

What do 'Nick and Dave' mean for housing?

Some thoughts from Sarah Webb, Chief Executive of the CIH and Richard Clark, Executive Chair of ConsultCIH

In some ways the outcome of the General Election was predictable. No party controlled a simple majority and a coalition of the Conservatives and Liberal Democrats was the most likely outcome of a hung Parliament.

As a result, a number of the things which were on the cards at the time of the election will now materialise. The most significant of these is the known reduction in funding for capital works in housing - with the HCA budget expected to fall by 30-40% in 2011/12. The likely targeting of funding on priority areas and a squeeze on building costs, grant rates and standards is almost automatically going to follow. It seems highly unlikely that a rapid increase in housing output can possibly be achieved in this climate, especially with the wobbly recovery of the owner-occupied sector - and the total supply of dwellings will therefore not increase dramatically over the next few years. At the same time, housing for vulnerable groups is likely to be at a premium with the non-ringfenced supporting people funding being in serious decline.

Whilst this will have some effect, a much more dramatic change would be a significant reform of the housing benefit provisions with capping or even more serious proposals. Changes to housing benefit have



Sarah Webb

Richard Clark

always taken a long time to work through the system and as a result, whilst there have to be concerns about a change of direction, this is not likely to happen in the first eighteen months of the new administration. What is much more likely is a significant reduction in the level of regulation in the housing sector, either through severe budget constraints in the regulatory and inspection bodies or, even more extreme, the disappearance of one or more of the regulatory bodies.

It seems a contradiction that, at a time when the general public is very concerned about public standards and about the security of their money (a fear shared by major funders) that regulation, which has provided such a robust support for the housing

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A New Understanding with Tenants

We are entering a very new phase of engagement with tenants, with very different attitudes and assumptions. Many housing organisations are progressing down the new path but many still need to catch up.

The exciting new phase will have three key characteristics:

- **First**, the new government's Community & Localism agenda which is clearly intended to give more direct power to communities and tenants to oversee their arrangements. The most obvious sign of this is local influence over lettings but also the wider local provisions in the proposed bill which will fundamentally alter the perception of tenants and customers about their rights. It's likely the TSA's local standards will be of significant benefit in relation to this agenda.
- **Second**, the use of customer insight to provide more in depth understanding of tenants and customers' aspirations and attitudes, which will inform far better targeted and segmented policies to increase customer satisfaction and make better use of organisations' resources.
- **Third**, the need to deliver good quality services and create good quality products in a restricted financial environment. The old fashioned choices - "do you want green or blue kitchen units?" - will be replaced by "do you want enhanced neighbourhood security or a faster repairs service?". In many ways, the challenging circumstances which we face may lead to a healthier and more adult relationship between landlords and tenants.



Janet Hale



Vicky Barnes

The reality of tenant engagement over the last few years is that, underneath it all, the ability of tenants to influence underlying policies and resource allocations has been relatively restricted; the straightjacket of Decent Homes is a good example of this.

As we move forward into this new phase, we need to be alert to the danger that particular individuals and groups will seize the community agenda and turn it to their own prejudices or material advantage. The experience which we have gained over the last 30 years or so in working with tenants and community groups should help us all to avoid this danger.

One thing is for certain - in straightened economic times and with the priorities of the new coalition government - the status quo is untenable.

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sector, should be reduced. It would also be ironic with the commitment by Iain Duncan Smith and others to communities and tenants, if the body which has been set up to promote those interests was abolished.

One area where we might well see change is more emphasis by landlords on creating employment opportunities for their tenants as part of wider worklessness initiatives.

Many housing providers have moved into this area in the last ten to fifteen years and it seems very likely that that role will be enhanced over the next two to three years. At the moment there is a series of funding streams for housing and employment, some of which are likely to be curtailed, but a reasonable projection would be that some of these will have to be replaced as the employment impact of public spending cuts bite.

Local authorities will find themselves generally under pressure as a result of the new environment. Housing authorities with an HRA have been reviewing their options very intensively over the last few months (see article below). Therefore we can expect to see a significant amount of movement and change in the status of local authority housing over the next few months.

There will also be increased pressure on both the shared services and total place agendas, and the relationship between local authorities, city regions and other partnerships and service providers is likely to be transformed over the next few years. Housing organisations who have positioned themselves as neighbourhood agencies may experience a very significant demand to widen their services.

One thing is for sure, the pace of change in housing - which has been so dramatic over the last few years - is not about to slow any time soon.

Critical time for council housing finance

For many in housing the run-up to the General Election and the time taken to form a new government represented a time to breathe, a time to prepare the ground for a future of policy changes and funding restrictions. Not so in council housing finance, which has been a hive of feverish activity following the announcement of the long awaited self financing 'offer' on 25 March 2010.

Of course, the offer represents the latest milestone in a journey towards Housing Revenue Account (HRA) reform which began in August 2002 with a short paragraph in *The Way Forward for Housing Capital Finance*, which first made reference to the possibility of some authorities 'leaving' the HRA subsidy system and floating free with financial flexibility.

We have been through a review of the long term future of ALMOs, a pilot project with six case study authorities and ALMOs, a full scale review of council housing finance and a consultation in 2009 proposing the abolition of the subsidy system. Now we have reached the point where the government



has tabled its proposals for reform: a reallocation of debt based on ending the redistribution of rents and right to buy receipts.

So what are the main points?

Firstly, and most importantly, the proposal is to dismantle the subsidy system which pools rents nationally and redistributes them as allowances to spend on services, the stock and to cover historic debt. This would mean an end to the annual

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Critical time for council housing finance *(continued from page 3)*

process of 'determinations' and allow more effective long term planning. Currently, two thirds of authorities pay money in to the system and around one third get money out, and overall the government surplus is around £100m. By reallocating the debt between authorities, effectively giving a single figure based on 30 years' worth of future subsidy 'in one go', potentially this offers a 'once and for all' correction of the imbalances between authorities.

Secondly, because the whole system is moving further into surplus as rents rise quicker than costs, the assumptions within the debt settlement will mean an increase in allowances – the government will take some extra money up front but leave authorities with more 'power to spend' than they currently have.

Thirdly, authorities will get to keep all their right to buy receipts, for the first time since the 1980s.

Fourthly, and on the downside, there is a move to reduce the funding for capital to finish off the Decent Homes Standard programmes for ALMOs, and any other backlogs that are still affecting council housing in all authorities. Also - there is no money allocated specifically for aids and adaptations or 'greening' the stock.

Fifthly, and also on the downside, public expenditure pressures mean that authorities will not be able to borrow any more than the debt allocated at the start of the new arrangements.

There is also a host of other technical and detailed changes around moving to a more devolved system of finance: like setting up a separate balance sheet for council housing and possibly splitting the council's debt formally and officially between the HRA and other services.

There are 172 authorities affected by the offer, meaning 172 responses required by 6 July 2010, 172 investigations into how much better than the current system the offer is and 172 sets of modelling to be undertaken to test the financial issues for each.



Steve Partridge

Simon Smith

How will rents move? What will be the costs of services? How much will the debt be and what will it cost to service? And - most critically of all - what do we need to spend on the stock to maintain it into the long term – and will we have enough money to do that – especially if we have backlogs of investment in the next few years?

Essentially - do authorities want to go ahead with a voluntary offer to dismantle the system next April?

All of which just leaves one question: will the change of government affect the offer? And the good news seems to be that ministers are intending to continue the process. So, no doubt between now and 6 July, and beyond into full implementation (if that's where we get to), it will be 'all hands to the pump' to get ready for the biggest change to revenue for council housing for... well at least a generation.

ConsultCIH is helping many authorities and ALMOs get to grips with proposals, prepare business plan models, brief managers, members and tenants and help them frame their responses.

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