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AT THE HEART OF
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INTRODUCTION

Welcome to the seventh newsletter for finance practitioners and CIPFA members working in Local Authority Housing. This newsletter has been prepared by CIPFA's Local Authority Housing Panel and includes a piece on funding for decent homes, information on the Panel's Housing Finance seminars and summaries of sessions at a recent panel event.

FUNDING FOR DECENT HOMES

The Government's response to the ODPM: Housing, Planning, Local Government and the Regions Committee's Report on Decent Homes was published in July and clearly shows that the Government is maintaining its view that local authorities should use one of the three preferred options to attain the Decent Homes targets. The full response is set out in the ODPM website at: http://www.odpm.gov.uk/stellent/group_s/odpm_housing/documents/downloadable/odpm_house_029698.pdf

In an ongoing debate, several MPs and local authority representatives have called for a fourth option, generally defined by them as involving the Government in channelling directly to local authorities some of the resources currently directed to the three other options (Stock transfers, ALMOs and PFI), enabling local authorities themselves to spend to bring council housing up to Decent Homes Standards.

The option of local authorities borrowing to spend on housing standards improvements is however already available – though obviously severely limited in the absence of additional resources. Since the Major

Repairs Allowance Reserve can now be used to repay debt, and not only for financing capital expenditure immediately, it can be taken into consideration when determining an authority's affordable borrowing.

The extent of borrowing enabled in this way will depend of course on the size of the authority's Major Repairs Allowance Reserve.

The following extracts from their response to the committee report set out the Government position on funding:

“Recommendation 16 (Paragraph 107 of the original report): The Committee is concerned that a lack of funding as well as the delays caused by lengthy options appraisals procedures and tenant ballots may result in local authorities being unable to meet the 2010 target.

Government's response:

The 2010 target is a challenging one but the Government has made significant extra resources available from 1997 resulting in a 1 million reduction in the number of non-decent homes this year. In total, £18bn will have been invested in council and RSL homes by March 2004, with a further £7.5bn expected investment between 2004 and 2006. We expect to be on course to achieve, since 1997, a reduction of at least 1.6m non decent homes by 2008 as a result of the excellent Spending Review 2004 settlement for housing, for which the details for individual programmes will be announced in due course

Options Appraisals are essential as a means of effectively engaging tenants in decisions about investment priorities. They need to proceed at a pace that tenants are comfortable with.

This is to give maximum opportunities for tenant consultation, empowerment and ownership. We believe that any shortening in the Options Appraisal process will adversely impact the tenant involvement in the decision-making.

Recommendation 20 (Paragraph 128): The Committee recommends that the Government revisit its dogmatic pursuit of the separation of stock management and strategic management of housing. A flexible policy and a level playing field is needed so that tenants and Councillors can tailor solutions to suit local circumstances. In some cases, the optimal solution, as well as the one preferred by tenants, may well be that the local authority retain full ownership and management responsibilities.

Government's response:

The Government believes that separation provides a strong incentive to better performance; ensures a sharper focus on the two distinct housing functions; encourages councils to put more effort into their wider strategic housing responsibilities and guarantees that tenants have a greater role in the future management of their homes. ALMO inspections to date have resulted in an average improvement of performance scores of 20 per cent compared with a 5 per cent improvement shown in housing service scores of upper tier local councils between the 2002 Comprehensive Performance Assessment (CPA) and the 2003 CPA refresh on their housing service.

There is evidence that separation improves the landlord service. Tenants of RSLs created through stock transfer have higher satisfaction scores with 79 per cent of tenants of transfer RSLs

satisfied with their landlord compared with 74 per cent of council tenants. The three options available are all flexible enough to be tailored to suit individual circumstances, while still delivering Decent Homes. When undertaking an Options Appraisal a local authority should work closely with tenants in order to ensure the option they choose adapts to the needs of tenants effectively. Our policy for improving council housing is designed to give tenants the best possible deal within the available public expenditure. We have shown our commitment to council housing through the 13 per cent real terms increase in average investment per dwelling between 1997 and 2006. ALMO and PFI money is on top of this. In addition, in both 2004–05 and 2005–06 there is 6 per cent real terms increase in local authority management and maintenance allowances. Our interest lies in delivery of the Decent Homes Standard by 2010, driving up standards and giving value for money to the taxpayer.”

HOUSING FINANCE EVENTS

The next event hosted by the Local Authority Housing Panel will look at the recent developments in housing finance. The course is scheduled to take place in November; the exact date will be posted on the CIPFA shop <http://secure.cipfa.org.uk/cgi-bin/CIPFA.storefront/> as soon as it is confirmed. Topics covered at the event will include recent housing policy changes and accounting for Supporting People. There will also be interactive breakout sessions looking at options for managing housing stock.

The first of this year's housing finance events 'An Introduction to Housing Finance' was specifically aimed at

those wishing to establish a basic understanding of the way that housing finance works and was well attended.

Speakers, including representatives from ODPM, the London Borough of Hackney and Sheffield County Council, discussed a wide range of topics to give a detailed introduction to housing finance. Subjects covered included: methods of managing housing stock; the housing finance framework; regional housing boards and capital allocations and the financial management of housing benefit. In addition; the event also featured three breakout sessions covering the Supporting People programme; stock options appraisal and the housing revenue account in greater detail. Ken Lee, Chair of CIPFA's Local Authority Housing Panel and Chief Executive of Flyde Borough Council chaired the event.

Summaries of the main sessions are set out below.

Housing Strategy and Finance

Paul Cook, an Independent Consultant, explored the issue of housing strategy and finance and began his presentation with the reminder that both elements must be closely linked in all business plans. He explained that the best way to achieve this is through the development of simplified 'fit-for-purpose' models that can be rolled forward each year.

Housing strategies need to be deliverable and must incorporate the Decent Homes target. Help to achieve these aims is available from the 'Community Housing Task Force'. Paul noted that there is no annual review of strategy plans by Government Regional Offices and that the July deadline has been lifted. All

that is required is the submission of statistical appendices, which are used to feed the Regional Housing Strategy. The need to get the appendices accurate could not be stressed enough as they clarify what the real housing needs are.

'Fit for Purpose' Strategies

Housing strategies and the Housing Revenue Account (HRA) business plans set the framework for action over 3-5 years. Currently documents relating to both must meet 10 pre-set criteria to reach the ODPM's 'fit-for-purpose' standard:

≠# **Strategic Content:** The Council's role in the overall strategy

≠# **Effective Consultation:** The Cabinet Office *Code of Practice on Written Consultation* gives a good outline of what is required.

≠# **Stock Condition:** The importance of accurate information on this should not to be underestimated as it underpins all other work. It is therefore crucial to ensure that there is a budget in place to provide for comprehensive stock assessments. The strategy must include details of how and when the stock was assessed, how it has been and is to be monitored, what action has been taken towards and plans for meeting the Decent Homes target.

≠# **Current Performance:** includes performance in management, repairs and capital works and how this

compares to other Authorities and RSLs.

€# **Resources:** what resources are required and expected, all known or anticipated factors. Must be consistent with the overall housing strategy and the Authority must be confident that it is realistic.

€# **Priorities:** These must be; rational; clearly stated; explained and justified and **Options** demonstrating alternative ways of addressing priorities should be reported to indicate the Authority's proactivity.

€# **Action Plan:** Must be meaningful, include clear and realistic time scales and resources and consistent with the overall strategy.

€# **Progress to date:** Must be detailed in relation to the previous plan alongside information as to how it has been monitored. Authorities commonly do not carry out this element as well as they might - yet a lot of this work is financially based and could be usefully done.

€# **Accessibility:** The plan should allow non-specialists to read and understand it.

Regional Housing Boards

Regional Housing Boards join up the strategic and planning processes. They set regional housing priorities and target investment and other action and advise Ministers how resources available through councils and RSLs should be allocated. They will develop

a regional strategy by building on existing Regional Housing Statements and are expected to concentrate very much on moving money around the country by choosing which boroughs to invest in.

The regional strategy is intended to provide a picture of housing needs complete with identified priorities linked to regeneration and other strategies. Resources will be split between different areas and types of expenditure, meaning that Authorities and RSLs will then have to prepare their strategies, plans and capital programmes accordingly.

Homelessness Strategies

Current government policy is based on the Homelessness Act 2002. Statutory and good practice guidance was issued by ODPM in 2002. The Homelessness Code has statutory force and a recent government directive determined that by March 2004 no family with children is to be housed in bed and breakfast accommodation for more than 6 weeks. It is clear that this Government has prioritised this area. Substantial extra funding has been available in 2003-2004 and 2004-2005 and will apply in 2005-2006 as well. The question is – can the demanding targets established be continued after this time in the absence of such high support?

By 30 July 2003 Local Authorities were required to have adopted and published a homelessness strategy to prevent homelessness and provide support for the homeless or those at risk. The ODPM links strategies to funding. A self-assessment return, which covers objectives, strengths and common problems of Authorities submitted in 2003, determines the funding for 2004-2005 and 2005-2006. The Directorate will monitor outcomes

in 2004-2005 and 2005-2006 and promote good practice.

Best Value

Authorities have been tasked with achieving Best Value since April 2000; RSLs are not similarly responsible. A framework for best value in housing was published in January 2000 and again in September 2003 in the revised housing and homelessness guidance.

Comprehensive Performance Assessment (CPA)

CPA originated in a Local Government White Paper in 2001 and counties, unitaries, metropolitans and London boroughs were assessed in 2002. The long-term intention for the assessments is that they are to have a 'quality of life' focus. This is to enable a move away from the received wisdom of what is to be considered a good score to localised appreciation of what is good with a higher emphasis on cross cutting themes.

The Role of the Housing Inspectorate

The Inspectorate has four main roles, inspection, policy debate, publications and seminars. An Inspectorate assessment will be comprised of site visits, focus groups, interviews and analysis of performance indicators and key documents (including the Housing Strategy). The assessment will rate an Authority for both its current and expected future performance and Paul highlighted the importance of preparing the relevant documents well in advance of the submission date.

Internal Best Value Reviews

The government sees the internal reviews, introduced in 1999 under the Local Government Act, as a crucial

element of achieving Best Value. New guidance on the reviews was issued in 2003 under Circular 03. The reviews need to be sufficiently challenging and balance effort against potential gain i.e. effort should not be wasted on areas where there is little prospect for improvement. CPA findings are to be used as indicators for the areas that should be looked at and cross cutting reviews are favoured by ODPM. Best Value performance indicators are very difficult to produce in some Authorities, but are key sources for housing inspections. There are no national targets for housing or homelessness, but new for 2004-2005 are BVPI202 'Rough Sleepers' and BVPI203 'Percentage Change Homelessness Families in Temporary Accommodation'.

The Decent Homes Plus initiative is a review of the Decent Homes Standard, but it is unlikely to increase the Standard a great deal. Nevertheless, there will be a lot of work to be done outside of the Decent Homes initiative, which will mainly cover the interior of accommodation. The new Standard will be based on what the tenant would like to be done and what can be achieved locally within the resources available. An Authority would have to demonstrate that it had been out to consultation and had rationalised the responses gained. Decent Homes would therefore be a moving target that would be increased with additional elements, such as for example better care taking and security. In wider issues such as local partnerships will also be considered

Methods of Managing Housing Stock

Paul Mendes Da Costa, Head of Finance (Housing), London Borough of Hackney, began the day by outlining

the elements inherent in managing housing stock. His talk centred on the following areas:

- €# a position statement
- €# options appraisal requirement
- €# the cost of making homes decent
- €# the funding gap
- €# the options available for bridging the funding gap
- €# Private Finance Initiative
- €# Arms Length Management Company
- €# Large (partial) Scale Voluntary Transfer
- €# other options.

The Decent Homes initiative requires that an options appraisal must be undertaken by July 2005 and must result in a coherent plan for meeting the Decent Homes target. The options appraisal should begin with an evaluation of the cost of making homes decent, and central to this would be a stock condition survey. The LA should then consider how to meet the costs of meeting the target and implement its programme.

Paul reported that the cost of meeting the minimum requirements for Decent Homes in the Hackney was estimated at £327m. However the Authority has decided to set its own 'Hackney Standard', which will accommodate tenant priorities such as the fast track renewal of kitchens and bathrooms. This will cost Hackney £527m, of which it has £359m, but of this a further £259m is required for programmed works to keep decent homes decent. This means a funding gap of some £227m for the decent homes target and £427m for the Hackney Standard target. Hackney is unable to bridge this gap through conventional means.

The Government has determined a number of options that can be taken by Authorities that have a funding shortfall:

Private Finance Initiative (PFI)

An Authority that chooses this option will retain the HRA but will contract a company to undertake the work necessary to reach the Decent Homes target and assume the risk for doing so. Ownership of the properties is retained by the Authority, which also remains accountable to the tenants who must be consulted on the PFI proposal. To make this option affordable the Authority must get PFI credits and for this reason it is not seen as a whole stock solution as sufficient PFI credits are unlikely to be forthcoming. It is more common for the PFI option to be used to enable Authorities to go beyond the Decent Homes Standard.

Islington is an example of one Authority that has opted for PFI with a 30-year contract. The estimated average annual contract payment is £11m, with lower rates paid until the properties improve. The Authority receives a PFI subsidy payment of £6m per annum over 30 years (£1.5m per annum loss of MRA).

Paul turned to the risks and issues associated with PFI. For example: the contract price is a unitary payment that covers all work and there is the possibility of payment claw back if the work carried out is below standard. There is a limited market of contractors ready and able to take on PFI contracts if things go wrong. In addition the long-term nature of the contracts creates issues of uncertainty in relation to government funding frameworks. Paul suggested that this problem could be mitigated through building reserves in the early years through paying lower

rates and saving the difference to pay for the more expensive work later on.

Arms Length Management Company (ALMO)

If an Authority decides on the ALMO option, it enters into a contract with a management company. The HRA would remain open and the cost of the contract would be charged to the HRA. As with PFI this option requires tenants support before it can go ahead and has its own risks and associated issues. For example, in order to establish an ALMO an Authority may require significant revenue cost savings after one year, especially if the ALMO goes elsewhere for support services. High support costs could be charged to the HRA but business planning would drive this.

Large Scale Voluntary Transfer

Any Authority choosing this option would have to be aware that if it decided to retain the HRA, the housing service it provides would have to be downsized to service any remaining customers. However, as with the other options, tenants must be balloted and should they reject the move towards transfer the initial set up costs would be lost.

Other options

Paul explained that Authorities did have other fundraising options available to them. One such option would be to sell void properties. However he noted that this would be unlikely to receive political support. Land sale, especially in the Southeast could be very lucrative and Authorities could explore the option of entering into partnerships with other Local

Authorities to achieve economies of scale.

Authorities undertaking options appraisals should be aware of the key players involved. Tenants for example are a crucial element - without their support many of the options available cannot be pursued. Political figures will have manifesto promises to adhere to, and strategic directors of finance and housing will generally have a different perspective based on consideration of the future of the housing service and the Authorities organisational structure. The accountant's role is comparable to that of an independent consultant. It is crucial that finance professionals are involved as early as possible and are able to validate the financial information produced.

Paul concluded by noting that there is no single whole stock solution and within the overarching options outlined there is potential for individual neighbourhood solutions. Ultimately, the Decent Homes Standard is not achievable without significant government support and there is no way of knowing with respect to 30-year contracts what a change of government would mean to the allocation of resources.

Housing Finance Framework

Sukvinder Kalsi, Head of Housing Finance, Birmingham City Council discussed the framework of housing finance. He began the session by introducing resource accounting and explained that the aim of resource accounting is to assist in long term planning and facilitate long-term efficient use of assets. Accounts are to be consistent with the general fund and transparent on the HRA; allowing for

comparisons to be made with other social landlords. Changes to resource accounting are to be implemented during the period 1999-2004. 30 Year business plans have been implemented, as has a capital charge of 6% on Existing Use Value-Social Housing.

There are a number of developments that will take place in 2004-2005. In April 2004 Rent Rebates were transferred to the General Fund. 'Incentive Area' costs will be transferred to the General Fund, Transitional HRA/General Fund transfers 100% (2004/05) and 50% (2005/2006). Rent rebates limitations will also be introduced, meaning that if costs are exceeded the difference will have to be met by the HRA. Derogation from this limitation is possible but only on a temporary basis via an application to ODPM.

Resource accounting has forced Authorities to think long-term and link housing issues to wider strategies. However tenants and members have not found accounts to be much more transparent, though there has been some increased comparison with other social landlords.

The basic framework of Housing Subsidy was outlined in the Local Government and Housing Act 1989.

The subsidy will be distributed from Central Government to Local Authorities. The aim is to establish a relative housing need and provide for the collection of financial data such as rent arrears and provide for an administration / payment system. The key components of housing subsidy are the Management and Maintenance Allowances, which provide for separate allowances based upon the age and type of accommodation in question. The Notional Rent Income

(2% voids), Capital costs which have been changed for 2004-2005 and other income and expenditure.

In 2004-2005 the developments in the Housing Subsidy will be that notional income increases will exceed allowances and because of this retention of property will become more profitable. There will be a subsidy capital financing requirement, abolition of set aside receipts (RTB), supported capital expenditure for example ALMO and PFI credits and appropriations into the HRA.

Sukvinder went on to talk about the Prudential Housing Capital framework, introduced in April 2004. The aim of the framework is to provide strategic national control and flexibility for Local Authorities. Credit approvals have been abolished and will be replaced by supported capital expenditure. The minimum provision will be removed and reserved capital receipts will be removed. A capital financing requirement will be introduced.

Regional Housing Boards and Capital Allocations

Stephen Biddulph, Policy Advisor, ODPM gave a overview of the Communities Plan that introduced Regional Housing Boards, Regional Housing Strategies and Regional Housing Pots. He began with an introduction of the Regional Housing Boards.

There are nine administrative Regional Housing Boards, which basically bring Whitehall to the regions. They are intended to be multifunctional and bring regional knowledge to Central Government, through the membership of the Boards.

The Regional Housing Boards are tasked with producing a Regional Housing Strategy, which will be revised in April 2008. They will recommend to ministers how the Regional Housing pot should be distributed and ensure that there is integration between regional planning and economic bodies. This latter aim is reflected in the inclusion of a Regional Planning and Regional Development Agency Representative on the Board. Stephen stressed that the Boards were not only there to advise MPs but more importantly to help make the delivery of services happen.

Kate Barker's Review of Housing Supply has influenced the next steps for regional agendas as it has consequences for the Regional Housing Boards. The review's main conclusion, that there are not enough houses is well known. The review made a number of recommendations. Recommendation 6 stated that:

'The Regional Planning Bodies and Regional Housing Boards should be merged to create single bodies responsible for:

- €# managing regional housing markets
- €# delivering the region's affordability target
- €# advising on distributing resources for social housing'

Additionally the review also gave a timetable for the implementation of these recommendations:

- €# Summer 2004 – consult on options
- €# Autumn 2004 – ministers announce new structure
- €# Summer 2005 – new structure comes into being.

Stephen explained that in terms of housing, the new Regional Assemblies are to take a strategic approach to housing capital investment in the region and allocate support for housing capital investment between Local Authorities, housing associations and anyone else who could deliver the Assembly's strategic vision. Essentially this means that the Assemblies will decide what gets spent and where, meaning they will have a similar role to the Regional Housing Boards, but will not have to refer to Central Government in the way that the Housing Boards do.

A Practical Look at One Case Study Housing Revenue Account (HRA)

Philip Taylor, Head of Finance and Resources, Neighbourhoods Directorate, Sheffield City Council led a practical workshop that explored a case study examining recent policy developments and what they mean for Sheffield City Council and its HRA.

To place Sheffield in context Philip explained that the city had a population of 512,000 people and 54,000 units of council housing stock. In the most recent CPA the Council was rated 'good' for performance, 'excellent' for management and 'good' overall. However, despite massive progress in recent years it is now in a challenging financial position.

Sheffield has a 'fit for purpose' housing strategy, a nearly 'fit for purpose' HRA business plan and a 2* inspection rating. The Authority established an ALMO – Sheffield homes in April 2004, and also works in a public private partnership with Kier Sheffield LLP (Limited Liability Partnership). It is a housing market renewal fund pathfinder and is focusing on regeneration.

In terms of housing stock and capital resources, 83% of Sheffield's stock fails to meet the Decent Homes Standard. Of the £1,000m needed, the Authority has £400m, leaving a resource gap of £600m. Philip explained that this gap had resulted from the great reduction in spending on housing in the 1980s and 1990s but noted that policy since the late 1990s has focussed substantially on reversing this trend.

The Authority has been successful in the round 3 ALMO bid (£145m), has submitted its bid for round 4 (£196m) and is currently looking towards round 5. Partial transfer has been placed on the programme and Sheffield is now looking forward to a funding regime for negative value transfers.

Sheffield's HRA position is one of low rent and low spend. It has a declining income base having lost approximately £30m over the past few years due to: vacant rent loss, right to buy sales and regeneration schemes that have seen the demolition of properties that are too expensive to restore to a usable condition. In sum it is "capital rich, revenue poor"; there is lots of investment money around, but not a lot for routine investment. Sheffield did not gain a great deal in the Subsidy Review of 2004 and has an in year deficit of £3m which has been allowed this once due to the establishment of the ALMO.

The key challenges faced by the Authority is the declining income base, partnership working with Sheffield Homes and Kier Sheffield and regeneration. It will also have to deal with booming insurance pressures, Capitalisation, the Supporting People programme, as well as Extra care

Housing, Sheltered Housing Strategy and Elderly Residential provision.

Supporting People

Christopher Smith, Special Advisor, ODPM, gave an overview of the Supporting People Programme, a government policy initiative aimed at ensuring a quality of life and independence for vulnerable people. He explained how the planning and development of the services provided under the initiative is to be needs-led and the services provided are to be of high quality, planned, cost effective and complement existing care services. The Government intends that these services be provided via a working partnership of local government, housing associations, support agencies and service users.

The programme went live on 1 April 2003. Supporting People teams identified 'Legacy Funding' and ODPM pays grants to Local Authorities net of charging income. In order to provide the services Authorities have established 'Interim Contracts' for services and pay for those used. Charges are also collected for short-term services.

An independent review of the Programme has concluded that £1.8bn is too much for a legacy provision. The review further concluded that there is still both unmet need and a need also to address disparities in unit cost. For now however funding for the programme is to remain ring-fenced.

The decisions of the Spending Review will impact upon the immediate future of the programme, as will any changes that are made to the distribution formula and the results of the Audit Commissions value for money inspections. An analysis of service

costs and increased capacity building is planned. The future vision for the programme is that it will provide strategically relevant local services through local partnerships at an affordable level of funding.

Further information on the programme can be obtained from the Supporting People helpline: 020 7944 2556 or on the website: www.spweb.org.uk

The Kingston upon Thames Housing Options Project

Lindsey Wishart, Head of Community Services Accountancy, Royal Borough of Kingston upon Thames led a workshop exploring the Housing Options available and how they have been approached by Kingston upon Thames.

Lindsey began with an overview of the housing situation of Kingston, explaining that it has 5,100 tenants and 1,000 leaseholders, owns 1,100 sheltered units. It has previously made two attempts at stock transfer. The major financial concerns faced by the Authority are the lack of investment in the housing stock and the level of homelessness in the Borough. Both areas were subject to Best Value Reviews in 2000/2001, by Review Groups comprised of officers, members and tenants.

Within the long-term investment review, Kingston did not have a comprehensive stock condition survey and the capital programme has been restricted to the most urgent work in recent years. The Authority estimates that there is a spending need of between £8-12m per annum over the next 10 years, but the resources available total £5m.

The options available to close this funding gap are:

- £# Internal options
- £# External options
- £# stock transfer
- £# private finance initiative
- £# arms length management company

Internal Options

When considering the internal options, attention must be focused on the available scope within the HRA business plan, whether rents could be increased through rent restructuring and if Prudential Borrowing is affordable. For Kingston, the answer to these questions was no.

Stock Transfer

This option is only possible if tenants vote yes in a formal ballot. A transfer of stock would close the funding gap but would entail the most change for tenants.

Private Finance Initiative (PFI)

Under PFI the Authority would enter into a long-term agreement with an external partner. The partner would borrow the funding necessary to carry out the capital works and be paid an annual fee by the Authority for managing the stock. The government has confirmed that 'PFI credits' to help fund the scheme are available, but only to a limited number of Authorities and that given would be unlikely to cover the whole stock. Kingston's tenants were not keen on PFI.

Arms Length Management Organisation (ALMO)

Future rounds are uncertain and will be extremely competitive. The use of an

ALMO only 'might' close the funding gap.

Overall then for Kingston, stock transfer is the most likely route to quickly securing the investment required. Lindsey concluded that the process of evaluating housing options should not be overwhelming, though there are some fairly complex technical financial issues to explain to tenants and councillors. The key to any options appraisal is a comprehensive stock condition survey and extensive consultation with tenants.

Housing Benefits- Financial Issues

Simon Wiles, Director of Resources, City of York Council, detailed the ten key issues that relate to the relationship between administration, legislation and finance. He explained that the government reimburses Authorities for the expenditure incurred, and in their eyes, the bigger the subsidy, the more 'proper' the benefit. The objective is to maximise payments, but to minimise subsidy loss and other financial costs

Rent Officer Referral and Re-referral

Rents are checked at the start of a tenancy and re-referred within 12 months following a change of tenancy. If the Rent Officer does not carry out these checks or does not enter the data from them onto the system then no subsidy will be given. Simon highlighted that a great deal of subsidy is lost in this way. Rents above the Rent Officer level and inaccurate data on the system, also incur a loss of subsidy.

Subsidy Classifications

Exceeding the lower or higher local authority error thresholds results in lower subsidy rates for the whole value

of the local authority error. Conversely the amount that the government will give if the Authority is getting this right can be quite large therefore it is worth employing someone to work on this issue.

40% is available for claimant error overpayment and fraudulent claims and 100% for backdated claims, but this incurs far greater scrutiny. Authorities also have to be mindful of local schemes such as war pensions. These different elements can and are misclassified and 'penalty areas' are checked prior to a subsidy claim. Local Authorities are advised to compare subsidy loss to other Authorities.

Local Authority Overpayments

Authorities can now receive subsidy on overpayment if such overpayment is below the threshold:

- 100% of LA overpayment less than 0.48% of total expenditure
- 40% of LA overpayment between 0.48% and 0.54%

This means for example that on expenditure of £30m you would receive 100% of overpayment less £144,000 and 40% of overpayment between £144,000 and £162,000. No subsidy would be received for overpayment above £162,000

Backdated Awards

These awards can result from the system records not being equal to reality or manual records or through incorrect data entry, for example, where an awards start date has been entered as before the date of the application. In addition awards can result from genuine retrospective claims where the applicant has been unable to claim the benefit entitled for

genuine 'good causes'. The government has issued guidance on what it to be considered a 'good cause'. Backdating can cover council tax benefit and housing benefit.

Overpayments and recovery

In terms of Housing Benefit finance, Simon stated that this is probably the worst managed area both financially and operationally. As such it is also a hot topic for the Benefit Fraud Inspectorate and an Authority's score in this area feeds directly into its CPA score. Overpayment recovery can take many different forms including clawback, offsets, instalments and cash. The net accounting for overpayments equals a subsidy loss.

Reconciliations

This is of the benefits system to the general ledger. At the year-end issues to be addressed include closedown dates, items brought forward and carried forward, accruals and prepayments. There will also be timing differences between entitlement vs. payment and benefits to debtor recovery.

Incorrect Benefit Savings

Weekly Incorrect Benefits Savings (WIBS) has replaced WBS (Weekly Benefit Savings). Simon strongly advised the carrying out of sample tests, as claims can be widely wrong.

Backlogs

If an Authority has processing backlogs then not only will it lose subsidy, but also the errors generated will be larger and spotted later, leading to more backdating. This would negatively affect staff morale and rent and council tax arrears will negatively

impact on the Authority's cashflow and collection performance indicators.

Performance Indicators

Backlogs will worsen processing based performance indicators and if significant will result in a government initiated inspection. An Authority can decide to close off outstanding cases, but if and when to do so is a policy issue. Simon noted that performance indicators taken straight from the system are almost always wrong and should not be taken at face value.

Simon finished with the suggestion that in order to better deal with the issues outlined an Authority should insist that its assessors have subsidy training and ensure that there is great clarity about who is responsible for what between housing benefit staff and accountancy. There would also be great benefit in obtaining subsidy loss comparisons for other Local Authority error/claimant error/local schemes and weekly incorrect benefit savings etc as a total percentage of total local benefit paid out. Equally, Authorities should ensure that all Local Authority errors and other penalty areas are rechecked before subsidy claims are submitted.

ONLINE GUIDE TO LOCAL AUTHORITY HOUSING FINANCE

CIPFA's Technical Information Services publication *Housing* was fully revised and recently re-launched. *Housing* provides a straightforward, practical introduction to Local Authority housing finance, covering both the landlord function and the broader statutory function of housing authorities. With numerous links to further sources of information, it is intended as a point of entry for housing management and finance practitioners at all levels, and can be used as a

training aid or as a general resource. Regular updates are produced by a working party of experienced housing finance practitioners, and are provided as part of the overall subscription.

The title is available online via the Technical Information Services website, www.tisonline.net To check if your organisation already subscribes, register on the website and then click on 'My Titles'. Features of the online service include legislative links, search facilities and glossary, as well as the convenience of instant, organisation-wide access. The site also provides discussion forums where housing practitioners can post questions, discuss current topics and exchange views with other professionals.

For more information, see www.tisonline.net or e-mail tis@ipf.co.uk

NEW PUBLICATIONS AVAILABLE NOW FROM THE CIPFA SHOP

A Good Practice Guide to the Financial Management of Housing Benefit in England 2004 (Fully Revised Second Edition)

CIPFA's new housing benefit financial management guide has been completely revised and extended since the 2002 edition. Written by independent housing finance expert Paul Cook for the CIPFA Housing Panel, with support from Department for Work and Pensions (DWP) Housing Support, the Benefits Fraud Inspectorate (BFI) and the Audit Commission Grants team, it is a must for housing benefit finance practitioners, housing benefit directors and managers, and elected members.

An Introductory Guide to Housing Finance in England 2004 (Fully Revised Second Edition)

CIPFA's new housing finance guide has been completely revised and extended since the 2002 edition was published. Written by independent housing finance expert Paul Cook for the CIPFA Housing Panel, with support from the ODPM Housing Team, it is a must for housing finance practitioners, housing managers and elected members.

Supporting People: The Essential Guide for Finance Practitioners (2004)

CIPFA's easily accessible new guide explains in detail all the financial provisions fully cross-referenced to legislation, regulations and Office of the Deputy Prime Minister guidance and includes a chapter on the implications of the independent review. Its comprehensive coverage of the programme and expert commentary on Supporting People in practice makes CIPFA's latest publication required reading on an otherwise complex programme.

PUBLIC MANAGEMENT AND POLICY ASSOCIATION (PMPA)

The PMPA offers managers and policy makers a range of opportunities to keep in touch with and understand the wider crosscutting developments in public policy making that affect the governance, general and financial management of public services.

Forthcoming events:

9 September 2004: Funding Public Services. Edward Davey MP

7 October 2004: Well Placed to Deliver? Sir Michael Lyons

30 November 2004: Are We Ready? Civil Service Reform. Ed Straw

To find out more:

The PMPA is a national membership organisation, managed and supported by CIPFA. Members of CIPFA, ACCA and CIMA are entitled to join at the discounted rate of £75.00.

Further information on joining the PMPA is available from the PMPA website – www.pmpa.co.uk (which includes a downloadable application form) or from Sandra Harper at CIPFA, 3 Robert Street, London, WC2N 6RL. Tel: 020 7543 5679; fax: 020 7 543 5695; email: sandra.harper@cipfa.org

THE LOCAL AUTHORITY HOUSING PANEL

CIPFA's Local Authority Housing Panel meets three times a year and is responsible for all financial management and policy issues that affect housing finance. The Panel:

- €# develops Institute responses to Government, professional bodies' and other bodies consultation/discussion papers and exposure drafts
- €# develops, promotes and maintains best practice, standards and guidelines
- €# produces and disseminates relevant advice and material for members and employers in local authority housing
- €# establishes positive and productive professional

relationships with Government, government departments and agencies, the national audit bodies, professional regulators and other bodies falling within the Panel's defined areas of responsibility.

The current Panel Members are:

Ken Lee *Fylde Borough Council*
(Chairman)
Bev Angell *Nottingham City Council*
Paul Cook *Consultant*
Suzanne Dowse *CIPFA*
John Hawes *Sedgefield Borough Council*
Sukvinder Kalsi *Birmingham City Council*
John Kettlewell *LB Tower Hamlets*
Lesley Lodge *CIPFA*
Rhys Makinson *LB Camden*
Anne Phillips *Powys County Council*
Adrian Waite *Consultant*
Simon Wiles *City of York Council*
Tony Wardrobe *National Assembly for Wales*
Lindsey Wishart *Kingston Upon -Thames*

Members by Invitation

Subroto Duttaroy *ODPM*
Steven Nisbet *Perth & Kinross Council*
David Thomas *Consultant*

Further information about the Panel's activities, publications and seminar events are available on the Panel website at

<http://www.cipfa.org.uk/panels/housing/> or from the Panel Secretary, Suzanne Dowse, tel: 020 7543 5795 or email suzanne.dowse@cipfa.org