



BRIEFING ON SURVEY OF ARCH MEMBERS

August 2008

BACKGROUND

This briefing has been prepared based upon a survey of ARCH members. The results have been compiled following in-depth interviews with senior housing officers in 25 ARCH member authorities. A full report, which also includes responses to questions designed to shape ARCH's priorities and future activities, has been circulated internally to ARCH members and partners. This briefing covers the aspects of the report relating to national policy and funding issues facing stock retained councils.

ARCH is represented on a number of working parties set up to inform the review of the Housing Revenue Account launched by the Department for Local Government and the Regions and Treasury. It is currently preparing its formal response to be fed into the review.

KEY FINDINGS

Detailed research was carried out among ARCH members to find out the views of senior officers in retained stock authorities in order to inform the activities of the Association. Key findings were:

- All members who took part are concerned about the future of council housing and dire lack of availability and affordability of housing locally.
- They all argue that the finance system is unfair to council tenants, many of whom are the most deprived residents living in their boroughs.
- All interviewees said their authorities were in negative subsidy and contributing more to the national housing pot than they are receiving.
- ARCH members would like to be able to spend the funds they raise locally to maintain existing properties, build new ones and benefit local communities.
- ARCH members all view the national subsidy system as volatile, unfair, unworkable and unsustainable.
- There is no aspect of the current finance system ARCH members interviewed wish to retain.
- They all think some sort of transitional arrangement is necessary to move from the current regime to an equitable, sustainable and workable system. They cannot afford to 'buy out' of current arrangements however.
- ARCH members interviewed said they can meet the Decent Homes Standard by the deadline, but are concerned as to how they will fund repairs and maintenance in the longer term beyond this. They are also concerned about the quality of the wider local environment and many would welcome a broader 'Decent Neighbourhoods Standard'.

- Many ARCH members said their council would like to contribute to national targets for three million new homes by 2020. But they do not believe they have sufficient opportunity to do so under current circumstances.
- They do not feel the Housing and Regeneration Bill provides sufficient opportunities to do so, although they welcome the new Homes and Communities Agency.
- Some are exploring the Local Housing Companies model but say this is dependent upon having sufficient land and resources to contribute.
- ARCH members can provide numerous examples of good practice and of ways in which their landlord role joins up with wider strategic priorities in their borough to meet holistic community needs.

KEY ISSUES FACING MEMBERS

The interviewees said their authorities were largely performing well on tenant satisfaction, rent collection, repairs and other indicators. They had met challenges presented despite limited resources. Some said they struggled to recruit skilled staff to certain positions, but were generally coping well with managerial matters facing them.

Most interviewees said that affordability was the key issue locally. One respondent summed up the situation: 'We have 4,000 people on a waiting list increasing by the day, a limited number of new affordable homes through housing associations and the financial climate is scuppering development.'

FINANCE

The over-riding concern of all the senior officers from stock retained councils is finance. ARCH members were unanimous in condemning the current regime. The words they used repeatedly to describe the current housing finance system were: 'unfair', 'unstable', 'untransparent' and 'unsustainable'.

All of the respondents' councils are currently in negative subsidy under the Housing Revenue Account system. They are all anxious for the Housing Revenue Account Review, which is currently under way, to provide greater clarity, equity and opportunity to fulfil their proper potential in providing homes for local communities. While ARCH members who took part are able to meet Decent Homes Standards by the 2010 deadline, there is widespread uncertainty about how they will finance maintenance and improvements in the future. They were also concerned about how the crisis in affordability can be resolved under existing financial arrangements.

Typical ARCH members' comments on the HRA:

'Now the national HRA is moving into surplus council tenants are subsidising the Exchequer.'

'We collect £12m in rent and £4m goes straight to CLG.'

'25% of our rental income goes to Government.'

'We collect £26m a year in rent, but this year over £11m of that is going back in negative subsidy.'

'We are paying £1m a year to subsidise others and don't have control of our own budgets.'

'Our turnover is £9m. For every pound, 31 pence goes off the central government. Once we take out MRA, we are still contributing £2.85m.'

'There may be a case for the government providing housing subsidy – but not for poor people subsidising poorer people.'

'The current finance system is unfair. We are not in control of our business plan.'

'We are treated differently to RSLs.'

'If we allow local authorities to keep and re-invest capital receipts that would be helpful in meeting the housing crisis.'

'The current system is a tax on tenants.'

'40% of our income gets taken by this appalling system.'

'We either transfer or go bust.'

RESPONSES TO QUESTIONS ON HRA

ARCH members were asked their views on questions relating to; the current housing finance system; how financial arrangements could be best shaped in future to reflect the needs of stock retained authorities and their residents; and what sort of transitional arrangements would be suitable.

Ring-fencing

ARCH members were unanimous that housing resources should be ring-fenced.

Self-financing

When asked whether ARCH should argue for its members to be self-financing, the vast majority of respondents said it should. Some added, however, that this was from the perspective of their particular authority, which would be better off, and that on a more altruistic level, they were sympathetic towards councils in need of subsidy. One interviewee commented: 'It takes away some of the problems in very impoverished areas – but it is a disincentive to looking after your own area.' A housing director believed that self-financing 'should be done in way that could benefit everyone'.

A lead housing officer from a self-financing pilot authority explained the complexities of self-financing as: 'Self-financing has been demonstrated to be a viable prospect that could deliver massive benefits. However, there are a number of practical issues that would need to be addressed before it could be put in place. The treatment of opening debt and the methodology for that is the key issue.'

Redistribution

When asked if there is a case for redistribution along the lines of the current subsidy system - with council housing as a national asset, one senior officer replied: 'No – this stifles local initiatives and rewards poor performance.'

A chief housing officer in a stock retained local authority summed up the pros and cons of a redistributive system as follows: 'From the Government's point of view, it would be difficult to drop the present subsidy system because there are authorities who are in need of the money they get and perhaps use it well. But locally people don't see it like that. There is a case for some progressive redistribution but why should it be from rent payers?'

Rents policy

ARCH members' views on rents policy, post restructuring was mixed. Some respondents believed the policy was right; others disagreed. One interviewee said: 'The regime does not enable local control over finances.' A director in a stock retaining council commented that rent restructuring has not helped his authority because it was allied to the subsidy system. Another interviewee said: 'I agree with the rent restructuring process. The review will discuss convergence, which is a more tricky issue; Housing association rents are usually £10 higher than council rents.'

Notional basis

There were also mixed views on the pros and cons of operating on a notional basis. As one member aptly pointed out: 'It depends whose notion!' One interviewee said: 'The notional basis is hopeless. It is too volatile and you can't plan your budgets.' Another commented: 'It not based on reality.' 'The problem is that you can win or loose on the basis of a paper exercise than what the reality is on the ground. A nearby authority has stock in the worst condition and a

poorer area and they are paying even more negative subsidy than us,' explained a senior officer.

A fresh start

When asked if there were any aspects of the current system they would like to keep, the overwhelming response was: 'Nothing'. All ARCH members interviewed all want the current system scrapped and a new, fairer one developed from scratch. After unfairness, the volatility of the current system was the biggest issue identified by ARCH members because it leaves them unable to plan their budgets. They argue that they are expected to operate like a business on one hand, but are not given the same freedoms to borrow against assets and invest in refurbishment and new build as other housing options.

Transitional arrangements

All ARCH members interviewed thought transitional arrangements to get from the current regime to a new more workable and equitable system were inevitable. They did not support the idea of having to buy themselves out of the HRA however. They were not clear about the sums involved, but any calculations made thus far were unaffordable.

An officer from a stock retaining authority also pointed out: 'You can't cut off those in debt nationally.'

It was suggested that the government needs to make a 'one off adjustment'.

Typical comments from ARCH members included:

'There would have to be transitional arrangements. But to say we would be subject to a payment subject to the current notional system to buy out would be a nonsense,' was how one respondent put it.

'Treasury is getting around £194m this year and there will have to be a way to compensate for that. We have looked at buying out of the current system but the initial figures are enormous and we can't see any benefit in doing that unless there was more stability.'

'We can't see any value in terms of buying ourselves out. Doing so over 30 years is too long, the cost too high and we have no guarantee what will happen in the long term.'

'We are debt free – I can't see why we should get in debt to buy ourselves out.'

'The only way to get more money into the system is that the government puts more money in. Where is that £194m going? If it's going into new build, it is being transferred into the broader housing sector from the retained sector. It would make sense to pump it into councils that need it in terms of positive subsidy or as a fund for transitional arrangements.'

Complexity

ARCH members highlighted the vast complexity of housing finance and the difficulty in reforming the regime in a way that benefits everyone. They are aware that there are no easy answers and that addressing some issues inevitably throws up others that need resolution. They welcome detailed research that has been commissioned by ARCH to present proposals to address the complex issues surrounding HRA, which will be presented to Government as ARCH's formal response to the review that is under way.

HOUSING AND REGENERATION BILL

ARCH members were asked their views on various aspects of the Housing and Regeneration Bill. They welcomed the Homes and Communities Agency. They say are largely either neutral or reserving judgement on other aspects of the Bill – such as provision for ballots, the new regulator and new provision for tenant involvement.

They say they will wait until they see how these translate into practice in stock retained councils before commenting. Interviewees commented extensively on Government targets for housing, and the fact that the potential of councils to contribute to addressing the national housing crisis is being overlooked.

Government targets for housing

ARCH members interviewed welcomed the Government target for three million new homes to be built by 2020 in principle. But most viewed the target as unrealistic in practice.

Typical comments included:

'I support the national strategy but don't know how it will be achieved, especially with the downturn in the housing market.'

'I think that the current credit crunch has undermined the key parameters and it will need to be reviewed.'

'In theory it is achievable, however individual planning constraints, delays on sites and the current volatility of the current housing market will impact on delivery numbers.'

'The overall framework and higher profile given through the bill is to be welcomed but I am concerned that it does not give as much emphasis on affordable homes as it does and not enough social rented housing.'

ARCH members saw great potential for councils to be able to contribute towards meeting national building targets. They argued, however, that they are unable to do much as it stands – as there are too many constraints and financial obstacles. Some ARCH members are looking at pursuing the Local Housing Companies model contained in the Bill, but most thought this offered only 'marginal' opportunity for councils to contribute towards meeting targets for new homes.

As one interviewee commented: 'Where [the Bill] has missed a trick is around the use of capital receipts. If it were to allow local authorities to keep and re-invest capital receipts, that would be helpful.'

PROVISION OF COUNCIL HOUSING

In terms of housing provision, while all respondents face affordability crises locally and most would like to be able to build new homes, they are not confident about their ability to do so under current Housing and Regeneration Bill models. Some ARCH members said they are considering the housing company model, but many expressed doubts that they would have sufficient land and resources to contribute. ARCH members also pointed out that skills for procuring and building properties, which used to exist in local government, have now been lost.

The survey confirmed that very little direct building by councils is taking place at present. Many ARCH members said their authorities would like to build. The barriers are: lack of funding, lack of land and lack of skills.

While some are looking at the housing companies model, there was concern that this route depends on availability of funds and land and meeting value for money criteria.

BEST PRACTICE

ARCH members interviewed are performing well and demonstrating best practice on rent collection, repairs, tenant empowerment, customer satisfaction and other indicators.

Retained stock authorities with innovative approaches identified during the survey included:

- Dartford's partnership working with local agencies including the police to tackle domestic abuse.
- Exeter's downsizing project, to free up large properties occupied by older people for families and move older residents into purpose built properties.
- West Lancashire's two members of staff in the Multi Agency Problem Solving Team, who are working with the youth service, police, probation and other agencies to tackle anti-social behaviour and other problems collaboratively.
- Norwich's 'mow and grow' scheme using volunteers to help elderly and disabled residents keep their gardens tidy.
- Brompton's establishment of an 'eco-team' and operation of new building projects in accordance with environmentally friendly principles.
- Kettering's graduate recruitment scheme and its life skills courses for young tenants.
- Cambridge City Council's sustainable procurement model.
- South Derbyshire's hosting of mystery a shopping co-ordinator role for the whole of the East Midlands.
- Runnymede's achievement in cutting rent arrears for three years in a row.
- Taunton Deane's homelessness service.
- City of London's Service Level Agreements with residents on an estate by estate basis.
- Great Yarmouth's tenant involvement and governance model.

HOLISTIC BENEFITS OF STOCK RETENTION

The interviews with ARCH members identified benefits of stock retention in meeting local authorities' wider strategic aims. This is demonstrated in the way in which direct council provision of housing adds value to local government activity by linking holistically with issues including:

- Climate change
- Homelessness prevention
- Anti-social behaviour
- Neighbourhood working and regeneration
- Sustainable procurement
- Services for elderly and vulnerable people
- Services for children

Local authorities that have demonstrated particularly clearly the holistic benefits of linking retained housing into a range of broader strategic goals of the council corporately identified during the survey include:

Bristol Council
Brompton
Cambridge
City of London
Dartford
Lewes
Redditch
South Derbyshire

Typical comments from stock retaining authorities on their links to strategic goals include:

'We are leading on tele-care in the county and have more referrals than elsewhere. That is helped because we have invested in our own technology and social services and health authority is dealing with another statutory agency.'

'As a service we have our own carbon management plan as well as an energy efficiency strategy.'

'We have made the case about the impact of good quality social housing and education and health.'

'As the largest spender in the authority, many of our building projects are let on a joint basis for civic buildings and housing so we can benefit from economies of scale.'

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