

Briefing Paper

New United Kingdom Government 2015 – The Implications for Housing and Welfare

May 2015



Stockwell Park in Lambeth where Community Trust Housing is carrying out ambitious regeneration schemes. What will be the implications for housing of the election of a majority Conservative government?

Introduction

The United Kingdom General Election was held on 7th May 2015. Contrary to what had been expected on the basis of opinion poll evidence a majority Conservative government was returned. The final results were as follows:

	Votes	Seats
Conservative	11,334,920	331
Labour	9,347,326	232
Scottish National	1,454,436	56
Liberal Democrat	2,415,888	8
Democratic Unionist	184,260	8
Sinn Fein	176,232	4
Plaid Cymru	181,694	3
Social Democratic & Labour	99,809	3
Ulster Unionist	114,935	2
UK Independence	3,881,129	1
Green	1,157,613	1
Others	349,968	1
Total	30,698,210	650

The purpose of this briefing paper is to outline the implications of this election result for housing; how these implications are regarded in the housing sector and to provide some comment. Because housing is a devolved matter in Scotland, Wales and Northern Ireland this paper relates principally to England. Welfare remains a United Kingdom responsibility although there are plans to devolve some welfare responsibilities to Scotland.

George Osborne has been re-appointed as Chancellor of the Exchequer and is considering whether to hold an emergency budget within the next month 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.

Ministerial Appointments

It is interesting that Greg Clark has been appointed as secretary of state for communities and local government, replacing Eric Pickles. While Eric Pickles was noted for his confrontational approach to local authorities, Greg Clark is noted as an enthusiast for devolution and decentralisation. He has previously served in a number of roles including minister for decentralisation and minister for cities. In that capacity he was tasked with developing the Conservative-Liberal Democrat coalition government's work on localism following the 2010 general election. He is seen by some as being on the left wing of the Conservative Party. In 2006 he wrote an article for the Guardian in which he argued that Conservatives should tackle 'relative' as well as 'absolute' poverty.

Iain Duncan-Smith has been re-appointed as Secretary of State for Work and Pensions. Brandon Lewis has been re-appointed as Minister for Housing and Planning.

The Conservative Manifesto: Housing

The headlines in the manifesto regarding housing are:

"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."*

The Conservative manifesto includes the following commitments on housing:

- An extension of the right to buy to 1.3million housing association tenants, this would be funded by local authorities selling their most expensive properties as they become vacant.

- A commitment to build 200,000 starter homes specifically for first time buyers under 40. The homes will be offered for purchase at 20% below market prices, with these savings being achieved by exempting the developments from section 106 and from the community infrastructure levy, read our response.
- Provide an additional 275,000 affordable homes by 2020
- Extend the equity loan part of help to buy to cover an additional 120,000 homes and introduce a new help to buy ISA to help first time buyers save for a deposit
- Establish a new rent to buy fund to enable the development of 10,000 new homes. These will mainly be one or two bedroom flats and will be offered at below market rents for a period of seven years, after which the tenant will be given first refusal to buy the property
- Ban European Union migrants from being considered for a council house unless they have been living in an area for four years
- Keep mortgage rates lower by working through the long-term economic plan
- Create a £1billion fund to unlock homes on brownfield land
- Double the number of custom and self-built homes by 2020 through a new Right to Build that would force councils to give land to self-builders
- Require councils to keep a register of brownfield land and ensure 90% of suitable brownfield land has planning permission by 2020
- Create a new London Land Commission to identify brownfield land in the capital
- Deliver 95,000 homes through new 'housing zones'
- Require all landlords to check the immigration status of prospective tenants

My local MP is Rory Stewart, a Conservative. Following his re-election he sent an email to his constituents that included the following comment about housing:

"Much of what we've achieved – in affordable housing... is due to the effort of Cumbrian communities."

I don't disagree that much has been done about affordable housing in the constituency – local communities have played a part and some of the new development has been by Impact Housing of which I am Chair – but I don't think that anyone could argue that our efforts during the last five years have been anything like enough. There is still a housing crisis as supply fails to meet demand and private housing becomes increasingly unaffordable for many people to buy or rent. This situation exists in all constituencies in Britain. I therefore hope that the new government will do more to address the housing crisis than its predecessor. This appears to be promised in the manifesto that states that:

"We have delivered over 217,000 new affordable homes since 2010. We will now go further, delivering 275,000 additional affordable homes by 2020. And we will offer 10,000 new homes to rent at below market rates to help people save for a deposit."

The Conservative manifesto states that everyone who works hard should be able to own a home of their own. It states that:

"As the party of home ownership, we want to go further and faster – and this manifesto sets out our plan. At its heart, a clear objective to build affordable homes, including 200,000 Starter Homes which will be sold at a 20% discount, and will be built exclusively for first time buyers under the age of 40. At the same time, we will extend our Help to Buy Equity Loan scheme, introduce a new Help to Buy ISA, extend the Right to Buy to Housing Association tenants and make sure that, when it comes to planning decisions, local people are in charge."

These schemes do, of course, represent subsidies for home ownership. As the same money cannot be spent twice and as the total budget for housing is likely to reduce this implies further reductions in the budgets for affordable housing.

The focus of the Conservatives' election campaign on housing was a controversial proposal to extend the Right to Buy to tenants in Housing Associations. The manifesto stated that:

"We will extend the Right to Buy to tenants in Housing Associations to enable more people to buy a home of their own. It is unfair that they should miss out on a right enjoyed by tenants in local authority homes. We will fund the replacement of properties sold under the extended Right to Buy by requiring local authorities to manage their housing assets more efficiently, with the most expensive properties sold off and replaced as they fall vacant. We will also create a Brownfield Fund to unlock homes on brownfield land for additional housing."

I will return to the implications of the extension of the 'right to buy' to housing associations below.

The manifesto proposes a 'right to build':

"We will give you the Right to Build. We aim at least to double the number of custom-built and self-built homes by 2020, and we will take forward a new Right to Build, requiring councils to allocate land to local people to build or commission their own home, as you can do in most of Europe."

The manifesto includes a commitment to support locally-led garden cities and towns and prioritise brownfield development, making sure new homes are always matched by the necessary infrastructure to support them:

"We will support locally-led garden cities and towns in places where communities want them, such as Ebbsfleet and Bicester. When new homes are granted planning permission, we will make sure local communities know up-front that necessary infrastructure such as schools and roads will be provided. We will ensure that brownfield land is used as much as possible for new development. We will require local authorities to have a register of what is available, and ensure that 90% of suitable brownfield sites have planning permission for housing by 2020. To meet the capital's housing needs, we will create a new London Land Commission, with a mandate to identify and release all surplus brownfield land owned by the public sector. We will fund Housing Zones to transform brownfield sites into new housing, which will create 95,000 new homes."

There are still echoes of the 'Big Society' in these statements with an emphasis on increased involvement by communities alongside a reduction in public expenditure.

The government also proposes the extension of the Freedom of Information Act to Housing Associations. Housing Associations have previously opposed this proposal on the grounds that they are not public bodies and therefore it would be inappropriate to apply the Act to them. However, the Conservative Party's approach to this matter and to 'right to buy' suggests that they do see housing associations as effectively part of the public sector.

The Conservative Manifesto: Welfare

Welfare is currently a matter that is reserved to Westminster although there are proposals to devolve some welfare responsibilities to Scotland. Policies on welfare are therefore of relevance throughout the United Kingdom.

The Conservative manifesto includes a commitment to a further reduction in expenditure on welfare of £12billion. This will be achieved by:

- Ending housing benefit being paid to those aged under 21, except those who are leaving care or who have children.
- Lowering the overall benefit cap from £26,000 to £23,000.
- A two year freeze on working age benefits, including housing benefit.
- Further measures that have yet to be identified (needing to save £10billion).

Universal Credit will roll out to include rent payments for all working age people on welfare benefits, and means that social housing landlords will need to get better at collecting the £8billion of income they've previously received as housing benefit directly from local authorities.

The proposal to end housing benefit for those aged under 21 will have to be implemented carefully if it is not to cause unnecessary suffering to vulnerable young people. The concession that housing benefit will still be available to young people leaving care or who have children is to be welcomed. However, the assumption that all other people under the age of 21 have parents who are able to offer them appropriate accommodation is not an assumption that is true in all cases. There are many cases where parents do not have suitable accommodation (for example they are homeless or overcrowded themselves), where relationships have broken down irrevocably between a young person and their parents or where contact has been lost. Impact Housing Association is one of many that houses young people in these situations and these young people are very vulnerable. The withdrawal of housing benefit in these circumstances would be likely to lead to homelessness and a cycle of poverty that would be very damaging to the young person and very costly to public agencies such as the health, social care and police services. If not implemented carefully I am afraid that this proposal could cause considerable hardship without actually saving any public money.

The overall benefit cap mainly affects people who live in high value areas and people with large families. The main effects of increasing it would be to make it more difficult for people with low incomes to live in high value areas such as central London; and to increase poverty among families with children (including many families where the parents are in low paid employment).

I do not believe that any government would wish to introduce a policy measure that would have the direct effect of increasing child poverty so I would hope that this proposal would also be implemented carefully. One option that has been suggested would be to exclude child benefit from the total benefits cap.

A two year freeze on working age benefits would have a significant effect on the real value of those benefits especially if rents continue to increase significantly.

£12billion is clearly a significant amount to save from welfare budgets. Details of how £10billion of this is to be achieved have yet to be released. However, as the government is committed to protecting welfare benefits for the elderly it seems inevitable that the reductions in benefits will be concentrated on working age claimants, many of whom are disabled. It is also the case that an increasing number of working age claimants are already in low paid employment so the opportunities for them to escape benefit dependency through a change in their employment are limited. During recent years there has been an increase in low paid, part-time, casual and seasonal employment and this trend is expected to continue.

Iain Duncan-Smith has been re-appointed as Work and Pensions Secretary and has said that the cuts, which are the equivalent of 10% of non-pensioner welfare spending, are possible. However, he says they cannot be achieved through cheese-paring and will instead have to involve changes in behaviour. He has proposed limiting child benefit to the first two children. The Prime Minister said during the election campaign that child benefit would eventually be subsumed into universal credit but he also said there would be no cuts to child benefit.

Patrick Butler of the Guardian has identified the following options for the government to achieve their target economies in the welfare budget:

"To reach £12billion by 2018, the Tories will not only have to massively increase the pace of welfare cuts made over the past five years, but achieve net savings. They will have to focus on the five big ticket items: tax credits (currently about £30billion a year); housing benefit (£21billion); disability living allowance and personal independence payments (£15billion); incapacity benefits (£14billion); and child benefit (£12billion).

"One key area will be incapacity benefit spending. Previous attempts to cut this failed (spending rose at least £3billion above anticipated levels under the coalition): the high number of successful appeals against the 'fit for work tests' revealed that there were simply not, as the coalition passionately believed, millions of people fraudulently claiming the benefit.

"The Department for Work and Pensions believes there is scope for reform, however, and we can expect more drastic measures to try to reduce the numbers claiming employment and support allowance, by moving as many as possible on to the less-well remunerated jobseeker's allowance.

"This will be controversial, and Whitehall has concerns over the ability of the outsourced service (formerly run by Atos, now Maximus) to do this. Savings here will be painful, in human terms, and are far from guaranteed.

"Housing benefit will be another target area, but the anticipated increase in spending (up £3billion a year from 2020) will be difficult to reverse given the growth in working households on low or static incomes forced to draw on housing support to meet high rents, particularly in London and the south.

"Tax credits and child benefit cuts would appear to be necessary but they will take hundreds if not thousands of pounds a year out of the pockets of many of the middle-England voters that delivered David Cameron the premiership. Cuts to smaller budget items, such as carer's allowance and statutory maternity pay may deliver marginal savings but at the cost of alienating the same demographic.

"The Conservatives will look to a relatively buoyant employment market to reduce spending on unemployment benefit. But this relatively small budget line will do nothing to get them close to the £12billion target. Universal credit will be heralded as a technological fix to benefits spending by increasing the incentives for people on a range of in- and out-of-work benefits to come off the dole or work more hours. But the programme is not on schedule (it may not be working fully until 2017 at the earliest) and there is no hard evidence it will deliver savings.

"There will be much emphasis on so-called behavioural change policies, even though they will deliver barely any savings (and may not work even on their own terms). The benefit cap will continue, and there will be the threat of benefit sanctions for alcohol or drug addicted, mentally ill, or obese claimants who refuse treatment programmes."

According to John Hills, Director of the centre for analysis of social exclusion at the London School of Economics, one way of achieving the £12billion goal could be by reducing the £38billion cost of out-of-work payments to working-age families, for example by cutting entitlements to a third of the recipients. He told the 'Guardian' that:

"That would mean hitting lone parents and disabled people and create pressure on food banks and hardship on a scale that would be hard to imagine... Alternatively you could take it from hardworking families who rely on housing benefit and tax credits. That's a lot of pain from a large number of people who have just voted for you."

A Department for Work & Pensions paper setting out options was leaked to the BBC in March 2015. At the time, Iain Duncan Smith said that none of the measures had been agreed and the media coverage was 'ill-informed speculation'. However, the options included saving £1billion from carers' allowances; means-test national insurance-backed unemployment benefits saving another £1.3billion; and tax disability benefits to raise another £1.5billion. As noted above, limiting child benefit to two children – affecting a million families would save another £1billion.

The Institute for Fiscal Studies has noted that:

"These may well not be the decisions that a future Conservative government would make. But it is likely they would have to make changes at least as radical as this to find £12billion a year."

Since the election the Department for Work & Pensions has published an impact assessment for making economies in a scheme that helps disabled people into work. The Access to Work fund helps people and employers cover costs of disabilities that might be a barrier to work. The biggest single users of the fund are people who have difficulty seeing and people who have difficulty hearing. The option that has been assessed is 'to set a cap on the maximum value of support per user'.

Welfare in Scotland

The Smith Commission that considered further devolution to Scotland recommended limited new powers for the Scottish Government to vary or abolish the 'bedroom tax', vary the housing costs element of Universal Credit, and enable Universal Credit to be paid directly to landlords, beyond that Scotland would have to live with everything else introduced by the United Kingdom government. So the rollout of Universal Credit continues in Scotland, and Scotland is obliged to accept 'reforms' such as sanctions.

The implications in Scotland of the next £12 billion worth of cuts have yet to be identified. For example, the withdrawal of housing benefit from people aged under 25 would be unlikely to be welcomed in Scotland. The response of the Scottish National Party and the Scottish Government is to argue for greater devolution of powers over welfare but so far the United Kingdom government has maintained that it would not wish to go beyond the recommendations of the Smith Commission.

In this context it is relevant to compare the differences between the positions of the Conservative Party and the United Kingdom government with those of the Scottish National Party and the Scottish government. The main differences are summarised below:

- Under-occupation penalty – Introduced by the United Kingdom government that intends to retain it. The Scottish National Party wishes to see it abolished. The devolution deal contains some powers to vary or abolish it.
- Benefit cap – Introduced by the United Kingdom government that intends to reduce it from £26,000 to £23,000. The Scottish National Party wishes to see it abolished. It is not proposed to devolve responsibility to Scotland.
- Universal Credit – Introduced by the United Kingdom government that intends to continue to 'roll it out'. The Scottish National Party wishes to see the roll-out halted. It is proposed to devolve some powers to Scotland to vary the application of Universal Credit but not to halt its introduction.
- Right to Buy – This is devolved to the Scottish Government and is being abolished in Scotland. It is being extended in England by the United Kingdom government.

Right to Buy

As noted above, probably the most contentious and high profile proposal in the manifesto is that to extend the Right to Buy to tenants in Housing Associations as follows:

"We will extend the Right to Buy to tenants in Housing Associations to enable more people to buy a home of their own. It is unfair that they should miss out on a right enjoyed by tenants in local authority homes. We will fund the replacement of properties sold under the extended Right to Buy by requiring local authorities to manage their housing assets more efficiently, with the most expensive properties sold off and replaced as they fall vacant. We will also create a Brownfield Fund to unlock homes on brownfield land for additional housing."

The Conservatives have promised to introduce the policy within the first 100 days of a new government.

This proposal has aroused some criticism from many who work in the sector. For example, Ken Lee, Chair of the Housing Panel at the Chartered Institute of Public Finance & Accountancy wrote a critique of the policy in 'Public Finance' as follows:

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

"One of the most eye catching pledges floated by the Conservatives during the election campaign concerned the right of housing association tenants to buy their properties. Alongside this measure, local authorities would be required to sell their most valuable housing stock."

"We are often told that if only local government managed its assets better, there would be less of a housing problem. Ministers chastise councils for not getting rid of the more valuable assets on their Housing Revenue Accounts so that the released money can be reinvested."

"Closer examination of the proposals suggests that central government could give the shedload of cash made available to registered providers of social housing as compensation for them, in turn, selling their assets at a knockdown price to tenants. It would also enable setting up of a fund to bring abandoned brownfield sites back into use for housebuilding."

"I do not know which business school the creators of this idea went to, but experience tells me that usually these very valuable properties are the ones that are located in the more desirable areas, tend to cost the least to maintain – and bring in the highest rents."

"So, in business terms, getting shot of these properties is totally wrong. Keeping them enables councils to meet housing need in their areas."

"Local authorities paid central government billions of pounds to take full control of their Housing Revenue Accounts. Subsequently, a host of negative actions taken by government have impacted on the housing revenue account – welfare reform, Right to Buy changes, rent guidelines and so forth. Each time, local government has tried to find a way to keep on delivering. If anyone knows how to run their housing revenue accounts it is councils."

"All the lessons from the past indicate that the latest plans to sell off council housing stock are fraught with danger. In fact, many would put today's housing crisis at the door of Right to Buy."

“Experience suggests it is a popular policy in the short term – especially with those who gain a financial fillip from the discounts – and initially, because the sold properties were better maintained, some areas did benefit. In the longer term it has led to less social housing being available; more private rented stock, as original buyers sell on; poorer maintained properties (you can now drive down the street and spot the non-housing revenue account ones because of their poor state); and, in many cases, poorer management standards that have increased problems on estates.

“This also resulted in higher overall public expenditure, due to benefits funding ever-increasing rents in the unregulated private rental market.

“Extending Right to Buy to registered providers is also poor asset management for a sector that has been urged to ‘sweat its assets’ and borrow on the strength of the asset base. What problems are they going to face if they reduce it? Will their funders be happy? And what will the impact be on the opportunity to borrow in the future to provide more housing?

“None of these proposals promote good business practice.

“Any good business reinvests income to ensure a future revenue stream. The HRA can provide much needed social housing if only the absurd borrowing cap is removed. Giving these decisions back to local authorities makes far more sense than imposing a sales regime that does not reflect local circumstances.

“Councils are cautious about the way they invest, in keeping with the prudential code, and respond to local needs if they are left to get on with the job. Rather than coming up with tired policy suggestions that will only cause longer term problems, why not let local authorities build the much-needed housing? That is one promise that everyone could usefully keep.”

Since the election, Moody's, which provides credit ratings to 43 housing associations, warned that the impact of a Right to Buy extension – if introduced – would be 'mixed'. It said the impact would depend on how many tenants took up the policy and if housing associations were compensated for the discount. Jeanne Harrison, one of their analysts, told 'Inside Housing' that:

“Right to Buy sales give housing associations short-term cash flow upside, but could also erode their long-term rental income streams and potentially impair both their balance sheets and future borrowing capacity, if it hampers replacement of housing stock.”

The agency listed housing associations alongside life insurers, banks and renewable energy developers as the sectors that may see increased risk as a result of the Conservative victory.

It became clear during the election campaign that Conservative politicians resented housing and housing finance professionals criticising their proposals and attempting to prevent tenants of housing associations being given the same rights that council tenants have enjoyed since 1980.

I would not advise the housing sector to become confrontational with the government on this or any other issue, but I think that the government and the sector should bear the following issues in mind:

- Right to buy is generally recognised to have some advantages in that it helps people into home ownership and helps to create mixed tenure estates.
- However, I think there is a strong argument that right to buy should not be allowed to result in a reduction in the number of social homes (homes sold should be replaced) and this argument was accepted by the coalition government.
- The discounts represent a public subsidy and therefore should there not be an evaluation of the benefits that they bring against their costs and a comparison of this cost-benefit analysis with the costs and benefits of other public investment in housing?

- Housing Associations are not owned by the state so I think that the proposal that they should be forced to sell their assets raises civil liberties issues as well as financial issues. In what circumstances should the state be able to take control of privately owned assets?
- This proposal raises questions about the legal status of housing associations. Is this part of a process of 'nationalising' housing associations? If so, their loans would become part of the public borrowing and the basis on which they are financed would be called into question.
- If these proposals are justified on the grounds that the government supports housing associations financially through housing benefit, could or should the same argument be applied to private landlords?
- If, as Natalie Elphicke (the joint-author of a report commissioned recently by the government) claims, the compensation that would be given to housing associations would exceed their losses on disposal this could address many of the financial concerns of housing associations. However, we would need to be sure about how this would affect properties that are used as security for loans. If an association sold a property that was used as security for a loan, could the bank recall or re-price the loan? There is also the question of maintaining effective asset management on an estate where homes are being sold.
- The proposal that local authorities should sell high value council houses when they become vacant has disadvantages. High value properties usually have high rents and low management and maintenance costs and from a business point of view are not the properties that a council should consider disposing of. Properties that are in low demand and that have high management and maintenance costs are probably the ones that councils should be disposing of. The policy would also lead to a reduction in the number of social homes in high value areas forcing social tenants to leave places like Central London and this may be considered to be a social dis-benefit.
- I am not convinced that local authorities would be able to generate sufficient usable capital receipts from the sale of high value properties to compensate the housing associations fully for selling homes at a discount. Would the receipt from selling a high value council house be sufficient to repay debt, compensate a housing association for a right to buy sale and then pay for building two new homes to replace the one sold by the local authority and the one sold by the housing association? I suspect not. Even if it was, would this be the best way to use the receipts given the shortage of resources for building social and affordable homes.

I will look forward to seeing the detailed proposals and costings when they are published by the government.

Response of the National Housing Federation

On the day following the general election, David Orr, the Chief Executive of the National Housing Federation wrote to member housing associations as follows:

"On a dramatic day for British politics, with the Conservative Party receiving an emphatic mandate to govern for a new term, our focus turns to the future. I'm writing today to share the Federation's reaction to the election and, more importantly, our plans to take our case forward to the new government."

"The next few weeks will be crucial and the first order of business for the Federation will be to welcome and congratulate the new MPs entering or re-entering the House of Commons. That work begins today. Housing associations have so much to offer. Our absolute priority, as I wrote in a blog today, is to promote the work that you do and to make sure the new Government knows that we're ready to work with them to deliver for housing and local communities."

"We've put ourselves in a strong position to do this with the extraordinary Homes for Britain campaign, which saw you summon your creativity and passion to make the case for housing – and for housing associations – around the country. Without that platform, housing would not be the political priority it is now, with the Prime Minister promising once again to build more homes in his speech outside Number 10 earlier today. I have no doubt that we're starting with our own mandate, created by the campaign, to end the housing crisis within a generation, and that we can be absolutely clear that the sector's ambitious, innovative ideas will make that happen."

"There is also no question in my mind, or doubtless in any of yours, that we will face challenges. The extension of Right to Buy to housing associations is in the Conservative manifesto and we have explained in very clear terms why we don't believe that this is the right policy to tackle the housing crisis. There are also likely to be further reforms to welfare which will affect our tenants and our organisations. We have already started analysing the likely impact of possible scenarios and are drawing up our strategy for influencing this agenda."

"However, it's important to bear two things in mind. Firstly, we have no information yet on how either issue will feature in the new Government's plans and how extensive they are likely to be. Secondly, while there will clearly be areas of disagreement, housing associations are a key partner for the Government in delivering great homes and stronger, healthier communities. That's the message we have to get across first, so that we have a productive and constructive relationship within which to address our concerns."

"This means that much of the work that we will be doing to influence and change the views of the Government in the immediate future will be done quietly through our excellent channels into politicians and civil servants. As a result, you won't see us publicly discussing those issues in the media while so little is yet known. It would undermine the task ahead and would be based on assumption rather than real government policy."

"Instead, you will be hearing directly from us about building the right narrative and about the impact you think any changes would have. We'll be in touch very soon with surveys and questions on Right to Buy and potential welfare reform and will be arranging opportunities to for you to share and shape our case. It will hugely help us form our collective arguments if you can respond as fully as possible."

"Finally, I want to end by thanking you for the extraordinary energy you've put into building the greatest housing campaign in our history and by promising you that we are here, now and throughout the next weeks and months, to fight your corner. That's why the Federation exists and why you choose to be part of it. We will be talking to you all about our approach to the new Government and its policy agenda as it emerges, but in the meantime, please share with me any views or concerns, to help us ensure we're effectively representing our members."

David Orr also said in a blog for 'Inside Housing' that:

"Extending the Right to Buy to housing association tenants is an unacceptable intrusion into the affairs of private, independent social enterprises and a waste of resources that could be put to the central task of building the homes that people in every part of the United Kingdom desperately need."

He added that he would ask the government to restate its pledge to end the housing crisis within a generation, and the NHF looked forward to working with them on this point.

Response of the Chartered Institute of Housing

The Chartered Institute of Housing has identified five housing challenges for the new government as follows:

- **Publish a long-term plan for housing within a year of taking office**

The Chartered Institute of Housing is part of the 'Homes for Britain' campaign that has been working to push housing up the public and political agenda and calling on all parties to commit to ending the housing crisis within a generation. All five of the parties who spoke at the Homes for Britain rally at Westminster earlier this year pledged to do just that. But what we have yet to see from any of the parties is the joined-up, long-term strategy we need. As outlined in their United Kingdom Housing Review earlier this year, we need co-ordinated, sustained action over at least a decade – including putting targets and incentives in place for new house building of all tenures (ownership, shared ownership, private rent and social rent).

- **Return to funding homes for social rent**

The Chartered Institute of Housing considers that the United Kingdom needs more homes for social rent so that people struggling on low incomes can afford a decent home. They consider that 'Affordable' rent has a role to play but it doesn't work for everyone - as it can be up to 80% of market rent it is simply not affordable for many people. Over time they believe this would allow us to shift spending from housing benefit to house building, the only sustainable way of making housing more affordable and cutting the housing benefit bill in the long term.

- **Overhaul shared ownership**

The Chartered Institute of Housing considers that doubling the supply of shared ownership homes to 30,000 a year could help thousands of people who have been priced out of a decent place to call their own. To achieve that increase, they consider that shared ownership needs to be made simpler and more flexible, so that it would work better for consumers, housing associations and mortgage lenders. They want to work with the government, the wider housing industry and investors to make that happen.

- **Improve standards for private renters**

The cost of buying a home means that more and more people are living in the private rented sector – including more families and older people – so it's vital we look at new ways of boosting standards. Their work with the Resolution Foundation explores how a combination of regulation, accreditation and targeted incentives for good landlords could make a big difference.

- **Help local authorities build more affordable homes**

The Chartered Institute of Housing considers that relaxing the restrictions on councils' ability to borrow against the rents from the homes they own would enable them to build more, at low prices and at low rents. In addition, they think the right to buy scheme needs significant reform to stop more social and affordable housing being lost. Their research has shown that most councils only expect to be able to replace half or fewer of the homes they sell under the scheme. They consider that it is crucial that every home sold is replaced and that a few simple reforms, such as allowing local authorities to keep all of the receipts from right to buy sales, would give them a real fighting chance of achieving this.

As shown above, these ideas are not reflected in the Conservative manifesto.

Following the election of the new government, Gavin Smart, the Deputy Chief Executive of the Chartered Institute of Housing made the following statement:

“As always the Chartered Institute of Housing now stands ready to work with the new government to use the knowledge and experience of housing professionals to inform the detail of policy design and implementation, so that the new housing policy framework moves us closer to, not further away from, creating a housing system that works for everyone. At the Homes for Britain rally in March the Conservative party committed to end the housing crisis within a generation – now is the time to start delivering on that commitment, starting with a long-term plan showing how the 250,000 homes we need every year will be built.

“Almost everyone had expected some sort of policy negotiation between parties seeking to form a coalition government, and that we'd have to wait and see which manifesto policies would make it through the negotiations. Now we know that's not the case, it's time for everyone in housing to refocus their attention on analysing the Conservative manifesto pledges very carefully to assess their potential impact on the people we serve and our industry as a whole – and to identify the opportunities as well as the challenges.

“Extending right to buy to housing associations is the plan that hit the headlines before the election. As we pointed out at the time, this is not going to tackle the housing crisis – in fact it could make things worse for people on lower incomes who are already struggling to access a decent home at a price they can afford. It would have a huge impact both on housing associations and on local authorities, as the Conservatives say councils would have to sell of their most valuable homes to fund replacements.

“There are likely to be more big changes to come on welfare which will affect poorer tenants, many of whom are already struggling to cope with the impact of reforms including the bedroom tax – which now looks most likely to be retained under rather than abolished as it might have been in other election outcomes. We think lowering the benefit cap to from £26,000 to £23,000 would be very dangerous unless ministers commit to increasing support for people looking to get back into work and funding for childcare. Our research on the impact in Haringey showed that people affected by the cap face significant barriers to finding work, including a lack of job seeking skills and affordable childcare. The party has also promised a further £12 billion in cuts to welfare (but offered no detail as to where they might come from) – which could have an enormous impact on tenants and the housing professionals working to support them.

“Many of the other pledges focused on home ownership and first-time buyers, including 200,000 new ‘starter homes’ and a Help to Buy ISA. And the manifesto also includes a promise to build 275,000 additional ‘affordable homes’ by 2020. We urgently need more new affordable homes to deal with our national housing crisis - including new homes for social rent - and we look forward to working with the new government as they spell out the detail of their new supply agenda.

“The other big story is the Scottish National Party surge in Scotland and its implications for the future of the United Kingdom. Housing policy is already devolved, and we know that there are very different directions of travel in Scotland and also Wales in particular. At the very least, the results in Scotland suggest that devolution will continue on its current trajectory, and that housing policy across the United Kingdom is likely to diverge even further.

“Ahead of the election, the housing industry came together through the Homes for Britain to urge all parties to commit to ending the housing crisis within a generation – and that the victor should publish a long-term plan for doing so within a year. We must continue to make the case for a long-term, joined up strategy – but also work together to speak out and challenge policies that will make the situation worse. And the Chartered Institute of Housing remains of the view that we need a more varied and flexible housing offer which includes homes for social rent.

"Election campaigns are always hard work, but the scale of our housing crisis demands that the hard work mustn't stop here. A new government is forming as I write and we must turn our attention to working to influence the programme for the next administration and its implementation."

Response of 'Place Shapers'

The 'Place Shapers' group of Housing associations (that includes 100 community based housing associations, among them Impact Housing Association) says that its members are 'undertaking a fundamental rethink of their strategies' and 'reappraising development programmes', following the outcome of the general election.

They said the proposal to extend Right to Buy makes 'no economic sense' and it would seek the views of lenders and the charity commission on how best to respond. Tony Stacey, Chief Executive of South Yorkshire Housing Association and chair of the Placeshapers group, said:

"Nevertheless, most of our members will now be undertaking a fundamental rethink of their strategies and business plans. Whilst the details of proposed changes will require primary legislation and are therefore unclear, the government's declared wish to extend the Right to Buy to charitable housing associations will shoot to the top of many of our members' risk maps and require a reappraisal of asset management strategies."

Mr Stacey said members would consider whether it was still wise to sell off stock voluntarily to fund development in the light of the possible extension of the Right to Buy and added that he 'looks forward to early discussions with the new government on how we can continue to contribute' to ending the housing crisis.

Response of Community Housing Cymru

Stuart Ropke, Group chief executive, Community Housing Cymru, said:

"We already know that Wales has suffered disproportionately from the impact of welfare reform, including the 'bedroom tax'. The Conservative Party manifesto includes proposals to make further cuts to the social security budget and housing benefit which will have a negative effect on many individuals and communities across Wales."

"This is why it's vitally important that, in any new devolution settlement, the Welsh Government seeks parity with Scotland and Northern Ireland so that they have the ability, if they choose to exercise it, to mitigate some of the worst impacts for the most vulnerable in our communities. These issues, along with how we meet Wales' housing needs, will be centre stage as we build up to the Welsh Assembly Elections in 2016."

Conclusions

Many of these proposals are controversial but it is clear that they will now be implemented.

The new government will clearly build on the changes to local government, housing and welfare delivered by the coalition. 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 they will probably go much further.

There is therefore a need for the housing sector to 'tune in' more to Conservative thinking on housing.

In 2010 it was clear that significant economies 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 I support 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 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 funnelled 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 utilised 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.
- Placing increased reliance on the private rented sector to deliver new homes. The 'Better Renting for Britain' campaign has already called on the government to promote 'build to rent' by providing £30billion of funding, allocating public land to private landlords and reducing regulation. They suggest that this could result in 150,000 new homes being built every year. Housing associations may be expected to move into market renting and the role of local authorities in construction would be called into question.

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. In the autumn we plan to launch a series of webinars. Our next seminar and workshop is on 'Developments in Local Authority Housing Finance' (see below).

Adrian Waite
May 2015

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 more information or to make a booking please visit our website at:
<http://www.awics.co.uk/devts15.asp>

This seminar and workshop is also available as an in-house session. For more information please contact Adrian Waite at Adrian.waite@awics.co.uk or 017683-52165.

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 us and our services 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>
- Publications — <http://www.awics.co.uk/publications.asp>
- Information Service — <http://www.awics.co.uk/information-service.asp>

Future Seminars and Workshops:

All You Want to Know about Local Authority Housing Finance:

- Oldham - 7th July 2015
- London - 10th November 2015

All You Want to Know about Housing Association Finance

- London - 19th May 2015
- Oldham - 29th September 2015

All You Want to know about Service Charges in Social Housing

- London - 20th May 2015 (now fully booked)
- London - 10th June 2015

Developments in Local Authority Housing Finance in England

- London - 9th June 2015

All You Want to Know about Scottish Social Housing Finance

- Falkirk - 15th September 2015

For further information please see <http://www.awics.co.uk/seminars2015.asp> or contact Adrian Waite at Adrian.waite@awics.co.uk or 017683-52165.