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*Talking Points*

THE SMITH INSTITUTE

# *HRA Reform:*

## One Year On

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# Foreword

In June 2011 the Smith Institute and PwC published *'Making the Most of HRA Reform'*. That report, written before the reforms were introduced, looked at the challenges and opportunities facing stock retaining councils. It discussed the changes that Housing Revenue Account (HRA) reform might bring about, including the prospect of councils being able to unlock significant extra investment.

HRA reform gained cross-party support and widespread backing from the local government and housing worlds. As our first report concluded: 'in a climate of funding cuts and other pressures on affordable housing, HRA is a 'good news' story'.

With the new HRA regime now firmly established we wanted to explore 'one year on' whether the reforms had lived up to expectations. Were councils satisfied with the changes; what progress has been made; and what new threats and opportunities have emerged? In particular, we wanted to see if investment priorities for council housing were changing and what that might mean, going forward, for decent homes and housing supply.

To get a sense of what the HRA has achieved, we commissioned BritainThinks to conduct a survey of 50 housing directors and senior staff with responsibility for the HRA. The survey covered a range of councils from across England and was followed up by in-depth interviews with housing and finance officers.

We discussed the early findings of the survey at two roundtable events: in Birmingham and London. These involved some 40 housing professionals and experts from local authorities and housing associations, as well as senior policy makers and government officials. We have captured the main points from these roundtables in the commentary around the survey results.

We hope this Talking Points publication provides a useful and timely insight into the future of the HRA system.

Finally, we would like to thank everyone who contributed to this report, especially those who took part in the survey, interviews and roundtables.

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July 2013

# *Introduction*

The Housing Revenue Account (HRA) framework was reformed in April 2012, with the subsidy system replaced by self-financing for council housing. Councils were able to keep all their rents and adopt long term strategies to manage and expand their stock using spare borrowing capacity and any surpluses.

Around £28bn of housing debt was transferred to stock owning local authorities and limits were imposed on the amount councils could borrow against their housing assets.

The new system is forecast over the next 30 years to give councils control over £300bn of rental income and surplus rental streams that can support significant levels of new build. According to the Local Government Association, under current debt caps stock retaining councils could, collectively, borrow around £3bn to build 15,000 new homes over the next 5 years (or as many as 60,000 without the cap).

The reforms are also intended to increase local transparency and accountability; improve management, maintenance and repairs; and encourage partnership working with housing providers.

This Talking Points publication places the spotlight on these objectives and asks, one year on:

- What those responsible for managing the HRAs think of the reforms as they have been implemented;
- How local authorities have responded to the reforms, what some of the business plans look like and how much confidence there is in their success; and
- Attitudes to further reform of the HRA as well as innovation within the existing framework.

# Summary

- **Officers are, on the whole, satisfied with HRA reform.** In particular, they value the freedom and certainty that reform has promoted, allowing authorities to operate their HRA more like a social business. It has levelled the playing-field with housing associations and the private sector.
- **The building of new homes is a priority in HRA business plans.** Other priorities are maintaining the decent homes standard and estate regeneration.
- **A majority see investment in new or existing stock as more of a priority than reducing HRA debt.**
- **Most officers are confident in the success of their business plans but there are clear challenges.** Welfare reform is seen as the issue most likely to undermine the viability of HRA business plans; in particular, the introduction of Universal Credit is viewed as likely to result in a rise in rent arrears.
- **Officers believe that they have more resources available for council housing as a result of the reforms.** But, for many, these resources can only be realised over the long-term.
- **The debt cap was highly criticised,** either because of its inclusion at all or because it was set at too restrictive a level. A debt cap is deemed inconsistent with the principles of self-financing, preventing parity with housing associations and the private sector.
- **The removal of the ring fencing of HRA funds** was considered unnecessary and unhelpful, with strong opposition to its removal.

# Evaluating HRA reform

Respondents to the survey were asked to rate their overall satisfaction with the reforms, alongside their assessment of whether their council has more or less resource available for council housing as a result of the HRA settlement. In the interviews and roundtables we asked officers to expand on their views – the benefits and drawbacks of the settlement – and the impact it has had on resource overall.

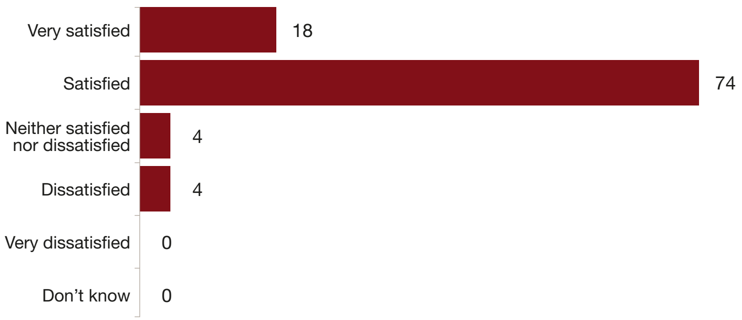
## *Positive impacts of the reforms*

Overall, officers are satisfied with the reforms as they have been introduced. In the survey, when asked how satisfied they were with the reforms, only 4% were dissatisfied while 92% were either satisfied or very satisfied.

In the interviews and roundtables, officers discussed the reforms in terms of an improvement in two key areas: greater *autonomy* and greater *certainty* for local authorities.

Officers spoke of having more control, flexibility and freedom and this was generally seen as positive. There was little apprehension or concern about the new responsibilities; instead, the reforms were seen as providing opportunities for ambitious authorities.

**Figure 1: In April 2013, it will be one year since the HRA reforms came into effect. Overall, how satisfied are you with the reforms as they have been introduced?**



**“**

***It gave us a bit more control over our destiny – we’re no longer part of the national subsidy system but are reliant on the rents we collect to work out what we want to do with our money… It’s given us the opportunity to develop some quite exciting plans around investment.”***

The introduction of a more predictable financial system was welcomed by councils and other key players. At the roundtables it was said that ending the ‘hand-to-mouth’ existence under the old subsidy system was key to kick-starting a wave of council building programmes.

**“**

***Certainty is the big benefit…We can make asset-management decisions knowing that our assumptions about resource availability are going to be pretty accurate.”***

This was one of the most consistent findings: the increased freedom and certainty have enabled authorities to manage their stock more like a (social) business. It also enables councils to think differently about their investment strategies and develop bespoke funding models to attract private investors.

However, concerns were raised at the roundtable discussions about: the poor quality of data about the existing stock, which can negatively affect investment decisions; the unwillingness of some councils to even consider sharing risk and investment with housing associations and other housing providers; and the general lack of ambition and sophistication in some HRA strategies.

## *Concerns about the reforms*

While 92% of respondents felt satisfied with the reforms, only 18% were prepared to say that they feel ‘very’ satisfied. In the interviews and roundtables it became clear that concerns tended to be grouped around two key elements of the initial settlement for councils:

- The presence of the debt cap for future borrowing, and the means by which this is calculated for each council.
- The initial allocation of debt that accompanied the end of the subsidy system.

## *The debt cap*

The debt cap was the most frequently raised source of concern and disappointment related to the HRA settlement, with 86% of the survey respondents advocating repeal.

While some conceded that government’s preference for a debt cap was understandable (given a history of occasional inappropriate borrowing by local authorities), there was a strong sense that it was unnecessary and inconsistent with the model of a self-financing HRA. It was felt to undermine the principles underlying the reforms, especially the freedom and responsibility that the reforms suggest, hindering councils’ ability to ‘operate like a business’.

Ordinary loan procedures were deemed sufficient, especially given that local authorities already have to comply with prudential borrowing rules and that they are perceived to have the potential to operate more like housing associations. The debt cap was also felt to prevent achieving a level playing-field with housing associations or private sector housing organisations, who are able to borrow prudentially as the market allows.

**“**

***One negative is the principle of the debt cap on housing revenue accounts – this is inconsistent with the principles of self-financing. The prudential code requires all borrowing to be affordable anyway so the debt cap is unnecessary.”***

“

***Housing associations haven’t got restrictions on borrowing in the same way that we do. Their restrictions are created by the banks and the business plan and what can be funded. It’s not a completely level playing field now because of that.”***

Aside from criticism of the debt cap’s inclusion at all, the level at which it was set for the different local authorities was also criticised. A number of officers asserted that their council’s HRA did not allow for any investment in the short-term because the debt cap had been reached (or was very close to being reached). Even though the new framework provides for more resources in the long-term, the lack of access to short term finance is deemed problematic for those it affects.

It was also generally agreed at the roundtables that the debt caps were a brake on investment, although it was said that borrowing restrictions had in some cases promoted councils to be more innovative about funding and investment models – including looking to institutional investment. It was also noted that most councils with borrowing headroom had yet to commit to exploiting it to the full.

In addition, the methodology used to determine the debt cap was unclear to many. There is a sense – even from those authorities that had done very well out of the settlement – that there have been clear ‘winners and losers’ out of the settlement and that the way the debt caps were determined was somewhat random, if not arbitrary.

In the roundtable discussions it was noted that some councils will be able to invest beyond the cap while others will continue to have little, if any, borrowing headroom. It was commented that this reflected historic debt levels, not housing need or ambition, and that it would take time for the HRA debt to even out. Nevertheless, the consensus view was that borrowing caps are an unnecessary constraint and that councils could build many more homes if the government raised the borrowing limits.

## *Initial debt allocation*

In contrast to the consistent criticism of the debt cap, most were reasonably satisfied with the debt that was allocated to their authority. It was viewed as being based on a clearer formula than the debt cap. Nevertheless, there was some apprehension about taking on such a large amount of debt for the first time, even if there was confidence in being able to repay it. For some, the initial debt allocation was felt to be a 'dead weight' – borrowing which has no upside in terms of investment in stock or services. Others were unhappy with the amount of debt the authority had to take on and there were concerns about exposure to interest rates.

## *Impacts on HRA resources*

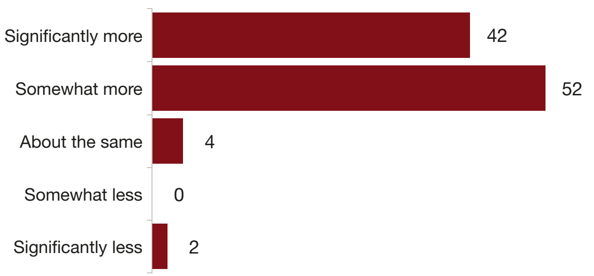
Officers tended to feel that their councils would have more resources available for council housing as a result of the reforms. 94% of those surveyed believed that they would have 'significantly more' or 'somewhat more' resource available for council housing, with only 2% believing less resource would be available.

The division between those who feel the reform has offered 'somewhat more' and those who feel it has delivered 'significantly more' resource tended to be dictated by the extent to which the council's specific settlement was felt to be sufficient for the demands of their stock over the lifetime of their business plan.

For some councils, particularly those who have already made headway in achieving the Decent Homes Standard for their stock, the combination of their initial debt allocation, and the availability of borrowing headroom, mean they have sufficient resource for investment. For others, the settlement has resulted in a larger initial debt allocation and their debt position means that they lack the headroom for the new settlement to have freed up significantly large sums.

> **"*We are quite a bit better off than if the subsidy system had continued… but it doesn't mean we're rolling in funds. We are up to [our] debt cap … we can't go ahead and borrow to build new stock"*

**Figure 2: Do you believe you have more or less resource available for council housing following the HRA reforms?**



# Response to the reforms: the business plan

In the survey, we asked officers to outline their council's approach to some key elements of the HRA business plan. In particular, we asked them about the expected performance of their debt profile over the course of the plan, the investment priorities for the plan, and the key variables that will affect the success or failure of the business plan over the period.

## Debt profile over lifetime of the plan

Survey respondents were split over whether debt repayment or investment in housing stock was the main priority for their HRA business plans. A majority (54%) stated that using borrowing to invest was the greater priority but, for a significant minority (44%), reducing HRA debt over the lifetime of the plan was prioritised.

Despite the fact that a majority prioritised investment, most HRA plans still included provision for repaying at least some debt. A majority (72%) reported an intention to reduce the amount of debt held by the HRA over the lifetime of their business plan, with 42% intending to pay off all debt by the end of the plan, 30% intending to pay off part of the debt, 18% 'servicing' the debt interest while keeping the principle at the same level over the lifetime of the business plan, and 22% intending to use borrowing headroom to increase debt levels by the end of the plan.

**Figure 3: Which of the following best describes the priorities of your HRA business plan in relation to debt level?**

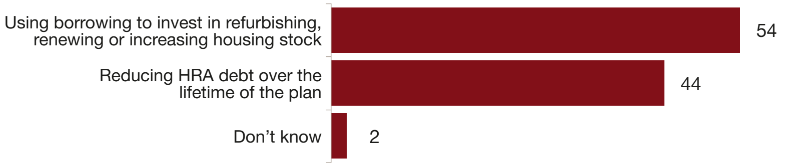
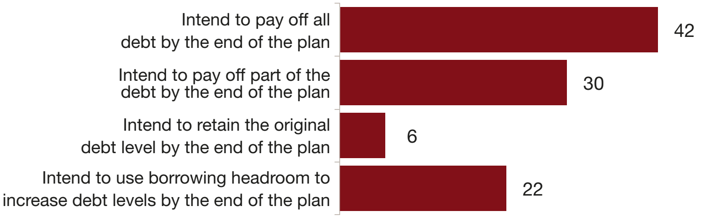



**Figure 4: In respect of debt management, which of the following best describes your intentions?**




The interviews and roundtables also reflected this diversity in approach to debt management in councils' business plans. However, while the emphasis varied, none of the business plans focused solely on debt repayment at the expense of investment. Rather, most believed that the debt should be managed prudently rather than simply paid off as quickly as possible. This meant that there was room for investment, although how this was incorporated into the business plan varied. Some expected investment in the short-term (first 5-10 years of the plan), followed by a greater repayment focus;

some expected debt repayment to occur initially, to be followed with new investment and use of headroom; others expected the debt level to remain consistent (only being serviced rather than reduced).

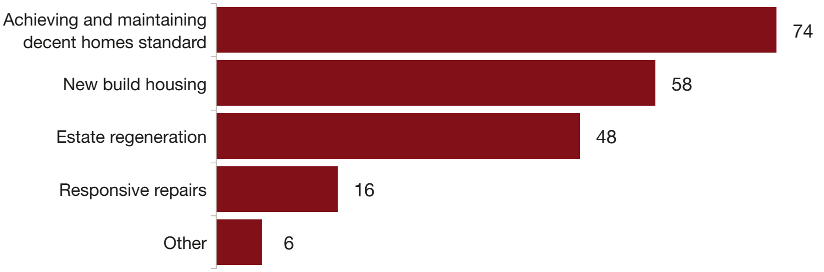
There was also some discussion around refinancing HRA debt given the current low levels of interest. Some of the larger stock retaining councils admitted to paying very high interest on debts taken on 30 to 40 years ago. However, the cost of refinancing was often prohibitive.

"

***If you look at it from a business point of view, the focus shouldn't be on paying off debt, it should be on delivering good services on products as a business. It means having a reasonable and responsible approach to the amount of debt you take out.***

***Members have made a decision not to pay down debt for five years and, in those five years, really try to make a difference through building projects and big stock investments. From years 5-30, we'll seek to reduce the debt."***

**Figure 5: What are the key investment focus areas for your HRA? (Please select the two most important priorities in your HRA plans as it stands at the moment)**




In the roundtable discussions it was noted that the issue was often not about paying down the debt or investing, but about just muddling along and failing to make a conscious, informed decision either way. HRA provides more certainty, but their councils were still concerned about the possibility of changes to the rent regime and the adverse impact it might have on revenues.

"

***It is clear that the debt inherent in the HRA is lower than the open market value of properties. But with an aging stock it might be wise to get rid of some of the debt in order to use headroom to renew and replenish old with new stock. You need to have a debt profile that is commensurate with the age profile of the stock".***

## *Priority investment areas*

74% of those surveyed stated that achieving and maintaining the Decent Homes standard were the two most important priorities for their business plans. This view was echoed at the roundtables.

However, estate regeneration (48%) and new build (58%) were also prominent priorities. Other areas of investment less frequently mentioned included: environmental sustainability and services allocation (redesigning services such as apprenticeships for tenants).

Other discussion indicates that investment plans vary widely between authorities.

Some officers outlined in detail quite structured plans, while others communicated only vaguer priorities; and some plans were wide-ranging, focusing on several different priority areas, whereas others were narrower and focused only on two.

## *Critical success factors*

Those involved in its delivery are reasonably confident in the success of their HRA business plans. When asked about the likelihood that the HRA would deliver the resources that council housing in their area needs, 40 out of 50 respondents believed it either likely or very likely.

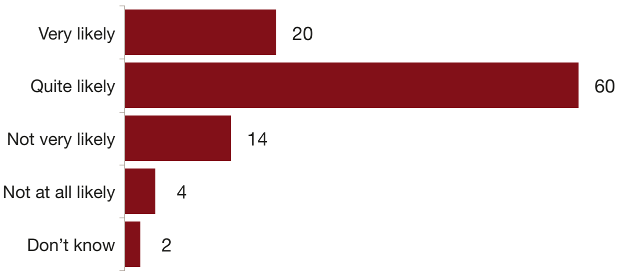
In the interviews and roundtables, all expressed confidence in the success of their business plans. However, some recognised that there were limitations in the extent to which the plans would satisfy housing needs in their area, due to historic under-investment and the imposition of a debt cap.

> ***"We're very confident – there's enough in the HRA to support the ongoing investment needs of the existing stock and to deliver some new homes as well, and to deliver some of our other priorities."***

However, critical to the success of the HRA business plans were: consistent rent increases, and; the extent to which housing benefit continues to deliver stable/sustainable income to the HRA. 82% of those surveyed believed one of these two factors to be the single most important in determining the success of their business plan.

Participants in the interviews stressed that their HRA business plans are predicated on continued real-terms rent increases at RPI + 0.5%. However, officers tended to feel that this scenario was fairly unlikely and the assumption is that, while there may be some fluctuations, rents are likely to rise relatively predictably over the period.

**Figure 6: In the context of continuing fiscal austerity, how likely is it that the HRA will deliver the resources that council housing in your area needs over the coming years?**



While rent increases are a critical success factor for many HRA plans, it is uncertainty about the impacts of forthcoming welfare reforms that are most concerning for council officers with responsibility for HRA. We asked an open question about the biggest challenge facing their council's HRA plan and 'welfare reform' was by far the most commonly mentioned issue.

In the interviews and roundtables it became clear that the primary concern relating to welfare reform is around the potential rise in rent arrears that could accompany the introduction of Universal Credit. It was felt that the end of direct rent payments to housing providers, and consequent reliance on benefits recipients to manage their funds, is likely to lead to an increase in late payments and non-payment of rents for council housing. And, in the absence of a well-evidenced model for the likely impacts of welfare reform on the prevalence of rent arrears, it is very difficult to factor these effects into the HRA plan.

**Figure 7: And which would you say is the single most important [factor affecting success of business plan]?**

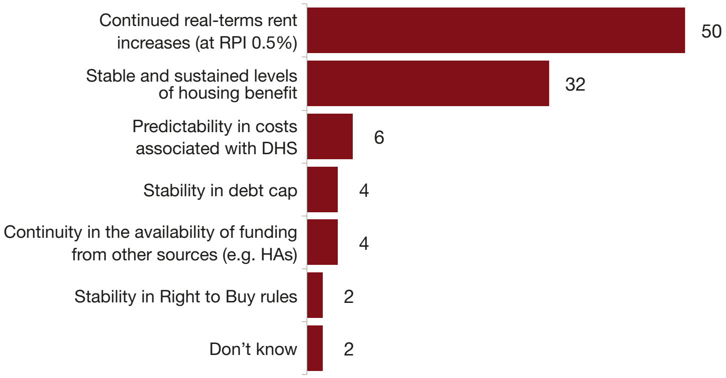



**Figure 8: Please use the box below to tell us what you consider to be the biggest challenges facing your council's HRA plan.**

Alongside the concerns around Universal Credit, respondents also raised a recessive worry that the so-called ‘bedroom tax’ will have further negative effects on the ability of tenants to pay their rents on time and in full.

**“**

***With welfare reform, it doesn’t matter how good your business plan is and how much you’ve increased rents by – if tenants don’t comply with the reforms, you’ll lose revenue and have some difficult choices to make regarding investment.”***

Some of the officers told us they had plans in place to improve the likelihood of their business plan succeeding. These included:

- Using a specific model that is updated on a regular basis as circumstances change;
- Taking on a debt adviser;
- Conservative forecasting;
- Setting up direct debits with those tenants expecting a reduction in housing benefit and going through their finances with them.

# Reforms and innovation

In the course of the research, we asked officers to consider a range of potential reforms to the HRA settlement, alongside some possible ways that councils could innovate within the existing structures.

## The debt cap

Given the strength of feeling about the debt cap, we looked at three ways in which this issue could be addressed:

1. Abolition
2. Revisiting the way that the cap is calculated
3. Introducing measures to make the cap more flexible

### 1. Abolition of the debt cap

There were consistently high levels of support for the removal of the debt cap. 86% of those surveyed thought that the debt cap should be repealed, while only 10% thought that it should not be repealed.

In the interviews and roundtables, opposition to the debt cap was almost unanimous. Participants felt that this single issue undermines the ability of councils to run their housing portfolios as genuine businesses.

**Figure 9:** Should the government repeal the debt cap?


***"The only area with a bit of a lobby going on is the debt cap. We'd be keen to see it lifted so that we'd be allowed to operate in the same way the general fund does. We should be trusted not to have a debt cap and could do an awful lot more if the debt cap was not there, although we can do a lot within current constraints."***

### 2. Re-visiting the way that the debt cap is calculated

Many felt they would be (at least partially) satisfied with *refinements* to the debt cap, if not absolute repeal. One such refinement discussed might be simply to set the debt caps at a less restrictive level. In addition, it was felt that making clear what the debt cap relates to would go some way to assuaging concerns about arbitrariness.

Some participants suggested relating the debt cap more closely to the local authority's ability to repay the debt in the future. Although there was little agreement on which variable would best predict the authority's ability to repay its debt in the long-term. Discussions ranged from relating the cap to the asset value of the authority's stock or the authority's rental income stream, to a combination of the two.

### 3. Mechanisms for increasing the flexibility of the debt cap

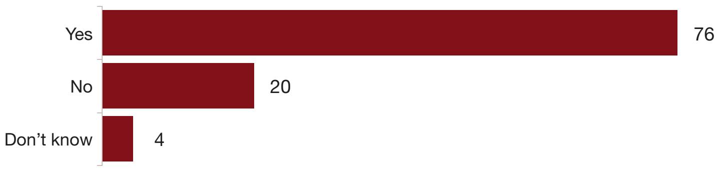
At the roundtables the idea was raised of allowing councils who have borrowing headroom to trade with those who do not. The idea was that councils with more headroom than they planned on using for investment could sell it to councils with insufficient headroom for their objectives. It was said that this might work at a London borough-wide level or as 'HRA City Deals', with an area or region-wide debt cap rather than an individual one.

We tested this idea further in the interviews. Most participants thought it might work in theory, but not in practice: there were concerns over how it would be policed; how much of a premium those councils with headroom to trade might charge and whether it would create a wider divide between a council's ongoing level of debt and its ability to repay that debt.

Another suggestion which emerged was that the debt cap, if not repealed altogether, might be made partially permeable. In other words, the default position would be that the authority is not able to borrow beyond the level at which the cap is set unless it can convince central government of an 'exceptional business case'. It was suggested that this would placate central government concerns that not all local authorities can be trusted to borrow prudently and encourage them to think outside the box.

> ***"I would rather have been set a level of debt and then be able to come forward with a business plan for approval, every time you wanted to borrow more money. Or, if they want a win-win, they can impose a debt cap but judge individual cases separately to the debt cap. It would have to be seen as an exception. Leaving the cap as it is would be more in step with national fiscal policy but you could still ask people to submit individual exceptional business cases."***

**Figure 10: Do you think councils should be free to set their own rents under HRA?**




## *Rent autonomy*

Permitting councils to set their own rents under HRA was a suggestion that received support, although giving councils *greater* flexibility than they have already is not necessarily favoured by all. 76% of those surveyed agreed that councils should be free to set their own rents, such flexibility being more in keeping with the HRA principle of autonomy and taking advantage of the much better understanding of the local economic landscape that councils have. However, one in five of those surveyed were opposed to rent autonomy for councils.

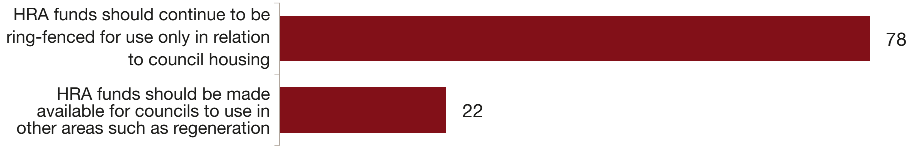
The interviews revealed, however, that officers already consider councils to have a measure of flexibility in setting rents. The government guidelines are not seen as excessively strict or rigid and a number of councils are already deviating from them. At least one interviewee had had correspondence with government confirming permission to deviate.

Nevertheless, the interviews suggested that some confusion exists as to how prescriptive the government guidelines are. In particular, it is not clear to all officers whether the guideline rate (of RPI + 0.5%) operates as a ceiling, floor or both. Most of those interviewed believe that, in any case, deviating too far either way from the guideline rate would either jeopardise their business plans or lead to tenants suffering (or falling into arrears).

*"We're happy with the guidelines. If you raise rents too much, it will be outside the housing benefit allowance so you won't benefit by raising it too much (and your tenants won't pay anyway). There is some flexibility but you have to balance the tenants' interests and the business plan."*

A much more pressing concern for officers than greater rent autonomy is greater clarity in national rent-setting policy. When asked which were the biggest challenges facing their HRA plan, the survey responses related to certainty in future rent increases; the interviews revealed related concerns about political pressure to minimise rent increases, with a number of officers not expecting RPI +0.5% to continue.

**Figure 11:** **As you know, HRA funds are ring-fenced for use only in relation to council housing stock. Which of the following comes closest to your view?**




*"HRA is only a good deal as long as rent can continue to increase on current target rent guidelines. Any changes will make the business plan significantly more difficult to achieve".*

*"Tenants value the ring-fence as they can see where the money is being invested. It makes the system more transparent and accountable."*

## Removal of the ring-fence around HRA funds

The majority of officers, in the roundtables, interviews and survey as a whole, opposed the removal or relaxation of the ring-fence around HRA funds. Over three-quarters of survey respondents preferred the continuation of the ring-fence. There was a very clear and consistent view 'tenants' money should be spent on tenants' services'; with some even suggesting that the ring-fence should be reinforced.

## Self-regulation (& voluntary code of practice)

The assertion that the HRA should be self-regulated, perhaps with a voluntary code of practice, received some support in our research. It was, however, suggested that this was what was happening anyway in most councils. Some scepticism was voiced that those in need of regulation wouldn't comply with the code while those who would comply with the code would 'play ball' irrespectively.

## *HRA as an arms-length social business*

We discussed the notion that councils might be allowed to set up their HRA as an arms-length business. However, little was known about the implications, with some asserting a need to understand it a bit better and that much would depend on how such a business would be set up. Others voiced concerns about adding another layer of bureaucracy and the additional costs that might be involved.

The roundtables explored the idea of an arms-length HRA in more depth. It was said that it might be one way of improving a council's HRA capability and skill set, and a useful way of enabling partnership working. A lot depended on the council's housing ambitions and the appetite to maximise investment opportunities.

## *Potential for innovation*

Due to the limitations imposed on HRAs because of the debt cap, we discussed the potential for innovations within the existing HRA structure. A number of creative approaches were debated, including:

- Alternative special purpose investment vehicles;
- Off-balance sheet approaches that would allow borrowing against future revenue streams; and
- Concession-type models that might allow additional new build and investment in communities.

In addition, there was a clear appetite for forums enabling shared learning.

# Conclusion

One year on from the introduction of the HRA reforms, against the backdrop of austerity and the constraints imposed by borrowing caps, the new system has been widely welcomed.

It has been a painstakingly slow process of evolution and there are still challenges, such as the impact of welfare reform and changes to national housing and rent policy. But the HRA reforms remain a 'good news story'.

The main bone of contention centres on the HRA debt caps, which are seen (particularly by those councils who want to build) as an unnecessary constraint. Councils see the policy of debt caps as contradicting the HRA's guiding principle of enabling self-financing and independence. Nearly nine out of ten housing directors and officers want them either reformed or removed.

Interestingly though, for a large number of councils, reducing HRA debt remains more important than borrowing to invest in existing or new build stock. That said, Decent Homes is still a key investment focus for most councils.

Although council officers are cautious about claiming that expanding HRA borrowing headroom will automatically equate to the building of large numbers of new council homes, the sentiment across the sector is that relaxing the cap would boost housing investment and kick start affordable house building. Many respondents said their HRA strategies had prioritised new build housing, which is a dramatic change from the past 25 years and must be welcomed in areas of high housing demand.

Some councils are clearly not waiting for the Treasury to relax HRA borrowing controls or for a return to past government grant levels. There is a growing interest among the larger stock retaining councils in forming partnerships with the private sector and housing associations. There was particular interest, for example, in the viability of setting up new delivery vehicles that would attract long term investment.

However, they are not risk free and HRA investment, whether it be in-house or through new partnership arrangements, will need to address challenges to rental income from possible rising rent arrears resulting from the introduction of Universal Credit, benefit caps and the 'bedroom tax'.

Councils view the new HRA system as good for tenants, although there are worries over predicating business plans on continued real-terms rent increases when household incomes are falling. There was some interest in using HRA funds to support regeneration and even to support social rents, but little support for the idea of removing the ring-fence funding and placing HRA in the council's General Fund.

Some housing directors are interested in how they can run their HRA much more as a social business, with perhaps separate boards and limited autonomy. There is also a call for greater self-regulation, and for more shared learning and exchange of ideas and best practice.

Many councils are cautious and some are more risk adverse than others. The debt caps and welfare reform are seen as barriers to progress, but council officers and leaders are taking more initiative and gaining more confidence as housing investment becomes a greater priority. The new HRA system provides an opportunity to invest in and create new stock, in a way that would have been impossible a decade ago.

# *About the survey and roundtables*

- **An online survey of 50 council officers with responsibility for management of their council's HRA.** Respondents were either senior housing or finance officers in local authorities or senior management (usually chief executives) of council housing arms length management organisations (ALMOs). Throughout this report, all respondents will be referred to as 'officers' for simplicity.
- **The survey was conducted between January and March 2013, and the in-depth interviews in April.** No more than one officer was surveyed from each council or ALMO.
- **Respondents to the survey oversaw different amounts of council-owned stock:** 16 oversaw small stock (less than 5,000 units); 23 oversaw medium stock (5,000-15,000 units); and 11 oversaw large stock (more than 15,000 units.
- **In-depth interviews were conducted with eight of the surveyed officers.** Throughout this report, headline findings are based on both parts of the research. Charts are based on findings from the survey and deeper, explanatory insights (and quotes) from the interviews and roundtables.
- **Roundtables to discuss initial survey results were held in Birmingham and London.** Attendees included decision makers from councils, developers, legal and financial advisers, investors, architects, house builders, housing associations, and government.

# Contacts

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Richard is the Head of PwC's Housing Finance team. He has advised on the largest Housing and Regeneration projects that have been completed in the UK, securing over £3bn of private finance.

He advised the DCLG on HRA reform and more recently on housing guarantees. In addition, he has acted for clients in Europe, Africa and the Middle East and leads PwC's policy work in the Housing sector. He led the firms housing policy review – 'From Decent Homes to Great Places' and published a study of American approaches to Mixed Communities 'Investing in Hope'. He also co-authored the 'Hard Times' papers that PwC has published with L&Q on the future of affordable housing.

Richard was a member of the HCA Housing Finance Group and the Mayors Housing Investment Taskforce.

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