

# Arch news

Newsletter of The Association of Retained Council Housing

Summer 2013

## Councils plan for new homes

### Innovation and Ambition: the impact of self-financing on council housing

Three quarters of councils are planning to build new homes – as many as 25,000 over the next five years. This is one of the main findings from a survey on the impact of self-financing on council housing published by ARCH last month. The survey found that most councils have responded to the new financial regime by increasing planned investment. Nearly all councils are planning to increase rents by the full amount allowed by the rent restructuring formula, while maintaining debt at a relatively stable level, to release additional resources for investment. The top investment priority for most councils is the existing housing stock, to ensure it reaches or goes beyond the decent homes standard. The green agenda is another high priority. Over the next five years, councils plan to invest at least £15 billion in their existing housing stock, an average of nearly £9,000 per property.

New build is among the top three investment priorities for 71% of councils, around half of which are planning to use affordable rents to help finance the new homes. The remainder plan to continue to set social rents.

The research, commissioned by ARCH with support from the Councils with ALMOs Group, HouseMark, the LGA and the National Federation of ALMOs, and carried out by CIH, provides a clear picture of how councils have responded to the biggest change in council housing finance for a generation. As well as an analysis of survey

responses from 81 councils covering 57% of the council housing stock, it includes seven case studies which provide a more in-depth understanding of local response. The research shows that the sector has implemented the new arrangements in a prudent and business-like way, and risen to the challenge of planning long-term to meet housing needs and maintain stock in good condition.

Councils have started to take account of the impact of welfare reform by increasing the provisions made for bad debts. It is likely these will be raised again once better information is available on how tenants are responding to the bedroom tax and introduction of Universal Credit.

But councils could do more. The survey also confirms that councils could provide up to 60,000 additional new homes over 5 years if

current artificial restrictions on borrowing were lifted and councils permitted to borrow to the maximum they could safely afford to repay from expected rent income.

However, the Government's recent Spending Round announcement did not include any relaxation of debt caps, and set a new rent policy that will force councils to revisit their business plans and look again at future investment. From 2015, council rent increases will be limited to the increase in the Consumer Price Index (CPI) plus 1 per cent, instead of RPI plus ½ per cent which is the current policy. The CPI tends to increase more slowly than RPI as it does not include housing costs. The difference between the two indices fluctuates from year to

year, but one estimate puts the future average gap at 1.4%. If so, councils can expect less rental income in future years to support investment.

## Dates for your diary

**19 September** - Tenants' Group conference, Great Yarmouth

**23 September** - ARCH AGM and seminar, London: Self-financing – what have we learned so far?

**11 November** - Tenants' Group meeting, London

**25 November** - ARCH exec meeting, venue TBC

**5-6 December** - HouseMark and ARCH stock retaining councils' annual conference, Coventry



**cwag**  
Councils with ALMOs Group

**HouseMark**  
Performance Improvement

**Local Government Association**

**National Federation of ALMOs**  
championing better homes and communities



## House of Commons reception



Mark Prisk, Housing Minister

The first-ever ARCH Parliamentary Reception held at the House of Commons on June 11 was a great success.

In a packed room, ARCH members, including

Councillor Paul Ellis, the ARCH Chair and other Executive Board members, had the opportunity to meet and talk with Housing Minister Mark Prisk, Shadow Housing Minister Jack Dromey and Parliamentary

Under Secretary of State at the Department for Communities and Local Government Don Foster.

In short speeches, both Mark Prisk and Jack Dromey acknowledged the excellent work done by councils.

Mark Prisk encouraged ARCH to become a forum for nurturing innovation in the provision and management of council housing.

Jack Dromey reminded us that councils had once made a massive contribution to national housebuilding – under Conservative as well as Labour governments – and could do again.

Kindly hosted by Jane Ellison, MP for Battersea, it was an enjoyable event with over 50 ARCH members and invited guests attending.

ARCH is hoping to hold such events in the future in order to raise ARCH's profile and to lobby for the best deal for councils and their tenants.

## Tenants' corner

The ARCH Tenants' Group has been busy planning the Annual Tenants' conference which is kindly being hosted and sponsored by Great Yarmouth Borough Council this year.

Each ARCH member organisation is entitled to up to five free tenant places, as well as their ARCH tenant group representative.

ARCH has also agreed to subsidise the accommodation costs for those staying over the night before.

The programme is being finalised and information will be emailed out to each Local Authority about booking places.

Following the success of the bedroom tax leaflet by the Tenants' Group, the next leaflet is in progress. This guide to important facts about universal credit will be rolled out in October 2013.

It will be emailed around to all ARCH members and posted to the ARCH website as soon as it's ready so watch this space!

Election of the Tenants' Group has taken place as it does every two years. There was a great response for nominations and it has been agreed that all 21 nominees will play a full part in the group.

The new membership was ratified at the Tenants' Group AGM on 15 July and details about who's who in the Tenants' Group will be posted to the ARCH Tenants' Group webpage [www.arch-housing.org.uk](http://www.arch-housing.org.uk).

For more information about the work of the ARCH Tenants' Group, please visit the website or contact Julie Morton, ARCH Administrator [julie.morton@arch-housing.org.uk](mailto:julie.morton@arch-housing.org.uk).



All you need to know about...



universal credit

A guide for tenants produced by tenants





# ARCH at CIH Housing Manchester

Back in Manchester for the second year, the CIH Annual Conference was blessed with sunshine until its final day. The rain came down shortly after Housing Minister, Mark Prisk had made his first speech to a CIH audience. Just a coincidence, no doubt.

The Minister's speech was delayed for an hour so that he could give details of the £3 billion planned package of affordable housing announced as part of the 2013 Spending Round.

Councils and other registered providers will get the opportunity to bid to provide up to 165,000 new homes at affordable rents in the three years from 2015/16, but will be expected to contribute efficiency savings or receipts from disposals in a 'something for something' deal.

Delegates, including many ARCH members, also got the opportunity to hear answers from the Minister to questions about welfare reform, councils' role in market rented housing and the future of the stock transfer programme.

Once again, ARCH was a significant presence at the conference. An ARCH presence at the HouseMark exhibition stand gave us the chance to talk to prospective new members and renew contact with existing ones.

On the first day we published our report 'Innovation & Ambition' giving the results of our survey on the impact of self-financing



Innovation & Ambition ARCH publication



Ian Conway and David Foster, North Tyneside Homes



Ross Fraser, HouseMark and Simon Price, Wokingham BC

on council housing, which were quoted in a conference session debating how to build the 250,000 homes a year necessary to meet housing need.

Much of the second day was spent pondering the implications of the Chancellor's Spending Round statement, in particular the new rent formula of CPI plus 1%, in order to understand and explain it to waiting delegates and representatives of

the media.

Together with HouseMark and PfH, ARCH hosted a packed reception, once again at the Taps bar.

The 'help yourself' beer taps were as popular as last year, and the discussion just as lively. This event looks set to become a fixture in many delegates' conference diaries.



# 2013 Spending Round

The 2013 Spending Round announced at the end of June marked another set of government spending decisions that are challenging for local authorities who have retained their stock of council homes.

The changes took place against a backdrop of further 10% reduction in funding for local authorities, combined with the existing budget cuts from 2010 which creates pressing resource pressures for many.

Government provided welcome certainty around the rent-setting framework for social and affordable housing for 10 years from 2015-16 to 2024-25. But its announcement that annual inflation increase for rents will be CPI (Consumer Prices Index) + 1%, rather than the current framework of RPI (Retail Prices Index) + 0.5%, and CLG's later confirmation that the additional +£2pw change to bring homes into line with the target rent was being abandoned seems likely to reduce rental

income overall and create some significant challenges for some organisations.

CIH is working to understand the combined effect of the changes and their consequences and will be responding to the expected consultation on rents policy and, if necessary, make the case for organisations that may need some protection from the consequences of this change in policy.

Government's failure to lift the borrowing caps to allow local authorities to increase their housing investment was a missed opportunity, contributing, as it did, to housing's very modest £3.3bn share of the £100bn of additional national infrastructure spending. CIH believes the government should raise the caps to empower local authorities to invest more in housing and housing supply and make a major contribution to national growth. Although funding for the HCA's Affordable Homes Programme was maintained at around £1bn a year, this is well short of the level of investment we will need if we are to properly address our housing crisis.

There was better news elsewhere with the

creation of a £3.8bn fund to support the integration of health, social care and housing and £2bn allocated to the Local Growth Fund and funding for Disabled Facilities Grants lifted to £220m a year and a welcome continued commitment of £160m to the Decent Homes programme. The health and social care announcement was a particularly welcomed development being an approach that CIH and other housing organisations have long asked for.

The overall impression is that whilst the housing industry made some powerful arguments that prevented a far worse result, the Spending Round announcement is certainly not the 'game changer' for government investment in housing that CIH had asked for. Government's recognition of housing as a form of national infrastructure is to be welcomed, but the overall level of direct government investment in housing remains less than that required. As a result the overall environment for local authority housing will remain challenging and housing professionals will need to be creative and innovative if we are to navigate the next few years successfully.

**Gavin Smart, CIH**

# ARCH photo competition



## 'Blow your own trumpet'

We're delighted to launch our first photography competition to recognise the

hard and beneficial work carried out by ARCH members. The winning photograph will take pride of place on the website homepage and runners up will also make appearances throughout the website.

As the theme is 'blow your own trumpet', you have the chance to show off a little. We're on the lookout for any inspiring shots that represent your council's housing achievements over the year... this could be anything from tenant schemes and events to new builds and hard-at-work frontline staff.

The lucky winning council will receive a

Thornton's Chocoholic Hamper to share with staff and featured tenants as well as a mention on the ARCH website and in the ARCH newsletter.

Each organisation can submit up to 3 photos, please send them in to [georgina.pickerill@housemark.co.uk](mailto:georgina.pickerill@housemark.co.uk) by 30 August 2013 to be in with a chance of winning.

