

# Comprehensive Spending Review: The Implications for Housing Examined

## Conference Report



# Comprehensive Spending Review: The Implications for Housing Examined

Thursday 9th December 2010  
York Racecourse

Session Title	Speakers Details
CSR10 - the government's plans for housing explained	<u>Terrie Alafat</u> Director of Housing Growth, Markets and Strategy Communities and Local Government
CSR10 - the detail examined	<u>Steve Partridge</u> Director of Financial Policy and Development Chartered Institute of Housing
CSR10 - the view from the funders	<u>Piers Williamson</u> Chief Executive The Housing Finance Corporation
Local Authority and ALMOs - understanding the impact of CSR10	<u>Gwyneth Taylor</u> Policy Director National Federation of ALMOs  <u>Bob Ledger</u> Head of Housing South Derbyshire DC  <u>Brian Scott</u> Director of Finance South Tyneside Homes
Housing Associations - understanding the impact of CSR10	<u>Michael Barrott</u> Chief Executive Strategy, Finance and Governance  Bob Taylor Chief Executive Knowsley Housing Trust
CSR10 - the wider issues and impact of proposed benefit changes	<u>Professor Steve Wilcox</u> The Centre for Housing Policy University of York
CSR10 - implications for the North	<u>Charlotte Harrison</u> Director of Policy and Strategy Northern Housing Consortium

It's a full time job keeping up with policy announcements these days, never mind trying to do something with them. With the publication of the Localism Bill and the local government settlement on 13 December 2010 it'd be fair to ask whether a report on an event held the previous week is really worth reading, but we hope that this short note from the Northern Housing Consortium's (NHC) CSR10 event held on the 9 December 2010 saves you time in communicating the main messages and themes to others in your organisation and local area. All the slides from speakers are also available to NHC members on our website.

## Key points

**We're in the midst of an 'experiment'** and whether we like it or not we have no choice but to participate. On a positive note this does present opportunities – Terrie Alafat (CLG) made it clear that the government is open to suggestions as to how things could work, and to identify the barriers that need to be overcome: it means that the local voice can be heard. However, many speakers and participants observed that to participate **we need local strategic capability and capacity** – two things felt to be in increasingly short supply as cuts are implemented locally, particularly in local government. The challenge is to work out how the sector can make sense of the government's proposals, fill in the gaps, and take the required action to achieve locally driven ambitions. It's clear there's an expectation from housing providers that local government will step up to the mark and provide intelligent direction.

**Competition for funding** is inevitable. Whether this is for decent homes, for new build or for local funding for housing services, the message is that those who are able and willing will be rewarded, while those that aren't will lose. It's clear that changes in culture and attitude are needed: innovation, proactive asset management, and a review of our attitude to risk were all cited as requirements for housing organisations in the future. Bearing in mind concerns about capacity and capability, the answer appears to lie in the **development of new and revised partnerships**, and not just with the usual suspects.

**Partnerships with communities and customers** are critical to managing the impact of the CSR and government proposals. Organisations are encouraged to understand how proposals will affect their communities and customers, to support them to understand this, and to introduce measures that will prevent rent arrears and homelessness and to enable households to access employment (financial inclusion). Robust customer profiling (going beyond the equality strands to consider economic circumstances), followed by targeted and personalised solutions, will be important. The housing sector is also felt to be in the best place to empower communities to take a greater interest in, and responsibility for, the places where they live and the services they receive (Big Society), although we must recognise that individuals within our communities need our support – and capacity - to do this.

It is worth remembering that **transparency** is the CLG mantra, even if only as a source of irony as we struggle to understand what proposals mean in practice when we're missing the detail. **More questions than answers** certainly makes life interesting but conference participants and speakers made it clear that the housing sector is up to the challenge: we need to be proactive in making change happen for the benefit of our customers and communities.

## The detail

On **vulnerable people and communities** the now familiar line 'local areas will be in the best place to decide how to meet need' was Terrie Alafat's (CLG) response to a question about the anticipated local cuts in Supporting People – funding 'protected' by the government by removing the ring-fence, making payments to local areas as part of formula grant and with no specific mechanism to hold local authorities to account. Local democratic accountability is expected to play a part in ensuring that funding gets used for the right things, but it's fair to ask how local areas can enable the most vulnerable (those who currently benefit from this funding) to scrutinise such matters and hold councillors to account, particularly when the same households are likely to be facing other challenges arising from welfare and social housing reform. The same question was not asked of homelessness and disabled facilities grant funding but these are equally at risk in local areas.

Despite the considerable work by the sector and by CLG under the previous government to highlight the benefits of Supporting People in particular, the sector is clearly not going to win the argument for ring-fencing without hard evidence that spending here will save money elsewhere. It is worth noting that the sector was recognised by CLG for its role in securing the same level of funding for homelessness as last year, although conference cynics felt that the government wouldn't consider cutting this budget given the knowledge that reforms elsewhere are likely to increase homelessness. The sector can take action by continuing to highlight local reductions in spending on homelessness, housing support and adaptations, nationally and locally, and by bringing the savings from early preventative actions to the forefront of local discussions.

**On decent homes** speakers and participants appeared to share disbelief at the level of cuts proposed, which can only be tempered with George Osborne's reported acceptance that funding for decent homes will have to continue beyond this CSR period. Bidding for a much reduced and heavily back-loaded pot of cash, ALMOs and local authorities are faced with cancelling improvement programmes, suspending or ending contracts (with Rok and Connaught fresh in many minds), finding alternative employment for staff employed in direct works or making redundancies, and - importantly - dealing with many unhappy tenants who have already been asked in some cases to support delays in improvements to their homes. For those unlucky enough to be living in the last 10% of non-decent homes, improvements may never materialise. It's difficult to accept these last improvements can be made through self financing without knowing the detail. Some of the 10% is stock that really needs to be demolished and replaced - not felt to be an option now.

**New build** presented another hot topic for discussion. Putting aside what one speaker described as 'heroic assumptions' about how 150,000 new homes will be developed with the available resources and proposals for affordable rent, it was a common view that this area of government policy needs more work.

The current 'offer' is felt to be southern centric, with incentives<sup>1</sup> for building likely to be greater in the south where housing is at a premium, and where the biggest difference between market rent and social housing rent can be found<sup>2</sup>. Terrie did acknowledge that there are some areas in the North where social rent is higher than market rent and this is being looked at as part of the detailed proposals. In the absence of other solutions Professor Steve Wilcox suggested that organisations need to look at the options for charging market rents for some of their homes.

There remains a question about whether affordable rent, or market rent, can be charged by local authorities and ALMOs without the need for legislation: CLG's current proposals are for only registered providers to be able to charge more rent on the basis that there needs to be a change in statute to allow council landlords to do the same. This prompted an observation that there will be disparity locally between local authority landlords/ALMOs and registered providers, with the housing association workshop suggesting that tenants on 80% market rents will not welcome paying considerably more money for the same services. The lack of detail surrounding supported accommodation and sheltered housing also raised questions: there is unmet need and stock is not fit-for-purpose.

Terrie's presentation did recognise that proposals do present a major change to how organisations work, with an admission that the affordable rent scheme is still being designed, taking into consideration different and varying needs and rents, flexibilities to charge 'up to' 80% rent, low cost home ownership, targeted disposals and so on. There is an expectation that local authorities, providers and the HCA will need to work together differently: the latter is seeking the best value for money from the funding available. The conference was encouraged to 'think innovatively about the offer' that can be made: there is apparently still a desire for new build in the North including in regeneration areas, but we have to make this work.

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<sup>1</sup> New homes bonus, reported by Terrie Alafat (CLG) to be worth up to £10,000 per property

<sup>2</sup> Affordable rent at up to 80% market rent is intended to generate a surplus that can be reinvested in new build

We can expect to see the New Homes Bonus in operation from April 2011, with existing plans for build eligible for funding; a policy statement to set the context for consultation on fixed term tenancies for registered providers; a Northern event in the New Year to inform the development of the affordable rent policy and the HCA's prospectus in January 2011.

The sector can take action by responding to the consultation on the new homes bonus by 24 December 2011, understanding rent levels in their areas and where affordable rent may work and responding to the detailed proposals for social housing reform due out in January 2011.

**Proactive asset management** was raised by a number of speakers as a route to sustainable business plans, decency and new build although, as highlighted by Piers Williamson, 'selling the family silver' will not always be locally and politically acceptable. For those housing organisations with assets who choose not to develop there's a warning that government won't find this acceptable, particularly once other assets are exhausted – it's not safe to assume that 'sitting tight' will be the best route. Charlotte Harrison (NHC) also highlighted community assets and the need for the sector to capitalise on these (NHC is launching a project shortly).

The conference heard about plans for the **Housing Revenue Account** from several speakers. There was recognition that, in the short term, local authorities will face some pain, as the debt is distributed. It was stressed however, that in the longer term self financing is the only route to sustainable business plans, and getting to this point of 'all party support' for self financing has been a long and hard slog for the housing sector – rejecting it now would not be an advisable course of action. The delayed 'deal' was raised as a cause for concern given the expectation of implementation by April 2012, and the government's proposal that the last 10% of non-decent homes would be funded through this route.

Beyond the obvious support for local authorities and ALMOs being able to keep the rent generated by their homes, and for the inclusion of disabled adaptations within the settlement, plans to continue pooling Right to Buy receipts were felt unfair by a number of speakers, and cited by Steve Partridge as the equivalent of taking out a mortgage while being unable to benefit from the sale of the property.

Finally, the subject of 'raids' on the HRA was brought up by a number of speakers; a particular concern given the expected cuts in the local government settlement. Participants were warned against viewing the HRA as a 'pot' that could be used for other things, with self financing effectively presenting a ring fence, but it was clear from other speakers and participants that tensions between the HRA and general fund are 'inevitable', with local expectations that the HRA will contribute to general fund activities locally. The CLG presentation reminded us that self-financing is meant to be a route to enabling transparency for local authority tenants but it is questionable how transparent local authorities will be: will proposed tenant scrutiny arrangements be robust and rigorous enough to identify misuse of the HRA?

We can expect to see a CLG policy document setting out the rationale, methodology, the underpinning model and indicative numbers per local authority issued in January 2011 and CIPFA draft guidance.

The subject of Professor Steve Wilcox's presentation, **welfare reform**, was raised by all speakers as a major challenge to the sector and a policy area where further work is felt to be needed. There was also a fair amount of scepticism about whether and when proposals would be implemented, based on the government's poor record of implementing IT systems on time and the expectation that low paid Job Centre Plus staff will become careers advisors. Proposals to reduce housing benefit after 12 months on Job Seekers Allowance or for under-occupiers were also felt likely to change, the former because there are a number of policies 'aimed at the same place' and the latter because, in practice, how will this work?

There is concern that reform is not taking the facts into account, beginning with the notion that housing benefit has risen as a result of unscrupulous landlords charging higher rents. There is evidence showing that this is simply not the case: the rise is related to the overall lack of supply of affordable homes and the impact of recession on household income. Steve Wilcox highlighted that 'housing benefit is not any higher as a proportion of welfare benefit over time'.

The impact of introducing welfare and social housing reform was questioned a number of times by speakers: the two policy areas aren't felt to be aligned and Ministers are presenting contradictory messages. An example cited is that social housing reform wants to see a greater use of the private rented sector, including enabling local authorities to discharge their homelessness duties through this route on the assumption that the sector will be affordable. Proposals for welfare reform assume the sector isn't affordable, and that by capping the local housing allowance and making direct payments to landlords in return for a reduced rent, it will become more affordable. Speakers felt that this is a naïve assumption: there will be considerable variation in the market's response across local areas, with Steve Wilcox observing that there are areas where landlords have a choice of market ie, they may simply choose not to participate in the low-income market. Households in receipt of housing benefit will simply have less capacity to meet their needs in the private sector, suggesting there will be increased pressure on social housing.

An increase in funding for Discretionary Housing Payments was cited by Terrie Alafat as a positive move to enable local areas to meet needs, but Steve Wilcox questioned whether the North will benefit from this given the level of need that exists in the South: will it simply be used to enable people to remain living in their own homes, preventing homelessness, rather than enabling greater access to other options?

The implementation of universal credits faced criticism from speakers, alongside the proposals for housing costs which Steve Wilcox considered 'flawed'. Lone parent households and homeowners were highlighted as the most likely to be affected, with lone parents facing a reduction in their allowances and homeowners not able to seek out-of-work benefits. There is also some doubt whether direct payments to landlords will be possible under the universal credit system. Terrie Alafat indicated that the government is open to suggestions about how the ambition for universal credit to ensure that 'work pays' can be achieved: what are the barriers, and what flexibilities are needed locally?

While detailed proposals are still to emerge, a number of speakers suggested that organisations shouldn't wait to take action. It's clear that some households will be faced with a lower income - increased rent arrears and homelessness are two possible outcomes. Organisations need to consider how they can work with and support people to address shortfalls in their income, and to minimise rent arrears. With universal credit, there is a need to know far more about tenants – who is in work, who is in receipt of universal credit, who is in the household - so that advice, assistance and action is targeted and timely.

**A different approach to risk** is felt to be necessary for the future. A financier's perspective from Piers Williamson was a useful reminder of the sector's comparatively good credit risk ('better than the banks and some EU countries') and that compared to others we are in a better position to make things work. However, we need to understand why the banks treat housing organisations in the way they do (to mitigate the pain felt from offering low rates over a long term), we need to understand who needs the most from the relationship; and we need to revisit our approach to risk - do we borrow for the long term and 'lock in', or do we 'take a punt?' Higher risk choices are felt to be necessary in the future.

Finally, and as can be expected of a housing conference, there were many examples of organisations seeking **alternative ways to achieve ambitions**, even in the face of the CSR and a 'seismic shift' in the housing system. Outsourcing and shared services were cited by a number of people as routes to a better use of resources, whilst Brian Scott (South Tyneside Homes, ALMO) presented a picture of optimism, describing success in using surpluses generated from their Property Services as capital for new build, and sharing a hope to deliver plans to use sheltered housing to meet the needs of older people who are currently accommodated in residential care, working with the private sector.

### Next steps - how can the Northern Housing Consortium help?

The NHC recognises the scale of the challenge facing the sector in the North following both the CSR and the publication of the Social Housing Reform White Paper and the Localism Bill. We have circulated a support document to NHC members identifying areas where we can support you in meeting the challenges we face – a copy of this can be found on the Investment and Resources section of our website.

We are also engaging with members to support them in developing affordable housing proposals in light of the new approach to development and would welcome any feedback on your views.

Finally, we will be submitting a response to the Local Decisions paper and any comments you have please do forward to us by 12<sup>th</sup> January 2010.

Please contact Charlotte Harrison, Director of Policy and Strategy on [charlotte.harrison@northern-consortium.org.uk](mailto:charlotte.harrison@northern-consortium.org.uk) or 0191 566 1000.

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