

NEWSLETTER ISSUE NUMBER SEVENTEEN

CIPFA LOCAL AUTHORITY
HOUSING PANEL

October 2007

Welcome to the seventeenth edition for finance practitioners and CIPFA members working in local authority housing. This newsletter has been prepared by CIPFA's Local Authority Housing Panel.

This edition includes an update on the implications of the recent pre-budget report and comprehensive spending review for Local Authority Housing, the texts of two CIPFA responses to recent CLG consultations, some items on forthcoming events and developments in CIPFA and an update on forthcoming PMPA events.

CSR 2007: THE IMPLICATIONS FOR LOCAL AUTHORITY HOUSING

The Chancellor's October pre-budget report and comprehensive spending review included the announcement of increased spending on housing from £8.8bn in 2007-08 to £10bn in 2010, a new housing and planning delivery grant worth £500m over the three years of the CSR period and a new Public Service Agreement (PSA) aimed at increasing long-term housing supply and affordability.

Many of the measures put forward by the Chancellor focus on steps to extend private ownership of housing. However the Chancellor did also state that the government "will continue its long-term commitments to increase the quality and availability of social housing" and he announced £6.5bn over the next three years for the delivery of 45,000 new units of social housing the year by 2010-11.

There were some signs that the Government, under Gordon Brown's leadership, may be giving more impetus to enhancing the role for local authorities within housing. The CLG is to "support Local Authorities in the role of leading on regeneration and renewal across government and setting a clear tasking framework for the new Homes and Communities Agency".

Turning specifically to Decent Homes, the Chancellor said that the Government will ensure all have access to decent housing, through:

- reducing the number of households in temporary accommodation by 50% by 2010-11, compared with the end of 2004;
- the Decent Homes programme, which by 2010-11 will have reduced the number of non-decent social rented homes by a further 500,000;
- the Supporting People programme, with continuing investment and a reformed allocation formula to better match need.

On homelessness, the Chancellor said that Government will be taking "further steps" to prevent homelessness, aiming to reduce the number of households living in temporary accommodation by 50 per cent by 2010-11 and increasing the number of people that move into settled accommodation. This aim will be embodied in a new PSA to increase the proportion of socially excluded adults in settled accommodation and employment, education or training.

Overall, less detail was set out on social housing in the report than for other services such as health and education. The £6.5bn for new social housing needs to be set in the context of the efficiency reforms also announced. These are to generate annual net cash-releasing savings **for the Department of Communities and Local Government as a whole** of over £880 million by 2010-11. The reforms will include:

- savings estimated at over £730 million from new affordable housing by 2010-11, achieved by utilising Housing Association capacity to allow for more borrowing to finance affordable housing, and the Housing Corporation refining its investment programme;

- achieving a smaller, more strategic central department with delivery functions devolved to the new Homes and Communities Agency and a more streamlined Government Office network to generate savings of £43 million by 2010-11.

Local authorities will need to adopt new strategies of efficiency and value for money if they are to meet their share of these savings and the momentum of improvement.

CIPFA responds to the Government consultation on the Mechanism for setting Guideline Rents in Housing Revenue Account subsidy 2008-09 and 2009-10.

CIPFA's response to the Government consultation on the Mechanism for setting Guideline Rents in Housing Revenue Account subsidy 2008-09 and 2009-10 is set out in full below:

- 1 CIPFA is pleased to have the opportunity to comment on the Department's consultation on the Mechanism for setting Guideline Rents in Housing Revenue Account subsidy 2008-09 and 2009-10.
- 2 CIPFA welcomes the Department's intention to set out the Government's proposals for how the Housing Revenue Account Subsidy System will operate over the next two years in so far as it impacts on local authority housing rent levels.
- 3 The consultation paper seems to imply that its longer term aim is that rent restructuring is to be reformed following consultation on the green paper. Could the Department please confirm that we have understood this correctly, ie, is it the intention to revise the rent restructuring regime and, if so, could they please give some indications as to how? In CIPFA's view, the answers to these questions will affect how respondents should consider the specific question raised by the consultation paper on how to calculate guideline rent for 2008/09, pending further change.
- 4 In CIPFA's view, there are also a number of detailed points on which the proposals are not clear and where further clarification would be helpful before a fully considered response to the proposals can be made. CIPFA's detailed comments and suggested points for clarification are set out below.

Detailed comments

- 5 CIPFA notes that the consultation paper proposes the abolition of the 5% rent constraint allowance but there is no mention of the need to bring forward compensation for the fact rents will be lower because of the exercise of 5% constraint in 2006/7 & 2007/8. Could the Department confirm how authorities will be compensated for loss of RCA?
- 6 The consultation appears to imply that local authorities will be receiving a two-year settlement yet we had understood that the Government was moving to three-year settlements. Could the Department clarify whether, as the consultation is only in respect of the years 2008/09 and 2009/10, the system will change before 2010/11 - and if so, where will this leave the figures from the comprehensive spending review at the local authority level?
- 7 Could the Department clarify whether a reduction in the rate of increase in guideline rents would imply a reduction in the rate of increase in management and maintenance allowances?

- 8 If the impact on tenants is to be minimised, it would appear that the best way to achieve this nationally would be to extend the date for convergence. Even so this may still produce for a number of authorities rent increases that are in excess of inflation
- 9 It is not clear from the consultation paper, what effect the proposal to extend rent convergence would have on M&M allowances - a longer convergence would seem to imply lower M&M allowances.
- 10 It would be helpful if the Department could confirm that the caps and limits adjustment is calculated without reference to actual rents (i.e so authorities would receive caps and limits subsidy even if they didn't actually apply these limits to their rents).

Conclusions

- 11 CIPFA has received indications from local authorities that the proposals on rents are likely to have some impact on more dwellings than perhaps the Department anticipates.
- 12 CIPFA is concerned that overall, the proposed detail of prescription around rents would seem to conflict with the principles of local decision-making and with the Department's own guidance to local authorities on the need for a more planned and "business-like" approach to the HRA, eg through 30 year business plans. There is a danger too that the complexity of detail around the various rents limits that are involved and the interrelation between them is likely to hinder transparency and understanding for tenants, members and council officers alike. Any changes that are to be made will need to address these concerns.

CIPFA responds to the Government consultation on Commonhold and Leasehold Reform Act 2002: Regular Statements of Accounts and Designated Client Account.

CIPFA's response to the Government consultation on Commonhold and Leasehold Reform Act 2002: Regular Statements of Accounts and Designated Client Account is set out in full below:

- 1 CIPFA is pleased to submit comments to the Department's consultation on *Commonhold and Leasehold Reform Act 2002: Regular Statements of Accounts and Designated Client Account*.
- 2 CIPFA welcomes the intentions of Communities and Local Government in respect of the amendments considered to be necessary in respect of the provisions in section 152 of the Commonhold and Leasehold Reform Act 2002 that would require landlords to provide leaseholders with a regular statement of account, an accountant's certificate and a summary of rights and obligations. CIPFA considers that it is indeed important to improve the transparency of charges for leaseholders.
- 3 The consultation document acknowledges some of the issues raised by CIPFA and other respondents in earlier consultations (both formal and informal) and CIPFA welcomes the fact that some of these issues have now been addressed. However, the detail of some proposals still raises a number of concerns for CIPFA.
- 4 CIPFA understands that the revised statement as now proposed should be quite workable for some local authorities with relatively little IT modification, but that

others – particularly authorities with many tenants and with blocks including both tenants and leaseholders - are still likely to need to make more detailed changes to existing accounting systems in order to meet fully the requirements of the revised Statement and that these could prove costly.

- 5 CIPFA also believes that some local discretion and flexibility concerning the standard accounting statements would be preferable to central prescription for local authorities especially as where the detailed proposals may be less clear than authorities' own existing statements.
- 6 CIPFA would suggest that the provisions of section 152 should be discretionary for local authorities instead of mandatory.
- 7 CIPFA understands that for some authorities, there would be further cost implications of the proposals as they currently stand if, as it appears, authorities may be required to produce an audited statement for every block in the housing portfolio.
- 8 On the question of timing, CIPFA is concerned that the requirement to produce the statements at the same time as the actual charges are calculated could stretch resources and could cause delays.
- 9 CIPFA would welcome clarification as to whether Proposal 4 (which defines capital and major works) is intended to cover large revenue works?

LAAP 69 - Capital Interest Rates 2008/2009

Capital Accounting By Local Authorities: Definition of Interest Rates For The Purpose Of Determining Capital Charges In 2008/2009 For Those Authorities That Wish To Continue To Use Them In Budgets Or For Other Purposes

The Code of Practice on Local Authority Accounting in the United Kingdom 2006 (the SORP) removed the requirement to make a capital financing charge with effect from the 2006/2007 statement of accounts.

LAAP 69 can be downloaded free of charge from the CIPFA website at:
<http://www.cipfa.org.uk/pt/>

FORTHCOMING CIPFA SEMINARS

Further Developments in Local Authority Housing Finance

An updating seminar event is planned for December 2007. Sessions will include an overview of housing policy changes and their likely implications, Affordable housing – Update on Green Paper: *Homes for the future: more affordable, more sustainable* - What are the implications for authorities? (regulation, inspection, self-financing), responses to Government proposals and financing developments: the Comprehensive Spending Review 2007. Details, as soon as they are available, will be posted on the Panel website at:

<http://www.cipfa.org.uk/panels/housing/index.cfm>

Further Developments in RSLs Finance – 19 October 2007, London

This briefing is designed to update RSL finance staff on the latest regulatory developments and new initiatives within the social housing arena. Through plenary presentations and interactive workshop sessions, our noted speakers will outline the developments and provide guidance on the financial implications for social housing providers.

It will cover:

- An economic overview of the RSLs environment
- Revised treasury guidance
- Benchmarking
- External audit
- Inspection and regulation

There will also be an opportunity to attend two practical workshop sessions that address pertinent areas of housing finance management

- Resident involvement
- Procurement
- Asset management
- Pensions

To register a place or to find out more, please visit the CIPFA online Shop at:

<http://secure.cipfa.org.uk/cgi-bin/CIPFA.storefront/> or call Trudy Baker on 020 75435 765

The Prudential Code in Practice – The Essential Practitioner’s Guide and look to the Future, 29th November 2007, London

This course will cover:

- Prudential Code Update and the Review of the Prudential Code
- The Prudential Code and Financing Structures
- Option Appraisal
- Capital Strategies and Asset Management Plans and the Prudential Regime
- Three Practical Case Studies covering:
 - Prudential Borrowing and funding for transport schemes
 - The Prudential Code and service improvement
 - The Prudential Code and regeneration

For more details, please email: claire.howard@cipfa.org

CIPFA Wales Annual Conference 2007

The theme for this year’s CIPFA Wales Annual Conference “Times they are a’ changing” will reflect on the new challenges that a coalition government will pose and provide a quality opportunity for conference delegates to consider the issues as they affect their own organisations and their personal contribution to shaping and delivering services over the foreseeable future.

Please make a note in your diaries of the dates – 15th and 16th November - and join us at Venue Cymru in Llandudno. Set beneath the glorious foothills of Snowdonia and with spectacular views out to sea, Venue Cymru promises to be an ideal location for this year’s Conference. Contact maria.jones@cipfa.org for further details or look out for

information on the conference programme and arrangements for the Annual Dinner at www.cipfa.org.uk/wales over the next few weeks.

CIPFA Wales looks forward to welcoming you to Llandudno.

CIPFA FAN Training and Development Forum

This forum has been developed specifically to support service managers in local government in developing the necessary competences to enable them to fulfil the financial management aspects of their role.

Subscribers to the forum can access the competency framework, including guidance on using the framework, and a web based library of resource materials. We also provide practical, regional, workshops on relevant topics. Forthcoming events include: Measuring up – costing and benchmarking your service (November)

For more information and the full 07/08 programme, please visit www.cipfanetworks.net/training/tdfsm or contact Susan Sloman at Susan.Sloman@ipf.co.uk/01202 861904.

HOUSING PUBLICATIONS

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

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

The CIPFA Local Authority Housing Panel undertook an extensive revamp and update of these two key titles. With the constant changes to local authority housing finance, and the seemingly constant changes to housing benefit, these comprehensive and focused guides are essential reading.

For further details, visit the CIPFA website where you will also be able to order online at: <http://secure.cipfa.org.uk/cgi-bin/CIPFA.storefront/>

THE PUBLIC MANAGEMENT AND POLICY ASSOCIATION (PMPA)

PMPA AUTUMN/WINTER PROGRAMME 2007/2008

Spring 2008 Modern Democracy Lecture Series

28th January 2008: "Beyond Liberty"

Speaker: Nick Clegg, Member of Parliament and contributor to the recent IPPR publication entitled "Beyond Liberty" on the subject of "progressive liberalism and modern justice".

7 February 2008: "Tomorrow's Councillors"

Speaker: Dame Jane Roberts, Chair of the Councillors Commission.

6 March 2008 "Constitutional Reform"

Speaker: Rt Hon Kenneth Clarke QC MP

PMPA evening lectures are open to members and non-members and take place at CIPFA, 3 Robert Street, London WC2N 6RL at 5:45pm unless otherwise specified. Places are allocated on a first come, first served basis and PMPA members have priority. Book online at www.pmpa.co.uk or by emailing info.pmpa@cipfa.org

PMPA/BT "Vision at Lunch" Free Lunchtime Seminars

27 November "Leading and managing change to deliver progress in the public sector"
Speaker to be confirmed.

PMPA lunchtime events are limited numbers and only open to PMPA members. They take place at BT Innovation Centre, Queen Anne's Gate. 12:00pm – 2:30pm. To request a place at a BT/PMPA lunchtime seminar please email info.pmpa@cipfa.org

PMPA PUBLICATIONS

Watchdogs Straining at the Leash (Publication Autumn 2007)

This report is based on a debate on internationalising the accountability profession, organised by the Public Management and Policy Association (PMPA) and CIPFA, and hosted by the National Audit Office (NAO) on 26th March 2007. Fifty-plus senior figures from all parts of the UK public audit and accountancy profession met to hear presentations from David M. Walker, Comptroller General of the United States, Caroline Mawhood; Assistant Auditor General, NAO and Chair of the Public Sector Committee of the European Federation of Accountants, Robert W. Black, Auditor General for Scotland, Jeremy Colman, Auditor General for Wales, Steve Bundred, Chief Executive of the Audit Commission, and John Dowdall, Comptroller and Auditor General for Northern Ireland. The event was chaired by Sir John Bourn, the UK Comptroller and Auditor General.

PMPA reports are free to PMPA members, £10 for non-members. Further details available at <http://www.pmpa.co.uk/publications.cfm>

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 falling within the Panel's defined areas of responsibility.

Further information about the Panel's activities, publications, seminar events and any vacancies is available on the panel website at: <http://www.cipfa.org.uk/panels/housing> or from Julian Smith by emailing julian.smith@cipfa.org Tel: 020 75435795.