS' is well known and will include some new and topical subjects. The 2015 series of seminars and workshops are as follows. Further sessions will be added to the website as and when the dates and venues are confirmed:

Seminar subject	*Upcoming seminars*	*Bookings*
Local Authority Housing Finance	Oldham - 7th July 2015 London - 10th November 2015	**Book**
Risk Management in Social Housing	Falkirk - 16th September 2015	**Book**
Housing Association Finance	Oldham - 29th September 2015	**Book**
Service Charges in Social Housing	London - 10th June 2015	**Book**
Developments in Local Authority Housing Finance in England	London - 9th June 2015	**Book**
Scottish Social Housing Finance	Falkirk - 15th September 2015	**Book**

Details of all these seminars and workshops are available on our website at: http://www.awics.co.uk/seminars2015.asp

Further information will be posted on our website as it becomes available and can be requested by emailing enquiries@awics.co.uk

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 Residents' Advice – http://www.awics.co.uk/IndependentTenantAdvice.asp
- Technical Books - http://www.awics.co.uk/TechnicalBooks.asp
- Free Information Service - http://www.awics.co.uk/informationservice.asp