

Draft Minutes

Panel	Housing Panel
Date	03 July 2019
Time	11:00 – 14:30
Venue	CIPFA, 77 Mansell Street, London, E1 8AN
Chair Members	Ken Lee (KL) Julie Crook (JC) David Enticott (DE) Bryan Lea (BL) Jane Harrison Philip Winter Pascale Mezac Lindsay Wishart Hilary Vaughan (HV) Jayne Owen (JO)
In attendance	Jo Pitt (JP) <i>CIPFA Policy Manager</i> Joanna Szust <i>CIPFA Policy Support Officer</i>
Apologies	Charles Brotherton Darrell Campbell Sukvinder Kalsi Tony Deakin (TD) Ron Potts Julie Robinson Lawrence Morris David Ellis

	Item	Action
1	Welcomes and apologies / Declarations of interest	
	Welcomes and apologies	
1.1	The Chair welcomed Jayne Owen, a Finance and Resources Director for North Wales Housing. JO attended part of the meeting via conference call.	
1.2	Apologies were received from Julie Robinson, Ron Potts, Lawrence Morris, Tony Deakin, Sukvinder Kalsi, Darrell Campbell and Charles Brotherton.	
1.3	The Chair informed that Nick Yandle will be replaced by Lawrence Morris, a Policy Officer at NHF.	
	Declarations of interest	
1.4	There were no declarations of interest.	
2	Notes of previous meetings and matters arising (Paper HP 02.07-19)	
	Draft Minutes of 19 March 2019 Housing Panel Meeting	
2.1	The Panel accepted draft minutes of 19 March 2019 as an accurate record of the meeting with the following exceptions: <ul style="list-style-type: none"> • Hilary Vaughan attended Housing Panel meeting via conference call. • The spelling of Mr David Enticott's surname should be amended from 'Endicott' to 'Enticott'. • Item 2.2., 2nd bullet point should be amended to: '<i>new affordable rent homes above LHA in Derby</i>'. • Item 3, 3rd bullet point should read: '<i>own</i>', not '<i>down</i>'. • Item 5, all '<i>NFA</i>' references should be amended to '<i>NHF</i>'. 	
	Matters arising	
2.2	Most items are covered on the agenda, although the panel was updated on RTB issues hearing that two properties had been sold at the cost floor value in Derby showing that sales were going through below the level of discount. So, it would be possible to lower the discount level. The Panel felt that seeing new build properties being sold was very worrying as they appeared to be going far too cheaply. Although in theory the unit could be replaced, it was becoming harder to find the land to build on. DE agreed to supply further data to JC and BL.	DE
3	Housing Landscape (Paper HP 03.07-19)	
	<u>The New Prime Minister</u>	
3.1	The Panel noted the more hard-line stances of the two candidates and emphasised the dangers of policy changes / reversals and the impact this might have on public finances.	
	<u>Grenfell Tower</u>	
3.2	Two years on from the dreadful fire, tenants are still waiting for answers. The cost of ensuring all tenants' safety is increasing with reports that many fire doors are not up to the job. The numbers of properties with problem	

	cladding of an increasing number of types is growing. Examples were given about leaseholders' issues with the doors upgrades and RSPs undertaking most fire risk work at their own hand. There were concerns expressed about affordability issue for leaseholders and some of the health and safety issues needing legal assistance to get work done.	
3.3	The Hackett recommendations: responsible officers and the need for coordinating documents have cost implications and extra staff resources meaning that the final costs could be a very heavy burden on social housing.	
	<u>Help to Buy</u>	
3.4	The Panel noted the whole hearted criticism of this policy by NAO and re-emphasised their long-held view that the balance of spend between private and affordable housing and social housing needs to be adjusted.	
	<u>Right to Buy (RTB) Receipts Consultation</u>	
3.5	The Panel noted that this paper will be out " <i>in due course</i> " which seems to be a downgrade from the previous " <i>shortly</i> ". Undoubtedly, the political situation is not helping.	
	<u>Housing Revenue Account (HRA) Information</u> (https://www.gov.uk/guidance/housing-revenue-account)	
3.6	The Panel noted that those seeking answers from MHCLG might wish to look at the information on the website: ' <i>a help yourself approach</i> '. There is still a desire for MHCLG to produce an updated and shortened HRA manual	
	<u>Universal Credit (UC) – 53 Weeks</u>	
3.7	There is still no resolution to this issue.	
3.8	In a general discussion that followed, the ability of housing providers to cope with the financial constraints caused by the 4-year 1% rent reduction was considered, especially in the light of: <ul style="list-style-type: none"> • increasing costs • introduction of UC • redefinition of decent homes standard • issues that might flow from the Housing Green Paper • Hackett Report • Grenfell Inquiry. All these are negatively affecting the financial position of providers.	
3.9	Comments were made about the impact of depreciation on the accounts with previous advice on component depreciation provided by CIPFA. Thoughts around the options of the value of land were discussed. The question was raised if CIPFA could refresh this and if there is a need to ensure that MHCLG, Housing Regulator and CIPFA can all agree on this.	JP / DE
3.9	Other matters mentioned included: <ul style="list-style-type: none"> • The Addison Act 100 year celebrations • Affordable Housing – Homes England's latest £2bn long term bidding round • A move by government to support "<i>healthy aging</i>" and statement on supported housing. 	

	<ul style="list-style-type: none"> • Concern around the Ring Fence and extra care for the elderly, but it was also pointed out that there is a need to support vulnerable youngsters as well. • Issues around PFI accounting in the HRA which HV offered to provide BL with a contact. • Fears about the law commission proposed changes around leaseholders and the impact on those with leases in social housing. • Whether Accounting Directions are still relevant and do they need refreshing. 	HV (5th bullet point)
4	Affordable Housing Commission / RTPI Research (Paper HP 04.07-19)	
4.1	These publications were noted and the Panel were pleased to see their thrust. There was general agreement that affordability was not just a London problem and examples of how the differences between "social rent" and "affordable rent" had increased significantly were quoted.	
4.2	Concerns were expressed that although there was a thrust to build more homes, scant regard was being given to the challenges that were now being faced as land becomes scarcer in many areas. Grant criteria discriminated in favour of cheaper to build sites, meaning that small sites, brownfield sites, contaminated land and sites requiring remediation do not hit Homes England (HE) targets. It was emphasised that there needs to be more flexibility around the use of RTB receipts and reforming the discounts would be a welcome move. The DV valuations, the impact of LHA and the need for benefit cap inflating were also mentioned. KL will prepare the response.	KL
5	Pension Issues – LGPS Changes	
5.1	In the absence of Tony Deakin who had raised this issue, KL agreed to provide some background in the minutes with CIPFA Pension Panel making the formal response, so if the members of the Panel wished to comment, they should contact JP.	JP / All
5.2	MHCLG are consulting on LGPS: ' <i>Changes to the local valuation cycle and the management of employer risk policy</i> '. It covers the following areas: <ul style="list-style-type: none"> • amendments to the local fund valuations from the current 3 year (triennial) to a 4-year (quadrennial) cycle, • a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle, • proposals for flexibility on exit payments, • proposals for further policy changes to exit credits, • proposals for changes to the employers required to offer local government pension scheme membership. This may have implications for LSVT RSPs and ALMOs.	
6	Housing Regulator (Paper HP 06.07-19)	
	<u><i>New Rent Standard</i></u>	
6.1	Agreed that a response was required and KL to prepare this. It was to include all the issues that had been raised before.	KL
6.2	There was a discussion around the shared ownership that included the secondary market for such properties and how not setting up a sinking fund to make them more affordable was storing up problems for the future.	

	Whilst not for the rent standard, it might be something that the Regulator might have a view on in the future.	
	<u>Information Requirements from LAs</u>	
6.3	It had not been the issue that it might have been because the Regulator had listened and had not asked for the same level of detail that is required from RSPs. Perhaps the Regulator might reduce the data requirements on RSPs accordingly.	
7	Approaches to Debt Levels in the HA / HRA	
7.1	<p>It was noted that HAs are constrained by banking covenants often linked to the existing use value of the assets. With the removal of the debt cap, the following questions were raised:</p> <ul style="list-style-type: none"> • What is an unreasonable level of debt for HRA? • Should there be some guidance for section 151 officer and will the Regulator have concerns in this area? <p>Currently, the Housing Regulator looks at covenant levels, has various ratios, stability checks, etc. These are used to provide traffic lights with regards to viability. It was noted that a financial modelling approaches are key. Also, gearing ratios, operating surplus amongst other measures are important. However, it is not just the lenders view that is considered but internal judgements on things like cash flow, the use of stress testing, understanding processes e.g.: developing has high costs at the front end before income starts flowing.</p>	
7.2	The Panel felt that there was a need to put " <i>an approach</i> " out rather than being too prescriptive. A good starting point was to look at the examples of things that had gone wrong at various HAs. Also, the previously issued Financial Planning Guide that had been produced for HAs might be worth looking at.	
7.3	CIPFA was currently producing a Financial Management (FM) Code pre-empting any oversight by central government. This would certainly be relevant and would be linked to the annual governance statement.	JP
8	Spending Review including HLA (Paper HP 08.07-19)	
8.1	The Panel noted that CIPFA would be producing a document setting out what they see as the needs in respect of public services. Housing would definitely be part of this and it was emphasised that Housing is not just about giving people a roof over their heads, but was integral to health, well-being, education, social cohesion and place making. Benefits were a key element within this and the LHA suppression had increased homelessness and put more pressure on social housing. Despite the intention, it had not controlled the rise of the burden of the private rented sector on the public purse.	JP
9	Housing Conference – January 2020	
9.1	Housing Conference is due to be held in January 2020. The members of the Panel acknowledged that the date ought to be put in the diary as soon as possible with advertising starting in September 2019. JP will follow up with more details.	JP

9.2	Options and ideas for Housing Conference included: <ul style="list-style-type: none"> • The next 100 years for social housing – housing role in place shaping, why and what has happened to date and what should happen in the future. • Using a moderator with 3 speakers for a session. • Having a discussion on funding. • New ways of building. 	
10	CIPFA Housing Product (Paper HP 10.07–19)	
10.1	The Panel noted that the progress being made on this but did not want the good work being undermined and wanted to know how it was going to be marketed. Positive comments were made about the VFM metrics that the Housing Regulator used and the need to make sure that anything CIPFA did complemented this. The link was made with the discussion on Financial Planning referred to under item 7 on the agenda.	
10.2	Concerns were raised about CIPFA website as currently there are some difficulties with locating relevant publications. JP will discuss internally this issue.	JP
10.3	All members of the Panel are welcome to submit the ideas on Housing Product to KL.	All
11	Any Other Business	
11.1	The draft Welsh HRA manual was noted and the hope that an equivalent one for England would be produced was agreed. Any comments that members have should be returned to KL by the end of August 2019.	All
11.2	The ongoing work on the LHA was noted and it was agreed that JP would approach Viv Russell (CIPFA Head of Communications and Content) to see if an article from Shelter could be included in Public Finance publication. The members of the Panel were supportive of the work as identified above.	JP
11.3	It was noted that it was Phil Winter's (PWs) last meeting. All the members of the Panel expressed their gratitude for his contributions to the Panel that he had made on behalf of the Housing Regulator and its predecessors. Best wishes were passed to Mr Winter for his retirement.	
12	Date of Next Panel Meeting	
12.1	Thursday, 14 th November 2019 – 11.00 am – CIPFA Office, Mansell Street, London	