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**CIPFA LOCAL AUTHORITY
HOUSING PANEL**

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AT THE HEART OF
PUBLIC SERVICES



Welcome to the eleventh edition of newsletter for finance practitioners and CIPFA Members working in local authority housing. This newsletter has been prepared by CIPFA's Local Authority Housing Panel. The Housing Panel is committed to providing quality events, publications, services and invaluable insights into the challenges facing CIPFA members in the local authority housing finance. This issue features coverage of the recent Panel course '*Supporting People: Reshaping the Finances*', CIPFA's recent response to the ODPM consultation on HomeBuy - Expanding the opportunity to own, and forthcoming events in the PMPA.

SUPPORTING PEOPLE – ESSENTIAL GUIDE FOR FINANCE PRACTITIONERS, PUBLISHED JULY 2005

The Supporting People programme continues to provide local authorities with plenty of financial challenges:

- a programme grant cash freeze in 2004-2005
- most authorities have programme grant cuts in 2005-2006
- many authorities have seen their administration grant fall too in 2005-2006, perhaps by up to 20%
- the inspection programme is gaining momentum
- authorities now have 5-year strategies in place, and need to complete their service review programmes by 31 March 2006.

Expert financial management of this programme is at a premium, as councils have been using the programme to help vulnerable clients. The second edition of CIPFA's hugely popular guide is, therefore, required reading on this complex area. All the financial provisions are explained in clear tables, and there is extensive cross-referencing to legislation,

regulations and Office of the Deputy Prime Minister's guidance. Tables also include expert comment on Supporting People in practice.

To purchase a copy visit http://secure.cipfa.org.uk/cgi-bin/CIPFA.storefront/EN/product/HO021_

FINANCE DIRECTORS

The supplement to the CIPFA Statement on the Role of the Finance Director in Local Government produced by the Police Panel has been published for consultation. The paper is available to download from the Panel website www.cipfa.org.uk/panels/police and comments can be submitted online or forwarded to Suzanne Dowse at suzanne.dowse@cipfa.org. The deadline for comments is Wednesday 31 August.

EFFICIENCY TARGETS

The ODPM has published further guidance on measuring efficiency gains in local government, taking on board the findings of the Measurement Taskforce. The new guidance is available from the national guidance section of The Regional Centres of Excellence website: www.rcoe.gov.uk (AES Backward Look Guidance). The guidance on measuring efficiencies in capital spend makes specific reference to using proper accounting practice (BVACOP) in order to measure the efficiency gains.

LOCAL GOVERNMENT FINANCE

The ODPM has issued a consultation paper on options to change the formula for distributing revenue grant to local authorities. The closing date is 10 October. The consultation paper is available at www.local.odpm.gov.uk/finance

VALUE FOR MONEY OF DELIVERING AFFORDABLE HOUSING THROUGH SECTION 106

In 2003, ODPM commissioned the University of Cambridge and University of Sheffield to undertake a study on the value for money of delivering affordable housing through the planning system ie through section 106 (s.106) agreements. The aim was to provide evidence on how much affordable housing is being delivered through planning obligations, how it is being funded and how delivering affordable housing in this way contributes to mixed communities.

ODPM has now published the study on its website – click here to read it in full: http://www.odpm.gov.uk/stellent/groups/odpm_planning/documents/page/odpm_plan_039124.hcsp]

The study confirms the importance of using planning obligations in the delivery of affordable housing. As developers and local authorities are becoming more familiar with using planning obligations, the system is improving and delivering more affordable housing. However, there is room for further improvement. The main drawbacks are perceived to be the delays in negotiation and the costs. ODPM says that the Government is seeking to address these issues through clearer policy and good practice on planning obligations.

The study also found that delivering affordable housing through planning obligations makes a valuable contribution to the Government's aims of mixed communities.

SUPPORTING PEOPLE: RESHAPING THE FINANCES

Supporting People: Reshaping the Finances was attended by some 130 delegates. Speakers included: Jane Everton, Divisional Manager, Supporting

People, ODPM; Andrea Cannon, Supporting People Manager and Anita Parker, Finance Manger, Surrey Supporting People Team; Christopher Holley, Supporting People Manager, London Borough of Harrow; Lindsey Wishart, Head of Community Services Accountancy, Kingston upon Thames; Rob Mallett, Housing Sector Analyst, Mazars LLP; Barbara Perry, Head of Strategy and Performance (Housing), London Borough of Hounslow; Domini Gunn, Supporting People Inspection Coordinator, Audit Commission and Paul Cook, Independent Consultant who also chaired the event. Some of the main sessions are summarised below.

The Future of Supporting People. Government Overview and Future Policy

The day began with a central government overview of the future policy of Supporting People given by Jane Everton. She started with a brief recap of the Programme, noting that it had been successfully launched on 1 April 2003 to replace a range of diverse funding streams and enable authorities to plan, develop and deliver services to meet local needs. Currently 150 administering authorities and over 6,000 providers via an estimated 37,000 individual contracts deliver the programme to over 1.2 million services users.

The Robson Rhodes Review determined that the £1.8 billion legacy provision cost of the programme was too much and that wide disparities existed in the unit costs of services provided. At the same time the report confirmed that unmet need remains. Jane reported that in line with these findings commissioning arrangements are to be strengthened, but funding will remain ring-fenced as this has stabilised the programme.

ODPM has carried out a great deal of research into the legacy provision including a Supporting People Benefits Realisation Study (which analysed the value of services and helped to secure the funding given in the 2004 spending review) and an analysis of services provided. The findings of Audit Commission Inspections have also been looked into. This information has helped to promote change in service provision, giving a strategic focus and promoting demand rather than needs led provision. It has also promoted capacity building and improved the quality of the services provided.

Funding stability has been achieved via the three-year settlement that confirmed £5bn of funding for three years. Moreover, not tied to housing provision, this funding can be used more flexibly enabling eg the use of floating support that has improved prevention. The review process has led to greater efficiencies and the introduction of the Quality Assurance Framework (QAF) has helped to drive up the quality of the services provided.

The programme is now at a crossroad. When the service review process ends in 2006 though some elements will be retained, authorities will not be asked to carry them out again in the same way. Future projections see efficiency in procurement becoming more of a focus and to support this ways of providing lessons learned information from VIPs (value in procurement) and Beacon Councils is to be developed. The system of 'Passporting' good providers will also be explored further. Local Area Agreements will be extended so that they are applied more widely and focus more strongly on outcomes. Jane noted that the ringfence for Supporting People funding is relaxed for LAA's to enable funding streams to be brought together for particular outcomes.

Regarding the distribution formula, Jane noted that there is no certainty beyond the decision that no authority will lose more than 5% or gain more than 10% funding over the next two years. The decision as to what happens after this time has yet to be taken, but it will need to be taken soon. She confirmed that any change in the formula would be consulted on. For the next Spending Review the key will be to prove the Programme's value for money and to do this it is likely that the Benefits Realisation Study will be developed further.

In the discussion following Jane's presentation it was suggested an ODPM consultation on the passporting system for procurement would be helpful, as so far there has been little take up of a system that should be of benefit to local authorities.

Five Year Supporting People Strategies – Getting the Finance Dimension Right

Andrea Cannon and Anita Parker based their joint session on how Surrey has dealt with the challenges posed by financing the Supporting People Programme. Andrea put Surrey into context as a fairly affluent area that has pockets of deprivation and extensive rural areas, which can complicate service delivery. To provide Supporting People, the County Council works in partnership with 11 boroughs and councils, 5 Primary Care Trusts, Surrey Probation Area and 138 providers with a grant for 2004/05 of £19.8M and 2005/06 £18.8M. Under the emerging distribution formula this funding could be cut by up to 34%.

The 5-Year Strategy 2004-2009

Surrey's strategy was submitted to ODPM in March 2005 with the full support of the Council's statutory partners. It incorporated caveats in view of the grant announcement in December 2004 and the

emerging distribution formula and also an outline plan for each financial year with estimated costs. The Council's draft future strategy was commended by the Audit Commission as based on thorough research of housing support needs.

Andrea emphasised that the key to a good strategy is the right foundation. The building blocks to this include:

- making the financial implications of the strategy clear.
- ensuring that partnership works by developing strategic links and "wins" for all
- effective consultation with providers, voluntary sector and specialists on the frontline
- thorough research – in Surrey this was carried out by an in-house research officer who utilised the existing information and carried out specific research projects such as a needs mapping survey with providers and a Case Manager Survey that investigated the unmet support needs. Externally research projects were carried out that looked at "Complex Needs" and "Floating Support Research" that helped to alleviate ODPM scepticism regarding the value of the services provided.
- involving existing and prospective service users via focus groups in different parts of the country with existing service users.

Andrea stressed the importance of making the right links with partners through formal governance arrangements and the need for all to understand the national agenda (Sustainable Communities Plan, Valuing People and the National Health Service Plan etc) so that it can be followed through at the local level.

The next step is to then dovetail the component strategies within the five-year

strategy and to find the win-win way of working them together.

In summation the key essentials for a successful supporting people strategy are:

- leadership, partnership and trust
- promoting independence and choice for vulnerable adults
- preventing individual need for more acute and expensive services
- flexibility to adapt – to cope with on going changes
- ongoing review.

Understand that flexibility does not depend on the availability of funding, it can be achieved via strategic shifts through:

- de-commissioning services not strategically relevant
- re-modelling services
- re-negotiating contract prices to achieve value for money
- working with larger providers to re-direct funds as appropriate
- the service review programme – **a critical tool in delivering the strategy!**

Anita Parker focused the second half of the presentation on how to link the strategy and budget to best effect, noting how this had to be achieved within the context of the:

- 5-year Strategic Plan and the costed areas for growth
- likely scenario of budget cuts (worst case scenario to March 2008 known)
- existing contractual commitments with providers
- desire to achieve strategic shifts even within financial constraints.

She went on to outline the variety of issues that have to be observed and worked through:

1 Keeping the Stakeholders on board

- any budgetary or financial aspect of the programme must include consultation and approval from a number of stakeholders. For instance
 - the administering authority must be informed and authorisation must be received for plans to manage the financial risk
 - authority must be sought from the Commissioning Body in relation to achieving the strategic focus and balancing it with the financial risk
 - transparency with Providers is essential regarding any financial constraints and plans for managing the budget.

2 Managing the risk

- the administering authority carries the financial risk
- there are a lot of unknowns ie
 - what will the impact of the distribution formula be?
 - will there be stringent cuts?
 - what will the pace of change be?
 - will authorities be allowed to rollover over/under spends to help them manage?

3 The Need to Make Assumptions

- a worst case scenario of 5% is assumed for the next two years
- in Surrey the aim is to manage by accruing surpluses from year to year to carry forward and it is assumed that surpluses will be carried forward and existing providers will be offered contracts to March 2007.

4 Managing the Risk

- it is critical to continually check the budget projections for the current year and beyond to ascertain the:
 - impact of cuts
 - impact of savings due to de-commissioning of (strategically irrelevant) services
 - impact of negotiated savings
 - other budget pressures (fairer charging; rent unpooling and leaseholders).

5 Budgetary Planning

- all budgetary and financial management processes must comply with County corporate and departmental guidelines
- the Supporting Peoples budget is ring-fenced for reporting processes (in Surrey the carry-forward from this ring-fenced budget has protected the Council from cuts up to now)
- as the ultimate financial risk rests with the County they must be kept fully informed if from April 2007 cuts from the SPDF consultation are confirmed
- if cuts are confirmed then existing services will be at risk unless the service reviews provide sufficient savings to cover the gap in funding that will result.

6 Negotiating Savings

- use a range of criteria to assess VFM as part of the review for example cost per hour and ODPM regional and national benchmarks of weekly costs for each client group
- consider quality and “exclusions”
- consider the outliers and scope for negotiation.

Anita noted the expectation for greater information and therefore greater certainty regarding funding towards the end of the year. She recommended that it should be communicated to the Executive and the Commissioning Body in a timely manner as they will need to make key decisions concerning for example inflation increases for providers and the ability to deliver any plans for growth or award contracts beyond March 2007.

Once the financial position is clear the Commissioning Body will agree the annual plan for 2006/07. This will enable the strategy and the budget planning process to be brought back together using the current cost of contracted services and agreed pipelines as baseline figures.

Anita stressed the importance of the contracts, finance and strategy processes, highlighting how contracts are crucial to:

- capping a financial risk
- ensuring transparency and fairness for the provider
- ensuring the strategic relevance of a service
- providing clear service specifications
- enabling comprehensive monitoring and review.

To achieve this the contracting process must be integrated well and this is achievable through:

- effective liaison between the Finance Manager and the Contract Officer
- strategic relevance and VFM negotiations (service reviews)
- agreed schedule of service costs to underpin steady state contracts
- finding the balance between VFM and the financial stability of the provider
- trying to protect the long-term viability of the sector

Value for Money and Service Reviews

Christopher Holley's session reflected the London Borough of Harrow's path to the achievement of a "robust service review programme and process". He began by outlining the questions that ought to be considered when service reviews are being planned:

- how is the process to be approached? Harrow used shadow strategy grouping of service groups – a methodology supported by the Audit Commission
- is there enough capacity? Has slippage been built into the timetable?
- has the review procedures/information been published so as to ensure that those that are being reviewed have seen it and are able to ask questions before rather than during the review
- is there processes for working in partnership across the region in place?

Christopher explained that with regards to this latter point in Harrow a Review Officer group had been established that met to network and share information on providers. This enabled the Officers to share lessons learned to build on the good practice in place.

As service reviews are to be completed by April 2006, time is running out - effective planning is crucial. Christopher suggested that thought be paid to the following:

- the review timetable
- whether the capacity exists
- whether providers and stakeholders are prepared for the review
- the level of training and communication
- a pre-review process – helps to manage expectations and saves time
- ensuring that the evidence base does not come only from desktop research.

Christopher emphasised the importance of getting the procedures right and ensuring that it is 'fit for purpose'; bad reviews undermine provider confidence. Lessons learned in Harrow included avoiding needless duplication, ensuring that the review is brought to an end and that action is taken on the outcomes to give meaning to the process. It is also important to acknowledge mistakes made honestly with providers and stakeholders - this supports a far more effective relationship.

Things that worked well in Harrow included establishing a framework for provider accreditation with seven other West London authorities as this provided for consistency and justification where accreditation was not given. Equally the Review Officer group was extremely useful. A review of the procedure is recommended, as is explaining the process to providers and ensuring that the timetable is realistic and has an end point.

The Service Review process

Determination of objectives – for Harrow these included to:

- use existing data
- be integrated into the review/contracting processes
- be open
- involve and be understood by providers
- be objective wherever possible understanding that as the determination of 'value for money' is ultimately subjective
- provide clear evidenced based results.

With the objectives defined the next stage is to decide the Service Review process:

- 1 Develop indicators – VFM (eg unit costs, staff to user ratio unit cost vs QAF and borough wide staff cost comparisons) and Audit Commission PIs.

- 2 follow up
- 3 report
- 4 agree new contract price or implement change.

Christopher highlighted the importance of rechecking PIs and looking for changes made subsequently by providers as they can distort the overall analysis.

The results of the service review against indicators used should give a clear idea of which services are providing value for money and which ones need to be changed/re-negotiated. They should therefore be used to inform the contract negotiations that will set the contract price, assess tenders and agree any inflation uplift. It is worth noting that whilst working with providers is still a partnership, the move to contracting means that it is very important to have a service specification.

Christopher finished with a few tips for what works best:

- understand your budget
- work with frontline managers
- understand that the review will influence your contract and the service
- be ready to justify the cost with the outcomes.

Partnership and Commissioning

Paul Cook's presentation concentrated on the issues surrounding partnerships and commissioning and how the process can be improved. He began by highlighting a lack of clarity in Supporting People concerning the way in which strategy, commissioning and procurement should be linked and suggested that this was an omission as a solid financial strategy is a necessary foundation for the commissioning and procurement process. Paul suggested that to improve commissioning, authorities should look at their wider commissioning remit and determine how good strategies

can be linked to the value for money programme. The Supporting People website was recommended as a good place to obtain various information on the technicalities of better procurement. The main focus should be on managing the local market and ensuring that both provision and pricing is right.

Commissioning Finance Issues

It is important to have clear and costed strategies in place that are supported by a solid financial basis. It is equally important to have a clear approach on contracts, for example, will they be fixed term or fixed price and will annual inflationary uplift be given? It is also important to ensure that the commissioning team is given a budget that takes into account the unit cost of commissioning so that they can do their job properly.

User needs

Paul stressed the importance of ensuring that the services commissioned are 'people centred' reminding delegates that this is a big theme across social care and housing and the arbitrator of what is to be considered value for money. The acid test for this is whether the users themselves have been involved in the commissioning process. Current local provision and unmet demand will also have to be determined and from a finance point of view evidence of this will be required. Paul recommended that flexibility be built into the commissioning process as needs change over time and a fixed pattern of services is unlikely to be appropriate for clients requiring more than one type of service provision.

The Right Service or Scheme and the Right Provider

As having users in the wrong service scheme provides very bad value for money, the emphasis should be on

ensuring that current outputs are the rights ones and where they are not service provision is evolved. Paul suggested that it is often more effective to work with current providers to do this rather than move to new ones. It is also important to appreciate in the commissioning process that smaller providers may provide value for money but are due to their size are unable to cope with the full commissioning process itself.

Joint Commissioning

The commissioning process can be more efficient if services are jointly commissioned. However, to ensure that this process is effective robust mechanisms must be in place that can cope with: pooled budgets, partner budget pressures and disputes. Irrespective of the process chosen, the commissioning process can be optimised through the establishment of Partnership Boards that have service provider representation and if the Boards can work with other authorities to establish a standard approach and regional eligibility criteria so much the better. Coventry City Council's report on how they have approached commissioning was strongly recommended as a very good 'lessons learned' tool.

Ultimately in the process of commissioning the case should be made for the eligibility, quality, relevance and value of a service as the grant conditions determine that the services bought must be 'strategically relevant' and 'value for money'. Paul suggested that effective commissioning also entails the decommissioning of irrelevant services so that they can be replaced with services that fit the needs-profile and could provide a key source of savings. However, a process for this must be established in advance as delays and appeals can offset the gains to be made.

Practical Finance Issues for Supporting People – Working with RSLs

Rob Mallett began with a look at the current pressures faced by RSLs.

- rent restructuring which can affect long-term income, as increases in rent are not likely to be large whilst expenditure on Decent Homes is increasing
- preferred partnering and the pressures to merge and develop consortia
- the efficiency agenda and the effect on outputs in development, capital works, management and maintenance, and commodity goods
- the current trend for RSL staff to move to Supporting People units in local authorities which could undermine the delivery capacity of the sector which is struggling to maintain attractive remuneration packages in the face of uncertainty around final pay pension schemes and 0% inflationary uplift.

So is Supporting People just another pressure? Rob highlighted recent news of staff cuts in a large RSL specialising in supported housing and of another RSL which was advertising to offload two supported housing schemes and suggested that it could be reflective of reduced confidence in the Programme and a lack of willingness to commit to new developments. Much however depends on how involved the RSL is in the Programme, for example, specialist Supporting People providers have the greatest involvement and are therefore currently finding managing the programme problematic. RSLs that provide Supporting People services as part of a programme of wider service delivery face the same issues but not on the same scale.

Many of the issues faced by RSLs relate to the history of the programme. RSLs initially saw the programme as a long-term initiative and this has become less certain.

The freezing of funding and rise in maintenance costs due to the Decent Homes initiative also means that the Programme is becoming difficult to manage. This problem has been exacerbated by the fact that steady state contracts are less common as local authorities are nervous about issuing them, in turn making RSLs nervous about receiving them. The projections for the future are not especially positive either, as RSLs will have to deal with round two of the Housing Corporation's preferred partnering scheme, long-term revenue commitments and possibly alternative usage for schemes with specialist design features. Together these issues might result in a squeeze on new developments.

Financing for Supporting People is made more problematic as RSLs are unlikely to have ODPM figures when setting budgets for 2006-7 and whilst local authorities have 5-year strategies they have very little certainty on funding. Moreover, whilst ODPM can be seen to be committed to properly funded services, the lack of political will to decommission existing services can undermine the financial imperatives to do so and this has the effect of stifling new potentially innovative and effective schemes.

Practically speaking, if Supporting People is given on a per tenant basis then both the charge and grant has to go on the tenant's records. However, in terms of day to day accounting, much depends on the information that is given by the local authority and adequate information is not always forthcoming or can be changed frequently which complicates the process of keeping charges to tenants aligned with the local authority grant. Rob suggested that the use of electronic receipt of information could speed up this transfer to the potential benefit of all.

The process can be made easier and the most optimal way of doing is through good

working relations between RSLs and the local authority. Rob suggested that it was worthwhile bearing in mind that RSLs can often feel like ‘piggy in the middle’ positioned between a vulnerable tenant and a local authority with a reduced income. He cited Birmingham City Council as a case study of an area where the local authority and RSL providers have come together to work really constructively. Birmingham delivers approximately 1000 schemes via approximately 400 providers that have been greatly affected by the cuts imposed on the financing of the Programme. The problems that would otherwise have been faced were mitigated through the establishment of a joint impact group that enabled providers to buy into the arrangements meaning that the £1.5m of cuts were found amicably.

CIPFA’s Response to the ODPM consultation on Homebuy – Expanding the opportunity to own

GENERAL

- 1 Do you agree that, other than where assistance is targeted at key workers, social tenants or those on the housing register, it should be for Regional Housing Boards to identify those categories of first time buyers they consider a priority?*

CIPFA agrees that Regional Housing Boards should be able to identify the categories of first time buyers that they consider to be a priority. In CIPFA’s view, however, this role should not extend to including the power to impose formal restrictions, as assistance should be given on the basis of affordability rather than prescriptive categories (see reply to (2) below).

- 2 What factors should Regional Housing Boards take into account when deciding which further groups of first*

time buyers should be a priority for assistance?

In CIPFA’s view, the main consideration when deciding relative priorities should be that of affordability. However CIPFA recognizes that it may also be necessary to identify key types of staff who are underrepresented in a local area perhaps due to affordability – eg teachers, nurses etc.

- 3 What are your views on the affordability and impact on outputs of Options One and Two for (i) purchasers and (ii) providers? We would welcome views both in respect of Social HomeBuy, where the Government has indicated its preference in Sustainable Communities: Homes for All, and New Build and Open Market HomeBuy.*

The ability of equity growth to repay the original owner’s investment in a property sold under the HomeBuy scheme is dependent upon whether the property is sold. Given that many of these properties are not sold, this investment is unlikely to be regained. It is also not clear who will be financing the unsold proportion of the equity at present – if this is to be provided rent-free, there will either need to be an initial capital grant to the RSL or LA or alternatively a revenue grant to meet the interest costs on the equity retained. If this grant is not available then rental income is a necessity and option 2 would therefore in CIPFA’s view be the only viable option.

- 4 Bearing in mind the core principles outlined here and in Sustainable Communities: Homes for All, do you have any alternative proposals to Options One and Two?*

A further option might be to enable RSLs to recycle capital grant towards this type of project.

- 5 *Under what circumstances, and for which client groups, should there be flexibility for purchasers to buy less than 50% of the home?*

CIPFA welcomes the proposal, in principle, to offer further discounts to provide extra help for social tenants. However, meaningful consideration of the circumstances under which it should be paid and the client group that should be eligible to receive it will only be possible when details such as the form that the discount will take, and how it will be funded are clarified.

- 6 *To what extent should there be different charges for different groups and how will they encourage part owners to buy a greater share of their property?*

In CIPFA's view, this would be very difficult to administer. For example, difficulties have already been identified in defining teachers as distinct from lecturers. Further differentiation would make the scheme even more complicated to administer.

- 7 *How might the Government encourage take-up of Social HomeBuy by housing associations and local authorities? What levels of discount, up to the maximum of Right to Acquire levels, are appropriate to make this an attractive offer to tenants whilst retaining value for money?*

It does not appear that RSLs would have a strong interest in pursuing Social HomeBuy as presently constituted. Though they will be compensated for the discount offered, they will still suffer interruptions in rental cash flow as a result of sales. In

addition many RSLs will not receive the level of return on the equity loan granted to tenants as they would on their retained share under shared ownership. Though RSLs will be able to re-invest the receipts in new housing it appears that they will have less discretion overall than they currently do in respect of the receipts from shared ownership. It will also be important that a participating RSL has the right to determine which stock will be included. There is otherwise a risk that RSLs will be left with the poor or unpopular stock. This could affect future viability and borrowing capacity. RSLs may also have more difficulty borrowing against their retained equity in these properties than with shared ownership. In CIPFA's view in order to encourage the take up of Social HomeBuy it will first be necessary to address these issues.

- 8 *Do you support the proposal that housing associations should put forward plans to participate as part of the ADP bidding round?*

Yes.

- 9 *Do you agree that those benefiting under HomeBuy should have the opportunity to staircase up in minimum 10% tranches, on the basis of the market value of the home at the time?*

Yes.

- 10 *Do you think there would be circumstances in which staircasing up should be restricted? If so, in what circumstances might this be desirable?*

Yes – it may be necessary in certain areas, particularly small rural areas where there are limited numbers of affordable homes. However, in those cases there should be options for RSLs/LAs to have the opportunity to

buy back the property to ensure it stays within the affordable sector.

11 *Do you agree that staircasing down should be an option where people face exceptionally difficult financial circumstances, but that this should be at the discretion of both the holder of the remaining equity share and of the mortgage lender?*

Yes.

12 *Do you agree that sales proceeds should be reinvested in replacement social housing, with some flexibility to meet other housing priorities depending on local circumstances on the basis outlined above?*

In CIPFA's view, providers should be afforded the flexibility to reinvest revenue received as deemed appropriate to local circumstances.

13 *Do you agree that providers should have rights to buy back the home, or to nominate a buyer within eight weeks, at the point of resale?*

In principal CIPFA welcomes the proposal to give providers the right to buy back the home or nominate a buyer within eight weeks. However, it is not clear from the consultation paper that providers will have the funds available to exercise this right if no revenue is received from the property.

14 *Do you agree that properties in areas designated as rural for Right to Acquire purposes and properties in supported housing developments should be exempt from Social HomeBuy? Should any other exemptions apply?*

Yes these properties should be exempt and at present there are no further exemptions that would seem

appropriate.

15 *Are there other ways in which we might ensure that homes sold under HomeBuy remain affordable to future buyers?*

No comment.

16 *Are there other ways in which support for home ownership could be used to free up social homes where they are needed to meet housing needs?*

No comment.

17 *Do you agree with the proposed expanded remit for Zone Agents? Is there scope to extend even further? What do you think are sensible geographical boundaries?*

No comment.

18 *Do you think there are further opportunities to streamline access to low cost home ownership schemes and improve efficiency?*

No comment.

19 *Do you agree with the proposed arrangements for HomeBuy providers to assess whether home ownership is sustainable and applicants can afford the ongoing costs before offering them assistance?*

No comment.

20 *To what extent do you think that providers should be able to require buyers, as a term of the lease, to contribute to sinking funds to cover the costs of planned maintenance and repairs?*

Given that the provider will be ultimately liable to cover maintenance costs for a property in the event that

the owner is unable to afford maintenance work CIPFA would agree that providers should be given the ability to require such contributions.

21 *Are there other ways in which we might ensure that the ongoing costs of maintenance and repairs are covered?*

The ability to put in place a second charge for planned maintenance could be provided for within the terms of the lease. However as monies would only be released when the property was sold the option to add interest to this would be needed.

22 *Do you agree with the proposals for the provision of key information to buyers, some of which it is proposed to provide on a mandatory basis and some on a voluntary basis? Is there further information that you think should be provided?*

Yes, CIPFA agrees with the proposals put forward and at present believes there is no further information that could usefully be provided.

23 *Would landowners be interested in developing their own equity loan schemes, either on the same terms as the Government or through their own innovative schemes?*

No comment.

24 *What potential issues do we need to raise in taking forward discussions on the detail of proposals for public/private equity loans; and how they might be resolved?*

CIPFA suggests that the following issues be raised for consideration:

1 ODPM may wish to check whether an RSL offering an equity loan to a tenant would need to be compliant with the

requirements of the Consumer Credit Act 1974. Such compliance would be onerous for an RSL.

2 The issues raised for lenders to RSLs:

(i) **Existing debt secured on a property to be sold.** If the debt secured on a property exceeds the receipt once grant is deducted then lenders may well refuse to allow a sale. Even if a sale is permitted the lender may need to take additional security against other properties within the RSLs portfolio. Where the receipt is sufficient to redeem the debt, secured on the property the lender may demand repayment unless alternative acceptable security is offered. It will be important that security/repayment issues are resolved before properties are marketed to tenants, so that the latter are not disappointed. Such discussions may be complicated. In order to bring in some consistency ODPM may wish to consider introducing something analogous to the cost-floor rules that apply in respect of the preserved Right to Buy.

(ii) **The degree of borrowing that could be secured by the equity that RSLs will retain in Social HomeBuy properties.** Under conventional shared ownership the RSL maintains its share in the form of a title to the property. This can allow some borrowing to be secured against the property, particularly when a rent commensurate with that share is charged. Under Social HomeBuy, it appears that the whole (leasehold) title to the property will be transferred to the tenant, with the landlord retaining their equity stake in the form of a second charge on the property. This may

be problematic for lenders since the security offered is not title to a share of the property. This is likely to be much less attractive to lenders since it raises difficult issues about how such security can be realized in the event of default. There is no established market for buying mortgage interests like this second charge. Even if a buyer could be found the price may be heavily discounted. Many lenders may be unwilling to lend on such terms and any lending that is agreed would be very expensive compared to the rates normally enjoyed by RSLs. In addition to this, under the Basel 2 Capital Accord, lenders would have to set aside additional regulatory capital for such a transaction. Again this may affect the pricing of such funding. An additional difficulty lies in the fact that the 3% charge made in respect of the landlords share will be less than the rate charged by many RSLs in the form of rent. This could adversely affect valuation of the retained equity. The lender may also be in a weak position in relation to a retail lender who wishes to take possession of a property in the event of default by their borrower since the RSL would only have a second charge. While this is, to an extent, true for shared ownership also, it will not encourage lenders to RSLs in the face of the other difficulties outlined. ODPM may wish to consider modifying the arrangements pertaining to the retained equity in order to create a stronger borrowing proposition for RSLs.

3 The issues raised for retail lenders.

i. Reputational.

To the extent that Social HomeBuy is targeted at those households who cannot afford to take advantage of Right To Buy or shared ownership then it is likely that their credit status will be less advantageous. This may mean that lenders will be reluctant to lend in a significant number of cases, because of constraints placed by the duty to lend responsibly. It may also encourage lenders to offer sub-prime loans embodying risk pricing. In either case lenders could stand accused of discrimination against these households. If, as seems likely the rate of default on loans to this group proves higher than average then the need to realize their security again poses reputational issues for lenders.

ii. Assurances that the retained share will not be an impediment repossession of the property if necessary.

A veto on such sales or the ability to place significant restrictions, in terms of who can buy the property could result in a reluctance to lend or in restrictions on loan to value. Such restrictions should not apply to a lender in possession. The Council of Mortgage Lenders has made this point in the past in the context of restrictions placed on the resale of properties placed by local authorities where properties have been built under s. 106 agreements.

iii. Assurances that Local Authorities or RSLs cannot precipitate a sale of the property or reclaim its share for reasons of its own (such as the incidence of anti social behaviour). A lender is unlikely to wish to find its security being sold, particularly in circumstances where the receipt could fail to repay the loan.

CONTINUING PROFESSIONAL DEVELOPMENT

CIPFA's new innovative tool to support members in their CPD, the CIPFA Learning Centre (CLC), was launched at the Annual Conference on 15 June in Manchester. The CLC was developed by IPF's Internet Services and will enable members to: access guidance about the CPD scheme; plan, manage and record CPD participation; develop technical and management knowledge and skills; and share CPD Plans with a CPD buddy.

To access the site please visit <http://learning.cipfa.org.uk>

FINANCIAL MANAGEMENT

Strong and effective financial management is key to well-managed and sustainable public services.

The CIPFA Financial Management Model (FM Model) is a web-based self-assessment tool that examines financial management in the public services. It tests how an organisation measures up against 42 good practice statements and places that organisation into a spectrum of three 'styles'- Enabling Transformation, Supporting Performance and Securing Stewardship - to build a picture of how finances are working and identify areas for improvement. A key feature is the ability to survey opinion throughout the organisation.

The FM Model sits on a secure website that lets users score and evidence the good practice statements, revisit, collate and report on their scores and target questions at key people to test views and opinions. It offers organisations the opportunity to:

- manage strategic risk through self-assessment
- identify strengths and areas for improvement
- prioritise improvement

- be better prepared for inspections and audit
- review and track its progress over time
- benchmark performance against other comparable organisations.

For more information visit www.cipfa.org.uk/shop

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 cross-cutting developments in public policy making that affect the governance, general and financial management of public services. One forthcoming PMPA event is:

18 October 2005. Andrew Gray: Are we being served appropriately? Citizens, Clients and Customers as Service Beneficiaries

With the increasing variety of public service delivery, there is a concomitant variety and complexity of user relationships with services. However, for more than a decade we have been exhorted by Conservative and Labour reformers to express the user as the universal 'customer'. Public servants may find the customer service metaphor valuable in drawing attention to and remedying an admitted and culpable neglect of the public in the history of public service provision. Yet the indiscriminate use of the term to embrace the service relationship with consumers shows a lack of understanding of its meaning and implications.

By overlooking our predominant relationships as citizens and clients, it discourages rather than encourages appropriate relationships between service providers and beneficiaries. It thus puts at risk the very advance of a consumer emphasis that is sought. We can and must

do better to ensure that we are served appropriately.

PMPA Annual Conference – 8 December 2005

Venue: Institute of Public Finance, Queen Anne's Gate, London.

Taking as its theme the developing trend to devolved and decentralised government and service delivery, the day will feature a thoughtful, reflective and stimulating range of speakers drawn from leading organisations in public service management and policy. To register your interest, email Rikki Ellsmore: rikki.ellsmore@cipfa.org.

The PMPA is a national membership organisation managed and supported by CIPFA. Members of CIPFA, ACCA and CIMA are entitled to join at a discounted annual rate. Further information on joining the PMPA is available from the PMPA website www.pmpa.co.uk or from Sandra Harper at CIPFA, 3 Robert Street, London WC2N 6RL. Tel: 020 7543 5679; email: sandra.harper@cipfa.org

THE 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 within the Panel's defined areas of

responsibility. The current Panel members are:

Ken Lee *Flyde Borough Council*
(Chairman)
Bev Angell *Nottingham City Council*
Paul Cook *Consultant*
Subroto Duttaroy *ODPM*
Mike Groom *LGA*
John Hawes *Sedgefield Borough Council*
Sukvinder Kalsi *Birmingham City Council*
John Kettlewell *Independent*
Rhys Makinson *LB Camden*
Anne Phillips *Powys County Council*
Adrian Waite *Consultant*
Tony Wardrobe *National Assembly for Wales*
Simon Wiles *City of York Council*
Lindsey Wishart *Kingston upon Thames*

Members by Invitation:

Stephen Nisbet *Perth and Kinross Council*
Ron Potts *Consultant*
David Thomas *Consultant*

Further information about the Panel's activities, publications and seminar events is available on the panel website at: <http://www.cipfa.org.uk/panels/housing/> or from the Secretary, Suzanne Dowse by emailing suzanne.dowse@cipfa.org Tel: 020 7543 5795.