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## CIH 2015 Round Up

A summary of some of the key sessions affecting Registered Providers at the Chartered Institute of Housing Conference June 2015

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## TUESDAY 23 JUNE

### Will the programme for Government solve the housing crisis?

Chaired by Reeta Chakrabarti, Social Affairs Correspondent, BBC

Speaker(s): Adam Challis, Head of Residential Research, JLL; Gavin Smart, Deputy Chief Executive, CIH; Lord Kerslake, Chair, Peabody and Former Permanent Secretary, DCLG; Sir Robin Wales, Mayor, London Borough of Newham

Our first session on Day 1 of the conference covered a very broad topic and perhaps one that has been on most housing professionals' lips over the last few weeks since the general election result. Although the full extent of the Government's new programme is not yet known there was plenty of discussion with many thoughts shared on the potential impact on RPs of the Government's policies.

Lord Kerslake recognised that 'we have a housing crisis' but was not convinced that the Government's new scheme was going to tackle the problem in its entirety. Gavin Smart, deputy Chief Executive of CIH seemed to agree as he commented that 'we can see a Government that wants to be busy in housing... but is it busy in the right way'.

The extension of the Right to Buy formed a large part of the discussion and supporters of the policy were few and far between. The Mayor of the London Borough of Newham, Robin Wales expressed that the huge discounts made 'no sense at all'. £140 million assets have already been lost through the sale of council homes, money which could be put towards funding more homes.

Stability was another key focus. Lord Kerslake advocated that there needed to be well over 200,000 new homes built per year and that this would need to be sustained for a long period of time, it could not just be a quick fix.

Devolution was also tackled to tackle the north and south divide - what works for London does not always work for the rest of England and Wales. Giving more powers to Local Authorities would address different areas' particular needs. Involving the people would inevitably solve the housing crisis as Robin Wales argued that 'it works when you unite people not divide them'.

A positive came in that we now have a Government that is willing to engage but we need to do all is necessary to make these new policies work and work together to bring about a change.

### Private Rented Sector: where are we today?

With Steve Trusler, Accommodation Sector Leader, Laing O'Rourke; Jerome Geoghegan, Group Director Development & Sales, L&Q; Mike De-Ath, Partner, HTA; Paul Beardmore, Director of Housing, Manchester City Council

The private rented sector is somewhat of a hot topic in the media and in political circles widely and amongst the diversification options open to RPs. It is an important solution where homes are now becoming more unaffordable to buy outright. In cities like Manchester, it has been proven that good quality rental supports graduate retention, and in a city which attracts over 20,000 students per year; the availability of rental accommodation is key.

The aim ultimately is to offer good quality, affordable, safe homes for everyone. Whilst confidence in this sector is growing, no one has built and sold a pure private rent development yet. A mixture of sale and private rent seems to be the most common, providing the most flexibility.

One key question which arose was do we have a generation rent? Answer: no, more like generation can't buy. More affordable homes and better mortgages are needed for outright sale and until the economy allows for this, the private rented sector will be an essential model going forward.

## WEDNESDAY 24 JUNE

### Future economic trends and their impact on the housing market

Dr Gerard Lyons, Chief Economic Adviser, Mayor of London and Steve Wilcox, UK Housing Review 2015

We should look at the economy as a 'global economic cake' according to Dr Gerard Lyons, Chief Economic Adviser to the Mayor of London. The cake is getting considerably bigger than people expected, with a growth rate of 3.5% this year. Therefore we need to focus on how the cake can be divided; what ingredients make up the cake and finally how we eat the cake in order to manage the economy efficiently.

During this crisis we have seen a cost of living crisis with unemployment at an all-time high and Britain has had to face big challenges cutting the cake. Although economic growth is steady it needs to be higher. The economy is currently thought to be 17% below what it was predicted to have been if the trend pre-crisis had continued. Although the economy is on a steady upward curve this is a mixed blessing with average earnings not yet recovered.

So what does this mean for housing? Every boom and bust since the 1930's has been associated with a housing boom and bust. Population is at an all-time high in the UK and is only expected to continue to grow, it is predicted that Britain will become the most populous country in Western Europe. This is only going to see the current housing and economic crisis put under further strain across the country. Supply, supply, supply was Lyons's response to this issue. However, in the midst of a housing crisis, the Government's incentives encouraging sole occupation seem perverse to some. A 25% discount on council tax for sole occupiers is only encouraging individuals to live on their own, creating even more demand in an industry that is crying out for supply. The increase in population is going to need to be addressed and supplying more homes is the way forward but how achievable is this?

### More power and devolution to cities: a threat or an opportunity for housing?

Jamie Ratcliffe, Assistant Director, Programme, Policy and Services Housing and Land Directorate, Greater London Authority; Mike Emmerich, Chief Executive, New Economy Manchester; Pat Ritchie, Chief Executive, Newcastle City Council

The view across the board was that devolution has a key role to play for housing and more needs to be seen. More power and devolution should be viewed as an opportunity not a threat for anyone in housing. Pat Ritchie, Chief Executive at New castle City Council wants to put devolution at the heart of housing and sees it as a chance to better shape the landscape for cities. Devolution brings more money in to the sector which can be used towards housing and infrastructure development. The

HCA requests that all bodies work with other government bodies with the aim of making the market work more efficiently and to ensure that housing plans are tied in to wider economic proposals. The success of the Greater London Authority has seen 17,914 affordable homes built last year with £1.8 billion available to invest in housing. However, it is clear that devolution will look different across the country and a blanket approach cannot be taken.

### Mitie Breakfast Briefing – Going digital: successfully integrating social media into housing

Speakers: Boris Worrall, Executive Director Futures, Orbit Group; Shaun Mooney, Digital Communications Manager, Mitie; Nick Halton, Chief Executive, Halton Housing Trust; Nick Duxbury, Features Editor, Inside Housing; Anne McCrossan, Managing Partner, Visceral Business

The key question of going digital: those of us working in housing are we digital dinosaurs? The answer might not be what you initially thought as it is a yes and no. With 9 out of 10 customers having access to the internet, you would think not. However it is not quite as simple, as you may go where your audience is but you need to engage and tell stories, not just broadcast. The sector is getting to grips with going digital but it does need to go on to develop further.

Housing is facing a number of challenges and technology is an integral part of strategies. With welfare cuts, 65% of income of housing sector may be slashed, in which case housing associations need to think of innovative ways to spend less to get more. Similarly, housing associations in their core service offer need to get away from reactive and move to predictive, which technology can assist. Housing stock also needs to become more intelligent, which will produce savings for tenants in terms of lighting and heating and the quality of housing needs to improve so homes built in 2015 are fit for purpose decades later.

So how should a housing association approach social media? It is important that RPs use their systems and does a bit at time, while constantly measuring to ensure optimisation. Having a shiny policy isn't really the goal but having one that serves your business needs is a matter of survival so stick to your values and go digital! You may wonder but how to control what happens on social media and who from your staff should keep on top of it? It is important to accept that not all interactions will be positive but engaging is key and interaction on social media is influence, so use it to your business' advantage. As for your staff, it is particularly relevant what one police chief said – "If I trust my officers to use batons, I trust them on social media". There are lots of ways you could be going digital such as designing apps that allow tenants to self-serve, which will not only deliver huge efficiencies but are also likely to raise customer satisfaction. However, while social media is a tool that helps, it does not solve organisational issues.

## WEDNESDAY 24 JUNE cont...

### The role of local authorities in house building

Chair: Elaine Elkington, Member, CIH Governing Board

Speaker(s): Richard Blakeway, Deputy Mayor of Housing, Land and Property, GLA; Eamonn Boylan, Chief Executive, GMCA; Eamon McGoldrick, Managing Director, National Federation of ALMOs.

Historically local authorities may have had a prominent role in house building with the golden era being in 1975 when 103,403 units were built in England. However, this shrank to a mere 50 units being built in 1999 and approximately 1480 units in 2012. Also the idea of less “big government” has meant that the Homes and Communities Agency has also reduced its grants levels, which use to be 75% in 1991 and now are down to 40%, while the borrowing cap on local authorities has been maintained. Local authorities may also face challenges in relation to planning regulations, as enhanced scrutiny may prevent local authorities from building.

With the Right to Buy (RTB), local authority stock is further depleted: in 2011 a total of 3,925 homes were sold, which rose in 2014 to 11,261. While this brings in receipts, local authorities lose income and the further extension of the RTB it is arguable that it is contrary to self-financing. Another issues facing local authorities ability to build is capacity and competence of employees. This is because house building requires detailed planning applications, which are likely to be subjected to intense scrutiny, working to raise funds, the need to for time to build and having the right skills and experience. Nevertheless, local authorities have begun reinstating their development teams once again.

Focusing on the northern powerhouse, the Chief Executive of Stockport Borough Council and representative of the Greater Manchester Combined Authority outlined that they are planning a step change by aiming to deliver 10,000 units a year and optimising land supply for housing and employment. This is necessary because the traditional service model is unaffordable and undesirable. In Manchester there are 500,000 economically inactive people and the strategy of the local authority needs to be to target the issues of employment, housing and infrastructure in order to build a sustainable local economy and rebalancing wealth in the UK economy.

Whereas the Deputy Mayor for Housing, Land and Property, of the Greater London Authority pointed out that 29 London Boroughs are involved in housing development with the Greater London Authority, with 4,000 homes planned over the next 3 years. For London’s size this is a drop in the ocean, although it is not just about affordable housing, there is also need for market rent accommodation, as well as housing for older people. To address the pressure on housing, it is important to learn from the approach taken in Tokyo for example in terms of land use and to look for innovation. It is evident that house builders are unlikely to lead revolution in construction technique, whereas local authorities, housing association and develops are motivated to build quickly and can be part of innovative ideas.

A number of recommendations were made, which would allow local authorities to fulfil their role in house building including: raising borrowing caps, which would increase output; with RTB sales, making one for one replacement a reality; extending the period of using RTB receipts from 3 years to 5 years and clarifying the position in relation to the enhanced RTB as ALMOs were set up to avoid RTB but this does not seem to be possible anymore. It was also pointed out that the role of local authorities has changed as now it is one of facilitating, enabling and gluing everything together. While local authorities may feel that they have been given new freedoms, with those freedoms come challenges.

### How to get the most out of your JV partner

Speaker(s): Sara Bailey, Partner and Head of Residential Real Estate, Trowers & Hamblins; Ben Denton, Executive Director Growth, Planning and Housing, Westminster City Council; Richard Fagg, deputy Managing Director, Bouygues Development; Tonia Secker, Trowers & Hamblins; Simon Vevers, Director of Strategic and Commercial Projects, The Hyde Group

A joint venture (JV) is a business agreement where parties agree for example to develop a block of flats or a particular area. They contribute equity to it, as well as exercise control sharing revenues, expenses and assets. While joint ventures may be seen as new, this is not necessarily the case. There are different types of joint ventures including contractual and corporate. Having a contractual as oppose to a corporate JV, is no less complicated and it can take longer. With a corporate JV, it can be in the form of a company limited by shares or Limited Partnership, which for a Registered Provider can be more tax efficient.

It is important for any entity to know why they are entering into a JV and be comfortable with their reasoning. One of the main reasons may be lack of funds where one party has more capital, while you have experience which allows for collaboration. However, in any agreement it is important to know what are the roles of the parties, are you comfortable with those roles and can you deliver. For example, a developer will want to make money, while a local authority will have a social agenda; these are issues which really need thinking through beforehand.

To have a good JV partner it’s all about the relationship as there is no right or wrong candidate. Ultimately, the parties need to share a commercial appetite and there must be a “marriage of culture”. For local authorities it is an activity and within that the attitude that they have and relationships they strike are very important. For RPs it is very important that you understand your organisation and values.

## THURSDAY 25 JUNE

### Offsite Construction: looking beyond the numbers

Chair Stephen Harley, Director of Advanced Manufacturing, Laing O’Rourke

Speaker(s): Andy Von Bradsky, Chairman, PRP; John Carleton, Executive Director, Markets & Portfolio, Genesis; Steve Trusler, Accommodation Sector Leader, Laing O’Rourke

With off site construction being lauded as a potential solution to ease the housing crisis, this session looked at the issues faced by the industry and the benefits that can be reaped.

Offsite manufacture historically has legacy issues including mortgageability and insurability. What registered providers need to consider is long term asset management versus short term development gains. This method is however becoming more favourable in the sector in producing high quality homes, significant reduced defects (resulting in a decrease in costs to the tenant) and actual quality to match design quality.

Manufacturing and building properties offsite doesn’t come cheap. Funds are needed upfront; not only on materials but also on research and development. So why not build offsite? Well there is currently a skills shortage and a lack of investment at this stage. The historical legacy of this type of construction also understandably leads to scepticism. Whilst we do have an entrenched house building industry in this country, with better technology and quality companies championing work offsite, it could just lead to the tipping point towards this method of construction and it may become more of a prominent feature in developments in this country in the near future.

### The future of market rent

Chair: Nick Duxbury, Features Editor, Inside Housing

Speaker(s): Betsy Dillner, Director, Generation Rent; Derek Gorman, Managing Director, Market Rented Assets, Grainger PLC; Claire Higgins, Chief Executive, Cross Keys Homes; Alan Ward, Chair, RLA

The issue of rent controls was at the top of the agenda, which the panel discussed from various angles. On the one hand further regulation to cap rent was viewed as unnecessary because currently there are over 100 laws in force, although the let down is enforcement. Many local authorities are not able to fulfil their statutory duty and enforce legislation in this sector because of drastic budget cuts. However, for Generation Rent the idea of market rent means: less secure accommodation, it is expensive and entails poor conditions. Recent statistics show that 40% of income is spent on rent by tenants in England compares to the European average of 28%. While it is not a landlord versus tenant issue, more can be done so that market rent works for landlords and tenants. The question

arose as to whether economists are in favour of rent control and the answer of Asser Lindbeck, a Swedish economist was promptly deployed who said “next to bombing, rent controls seems in many cases to be the most efficient technique so far known for destroying cities”. Generally landlords are opposed to rent controls because it affects their ability to deliver quality.

For landlords, their view of the future of market rent was that tenants of market rent are interested in response rates and not interested in tenant’s involvement. As such landlords view their tenants as consumers and respond to their needs in order to ensure stability in rent income. For the future it is clear that landlords in this market need to ensure they provide better quality accommodation, better quality services and adopt a customer approach as oppose to a tenant and landlord approach, which will ensure sustainability. Similarly, demographics are important for landlords to consider and young married couples may be the next target that landlords need to focus on. It is clear that even now there is huge demand and landlords need to focus on offering quality and choice, as well as understanding the market that they operate in.

The issue of licensing of landlords was also discussed including whether a national register of landlords should be established. Once again this relates to resources of local authorities, which they lack to enforce. It was also pointed out that it would be important to ensure that a two tier system is not created for the corporate sector and individual landlords, while rogue landlords would never register in the first place. Another suggestion was that registration should be linked with Council Tax, whereby the tenant would notify the council.

Despite the housing shortage and the recent election, the issue of the rent sector it was pointed out only appeared once in the Conservative Manifesto and that was in the immigration section. With regard to landlord’s duties to check tenant’s immigration status, the panel’s view was that this was the Home Office’s attempt to pass the buck. Landlords in the Midlands where there was a pilot ran into difficulty due to the complexity of immigration law, lack of knowledge and expertise and there are likely to be cost implications for landlords.

## THURSDAY 25 JUNE cont...

### Welfare reform: can housing take the strain?

Chair: Karen Armitage, Chief Executive, Stafford & Rural Homes, CIH Governing Board

Speaker(s): Dave Simmonds, Chief Executive, Centre for Social and Economic Inclusion; Duncan Forbes, Chief Executive, Bron Afon; Dr Kesia Reeve, Senior Research Fellow, CRESR, Sheffield Hallam University; Professor Paul Hickman, CRESR, Sheffield Hallam University

While the reforms are likely to have a huge impact on housing associations, at the outset it was pointed out that this was in fact the wrong title – the title should have been can tenants take the strain?

Some of the changes to the benefits system are aimed at bringing about positive changes such as the Universal Credit aiming to make work pay and the Youth Allowance permitting those under 25 to earn and learn, offering flexibility. However, the changes are also likely to hit hard the most vulnerable such as lone parents, those with caring responsibilities, people aged over 50, people with health issues and those from black and ethnic minority backgrounds. Housing associations will not only be affected by the lack of rent coming in but they are also best placed to offer more support to tenants. In relation to the recent changes it was said that it was strange that housing associations were not invited to play a role by the Department for Work and Pensions in relation to increasing skills and developing employability of tenants. This may be a solution because tenants trust housing associations and this can have a positive impact.

Analysis from the Direct Payment Project, where paying housing benefits directly to tenants showed that:

- there are financial risks to the landlord and tenants;
- there were issues in the organisational culture of housing association to respond to changes;
- more tenants underpaid – 69% underpaid compared to 39%;
- when they underpaid, they tended to underpay by larger amounts;
- arrears more than doubled;
- payment patterns were very erratic – going from non-payment, to full payment to over-payment;
- problematic to identify what the causes for underpaying were as at any point tenants may not pay all of their rent;
- in terms of arrears: 3.6% points less rent paid by direct payment tenants than comparator sample;
- while payments improved over time – 65% of arrears were in the first 3 months;
- arrears then tended to go up to due to arrears at the start; and
- there were costs for landlords in dealing with these issues.

The aim of the direct payment according to the Government was to educate tenants about money and

potentially employment, although this was not noticeable as in most cases the money went into an account and out again. For landlords/housing associations it was noticeable that there was a shift from social to commercial, as well as organisational changes and restructures to deal with the issues. This is because this change brought a number of challenges including how housing associations should go about to collect their rent i.e. by providing support and rent collectors and there issues with the information technology systems and its response to challenges of non-payment and rent arrears.

Usually, underpayment took place because it was triggered either by a day to day event such as the washing machine breaking down and the tenant had to dip into their housing benefit money to fix it, thus underpaying the Housing Association. Alternatively, the tenant faced a life changing event such as relationship breakdown or bereavement. In this regard, it was suggested that housing association's may want to think about establishing social funds to lend to tenants when they are facing these situations, preventing the need for them to dip into their housing benefit money. There was also an amount of overpayment, which housing associations may be able to encourage through some sort of discount system. In terms of the support that a housing association will provide, it is important to decide how that will be done whether in house or externally and how that will impact tenants.

The perspective from a Registered Provider was that due to the trusted partner status that housing association's have, they need to be an advocate for tenants who are struggling due to these changes and this needs to be the key message. Through research and human stories it is important to bust the myths and ensure that people are not dehumanised.

At the same time housing associations need to think about how they as organisations will cope – one suggestion was whether rent should be set on what benefits tenants receive as oppose to the property they occupy. The organisational approach adopted is very important, as letters for example are ineffective, while personal contact is costly but necessary. Additionally due to the unpredictable nature of events triggering under payment or none payment, it is important for housing associations to make every contact with the tenant count so all professionals that get in touch with the tenant to update the system to enable the housing association to have as much information as possible. Housing association should also look at ways to help tenants save money such as through insulation, providing land to grow food, providing food parcels, establishing fuel banks and offering volunteer placements/work experience to enhance employability. Further, housing associations should also work with their tenant's reform panels to come up with innovative ideas to support tenants during the transition and in turn help their businesses.

## THURSDAY 25 JUNE cont...

### Housing Minister and President's Address

Chair: Cathy Newman, Broadcaster & Journalist

Speaker(s): Brandon Lewis MP, Minister for Housing and Planning, DCLG; Geraldine Howley, President, CIH

Having passed through the security fence and the anti-bedroom tax protesters, Brandon Lewis MP's opening remarks were "I am delighted to be here". Acknowledging that the changes to come facing the housing sector would be challenging, he asked whether it would be fair to tell thousands of people they must remain "renters for the rest of their lives". He went on to highlight the Government's ambitious plans of enabling 1.3 million housing association tenants to enjoy the same home ownership opportunities as council tenants through the extended Right to Buy. The Minister explained that the aim of the Government's extended Right to Buy policy was to "help anyone who works hard to own their own home and to turn their dream into a reality".

What about the impact this policy has on housing association you may ask – well the Minister answered that he knows these changes will be challenging for housing associations but he also knows that housing associations care about their tenants and he called upon housing associations to support the Government's "vision and become the champions of aspirations". Additionally, that "every home will be replaced" and that the coalition government built more council homes than the Labour government from 1997 to 2010. Do these statistics add up though? With Right to Buy replacements it is the case that only 1 in 10 council homes have been replaced and the Chartered Institute of Housing suggests that only a minority will ever be. In areas like Greater Manchester, since 2012 more than 800 social rented homes were sold with only 2 being replaced.

The Minister's delight to be at the conference and inspiring words of working together were noted, although the majority are all too aware that cometh 8 July with further details to be published on welfare cuts and the extended right to buy, the changes will be punishing and the sector will need to adapt and do so fast.