

Local Authority Housing

Is it a Question of Trust?

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The Context to Answer the Question...

- **Social Housing in the Country**
- **Recap of HRA Self-Financing Settlement**
- **Leading up to the Housing and Planning Act**
- **Implications on Business Plan Strategies and Options for the Future**

Social Housing in the Country

- **Significant Provision (1.7m Homes ~ 10%)**
- **Extensive Demand and Waiting List**
- **Imbalance in Regional & Local Housing Markets**
- **National Focus on House Building:**
 - Lyons Commission (2014)
 - Elphicke and House Commission (2015)
 - LGA Housing Commission (2016)
- **Recent Policy Focus on Home Ownership and Enabling Role**

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The Self-Financing Framework

- **Long Development Timescale and Intended to:**
 - Promote Equity and Fairness in Housing Sector
 - Assist in Stable Long Term Service & Financial Planning
 - Support Local Determination (Localism Act 2011)
 - Strengthening and Securing Ring-Fence
- **Reasonable Settlement?**
 - Uplift in Maintenance Allowances – 28%
 - Uplift in Management Costs – 6%
 - Adjustment for Projected Sales and Demolitions
 - Rent Policy of RPI +0.5%
 - Payment of £8.5bn (£3.2bn if April 2011) or (£13.7bn for 138 LA's & Write Off of £5.2bn for 32 LA's)

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Cracks... the First Signs

- **New National Rent Policy in April 2015**
 - CPI +1% instead of RPI+0.5%
 - Discontinuation of Rent Convergence
- **Use of 'Surplus' RTB Receipts (and 1:1)**
- **National Public Finance Constraint and Welfare Reforms (Income Pressures)**
- **New Revised Rent Policy – July 2015**

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Housing and Planning Act et al.....

- **New National Rent Policy -1% to 2019/20**
 - £1.2bn in a Full Year by 2019/20 or 15% of Income
 - Revised Value of Debt Settlement (Payment by CLG)
- **Housing and Planning Act**
 - Extension of RTB to RP's (Voluntary)
 - 'Levy' for Disposal of High Value Voids (2% - 3%?)
 - Review of Secure Tenancies (Balance Sheet?)
 - Pay to Stay

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Business Plan Strategies

- **Current Local Authority Strategies**
 - Provision of New Social Housing
 - Maintenance of Existing Social Housing
 - Transforming Existing Housing Management Services
 - Future Rent Strategy and Policies
 - Strategy for Debt Management (including repayment and matching to asset lives)
 - Income Management
 - ‘Modest’ Balances and Reserves

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Medium Term Financial Strategy...

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Business Plan 2015+	-	-	-	-
Chancellor's New Rent Policy	7.0	18.2	29.7	41.4
Repairs Procurement Savings	0.7	(3.4)	(5.0)	(5.6)
Services Charged to the HRA	-	(2.3)	(2.3)	(2.3)
Use of Contingencies	(2.7)	(2.7)	(2.7)	(2.7)
Reductions in Staff Numbers	(1.7)	(1.7)	(1.7)	(1.7)
Improved Rent Collection	(0.5)	(0.5)	(0.5)	(0.5)
Repayment/New Borrowing	-	(10.0)	(10.0)	(10.0)
Additional Cost of Debt	-	0.6	1.2	1.8
Sheltered Housing Review	-	-	(4.0)	(4.0)
Other Changes (Property Numbers / Equal Pay)	(2.8)	1.8	(19.3)	(15.1)
Business Plan 2016+	-	-	(14.6)	1.3

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Long Term Implications (10 Years)

Housing Revenue Account	£m	%
Loss of Income (New Policy)	486	14%
Loss of Income (RTB/Demolitions)	205	6%
Re-phase Debt Redemption Programme	(286)	46%
Reduce Direct Revenue Financing	(314)	34%
Other Savings (Operational Costs and Repairs)	(91)	5%
Capital Investment	£m	%
Reduction in Direct Revenue Funding	314	34%
Increase in Other Resources (Receipts/Borrowing)	(165)	
Changes in Programmed Investment	47	5%
Reductions to be Identified from 2019/20	(196)	21%
Balance Sheet	Previous	New
Increase in Debt (Debt Redemption/New Debt)	£500m	£833m
Debt Per Property	£8,000	£14,000
Value of Assets to Debt Levels	34%	43%

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Future Options and Strategies

- **Develop a Clear Value for Money Case for Social Housing Provision**
- **Continue Dialogue with National Government**
- **Reinstatement of CPI +1% after 2019/20**
- **Develop Wholly Owned Companies**
- **Reconsideration of Ownership of Stock**

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Some Reflections

- **Need for Balanced Housing Provision**
- **Undermining of Trust in the Self-Financing Settlement**
- **Welcome Concessions in Housing and Planning Act**
- **Local Authority Housing Not an Endless Source for National Resources**