Developing Local Authority Housing Strategies
A Review of Progress in Housing Management

The Audit Commission report, *Developing Local Authority Housing Strategies*, which was published in 1992, noted that local authorities should be investigating the very different problems that they faced in relation to their social housing, and developing strategies to deal with them. It also highlighted the key role of the local authority in assessing overall housing needs and planning how they might be met, taking the private sector into account. More specifically, the report identified three key ways for local authority housing departments to make better use of local resources.

- fully utilising all the social housing in their areas, including that provided by housing associations
- having efficient rent collection procedures
- maintaining the housing stock in good condition

The Commission has recently reviewed the way in which local authorities have responded to these recommendations. There have been some improvements...

- the number of tenants with significant rent arrears has fallen from 4.25 per cent to 3 per cent
- authorities have better knowledge of the condition of their housing stock
- collaboration between authorities and housing associations has improved

...but there is evidence of changing demands on housing authorities in different parts of the country, and of new problems developing.

In metropolitan authorities...
- it is taking longer to find new tenants for empty dwellings
- the number of long-term empty dwellings has increased by 15 per cent
- the loss of rent income as a result of empty properties has increased from £29 per dwelling to £49 per dwelling

...while in London...
- it still takes over seven weeks to relet dwellings, although performance has improved by a week since 1992/93
- management costs have risen by 15 per cent above inflation

...and while the performance of many poorly performing authorities has improved, there is still a wide variation between authorities as a whole.

All authorities now need to...
- review their progress and performance with their auditors, who can provide comparative information
- identify areas where action needs to be taken
- develop an action plan
...to bring their services up to the standard of the best.

Value-for-money indicators

This update is part of a series that tracks progress on a number of selected national value-for-money studies, using indicators based on the original study recommendations.
The changing role of local authority housing services

1. Local authorities continue to have a major part to play in the provision of rented social housing. Although housing associations have become increasingly important in providing new housing, and some local authorities have transferred their housing stock to housing associations or other ‘registered social landlords’ (RSLs), local authorities in England and Wales still own over 3.5 million dwellings, and spend over £4 billion on housing management and maintenance. Local authorities also have a strong influence on the building of new social housing. They can provide resources to support RSL housing schemes in the form of land or cash, often in return for the right to nominate people from their waiting lists to RSL tenancies.

2. The Audit Commission’s national report, Developing Local Authority Housing Strategies, recommended that authorities work with other social housing providers in their areas to assess local needs and resources, and to plan for the future.

3. The report noted that different local authorities around the country faced very different situations. The use of temporary accommodation was highest in London. The high maintenance demands of many dwellings that were constructed using non-traditional methods meant that some authorities faced particularly high maintenance costs. In other areas, such as Wales, the problem lay in the poor condition of privately owned and rented dwellings.

4. This update shows that the differences have widened over recent years. Some authorities now face a surplus of social housing, and do not need all of their housing association nominations. There is now a greater variety of providers of social housing, including local housing companies offering a wider choice to prospective tenants. Some authorities are looking to transfer their housing to these companies to provide access to funds to meet acute repair backlogs - but these dwellings often have a negative value when they are transferred, the cost of repairs being greater than the transfer value.

5. Whatever their circumstances, authorities must make the best use of their housing resources. The Commission’s original report identified a number of practical management actions that authorities should take:
   • maximising the use of existing social housing;
   • improving the efficiency of their processes; and
   • maintaining their housing stock in good condition.

This update uses data for 1996/97 to examine the progress that has been made by authorities in these three respects since the audits of 1992/93.

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1 Audit Commission, Developing Local Authority Housing Strategies, Audit Commission/HMSO, 1992.
Maximising the use of existing social housing

6. The national report recommended that authorities should keep the number of empty dwellings ('voids') to a minimum, and take up their full entitlement of lettings from housing associations.

Keeping the number of empty dwellings to a minimum

7. Local authority dwellings may be empty for a variety of reasons, such as:
   • delays between tenants moving out and new tenants arriving - a delay that can be prolonged if the dwelling is difficult to let; and
   • dwellings being held vacant for renovation, sale or demolition ('management voids').

Whatever the cause, empty dwellings represent a lost opportunity for rehousing people from the waiting list as well as a loss of rent to the authority.

8. The number of empty dwellings can reflect both short-term and long-term problems. There are separate indicators for each of these problems [EXHIBIT 1].

EXHIBIT 1
Managing empty dwellings
Performance indicators measure different reasons for properties being empty.

Source: Audit Commission
EXHIBIT 2

Time to relet dwellings

Few authorities manage to relet dwellings within the Audit Commission target times.

The average number of days taken to relet dwellings ‘available for letting, or awaiting minor repair’, 1996/97

Note: The survey covered London boroughs, metropolitan districts and a sample of shire districts. Reorganised authorities, including Welsh authorities, were not included.

Source: Audit Commission survey

Relet times

9. Dwellings are often empty temporarily because of the time that it takes authorities to relet them. Authorities should keep this time to a minimum, while at the same time paying attention to the needs of vulnerable clients who may need more time to visit and decide on a home. The original report set out a timetable for reletting dwellings, with target times of 42 days in London, and 21 days elsewhere. In fact, the average time taken to relet dwellings available for letting or awaiting minor repairs has decreased (in other words, improved) in London from an average of 60 days to 53 days, but has worsened in metropolitan districts - increasing from 32 days to 36 days. But in spite of the improvement in London, only 23 per cent of London boroughs achieve the target set in the Audit Commission report, while as few as 17 per cent of all other authorities achieve their target time [EXHIBIT 2].

Number of dwellings relet in the year

10. The more often that dwellings are vacated and relet, the higher the number that are likely to be empty for short periods. The number of dwellings that are relet each year, expressed as a percentage of the total housing stock (that is, stock turnover) has increased. London boroughs relet 5.5 per cent of their dwellings in 1996/97, compared to 4.5 per cent in 1992/93, but turnover in metropolitan districts has increased to a greater extent from 6 per cent to 8.2 per cent. Interpreting this statistic requires care. While it may represent an improvement in the service to those on waiting lists, as more people can be re-housed, it could also indicate a growing problem in some authorities of unpopular estates with a high turnover of tenants, or of inappropriate matches of dwellings with tenants.  

I These figures are based on the sample that provided data for both 1992/93 and 1996/97. They may therefore differ from those published in the local authority performance indicators. This also applies to Exhibit 7 on p8.

II The Audit Commission report, Home Alone, published in May 1998, reported that as many as 20 per cent of tenants with mental health problems requested a transfer shortly after taking up the tenancy.
The number of long-term empty dwellings has increased. Long-term empty dwellings per 10,000 council dwellings

Source: Audit Commission survey

The rental income lost because of empty dwellings has increased, even after allowing for rent inflation. £ lost per dwelling per year, adjusted for inflation

Source: Audit Commission survey

11. The number of dwellings that have been empty for six months or more has also risen in all types of authority [EXHIBIT 3]. There has been no change in the number of dwellings that are empty for management purposes.

12. Overall, this follow-up suggests that the problems facing some local authority housing departments are changing. Among metropolitan districts, some authorities appear to be finding it difficult to find sufficient tenants for all of their dwellings. By contrast, the pressures on housing in London largely remain, with only a small increase in the overall level of empty dwellings. Further detailed investigation of these issues would be needed to form a judgement of the situation in any particular authority.

The impact of empty dwellings on rental income

13. The increases in relet intervals (in metropolitan authorities), stock turnover and long term empty dwellings have contributed to a 50 per cent increase in the rental income lost due to empty dwellings between 1992/93 and 1996/97. However, part of this increase can be attributed to the rent increases that have taken place over the period, which range from 20 per cent to 25 per cent. The increase in the average rent lost per dwelling, adjusted for rent inflation, ranges from 7 per cent in London to nearly 70 per cent in metropolitan districts [EXHIBIT 4].
Using registered social landlord nominations

14. The second recommendation concerning making maximum use of local resources was that authorities should ensure that they make full use of housing association, or RSL allocations, where they have the right to nominate households from their own waiting lists. Typically, these nomination rights will be for 50 per cent of RSL vacancies, although the percentage is higher where the authority has contributed resources to the association. These nominations represent an important source of dwellings for authorities, and should be fully used when an authority has a waiting list.

15. There is evidence that authorities are becoming increasingly aware of their entitlement to RSL nominations and are taking it up. The proportion of authorities that have statistics on the availability and take-up of RSL housing has risen from 30 per cent in 1992/93 to 60 per cent in 1996/97, and 94 per cent of authorities now report having regular meetings with RSLs in their areas. Nearly 20 per cent of authorities also operate a joint waiting list with their local RSLs.

16. There is no significant change in the average take-up of local authority nominations to RSL tenancies, which was high at the time of the original report at around 95 per cent of the nominations to which the authority is entitled. However, there is cause for concern in some authorities where the take-up of RSL tenancies is low and the authorities have long waiting lists. This suggests a poor co-ordination of lettings, or a poor match between stock and demand in these authorities - for example, if the RSL has a surplus of sheltered units or bed sits for which there might be little local demand [EXHIBIT 5].
Rent differentials

17. As well as needing to minimise the number of empty dwellings, many authorities are faced with a demand for family-size dwellings in their areas, but find that some of these dwellings are under-occupied. The original report noted that there was often little financial incentive for people to move to smaller accommodation if their household became smaller, as the rent for a three-bed house often differed little from that for a two-bed flat. It suggested that the rent for a three-bed house should be at least 1.15 times that of a two-bed flat for dwellings in broadly similar condition.

18. Since 1992/93, rent differentials have increased in London and the shire districts, where 54 per cent of London boroughs and 45 per cent of districts now exceed the 115 per cent target, compared to 40 per cent and 37 per cent respectively in 1992/93. Metropolitan districts show little change, with about 30 per cent exceeding the target in both years. However, there is still considerable variation in rent differentials between authorities [EXHIBIT 6].

Fewer than half of all local authorities meet the target figure for rent differentials.

EXHIBIT 6
Rent differentials between large and small dwellings, 1996/97

Fewer than half of all local authorities meet the target figure for rent differentials.

The rent of a three-bed house as a percentage of the rent of a two-bed flat

Source: Audit Commission survey
More efficient processes

Many authorities have reduced the percentage of tenants with significant arrears, but management costs have increased.

19. Effective rent collection is essential to provide the resources for authorities to manage and maintain their housing stock. It therefore requires careful management.

20. Many authorities have reduced the percentage of tenants with rent arrears that exceed both 13 weeks’ rent and £250, suggesting an improvement in authorities’ debt prevention and recovery processes or a greater willingness to write off uncollectable debt. This improvement has taken place in all types of authorities, with the largest reductions taking place in London boroughs [EXHIBIT 7].

21. Nationally, there has been no significant change in the amount of rent collected as a percentage of the rent due. However, authorities that had collection rates in the lower quartile in 1992/93 showed a small but significant improvement in these rates of 1.25 percentage points by 1996/97.

22. As well as collecting rents effectively, authorities should write off rent arrears once all attempts at collection have failed, and there is no likelihood of recovering the debt. If these arrears are not written off, the authority’s accounts will be distorted by a growing level of unrecoverable debt. There has been a significant increase in the level of rents being written off, from 0.5 per cent of rents due in 1992/93, to over 0.8 per cent in 1996/97 for metropolitan districts, and from 0.9 per cent to 1.26 per cent in London. While this improvement suggests that a more realistic approach is being taken towards write-offs, there is still a gap between the rate of write-off and the shortfall on the collection rate, which could lead to a growth in the backlog of arrears.

23. Housing management costs have risen above the rate of inflation for all types of authority, from £6 (£6.65 in 1996/97 terms) per dwelling per week to £7.26 for metropolitan districts, and from £14 (£15.50 in 1996/97 terms) to £17.80 in London.
Maintaining the housing stock in good condition

24. The national report recommended that local authorities should regularly assess the condition of their housing stocks so that they can plan and set priorities for their maintenance. The number of London boroughs and metropolitan districts that have carried out surveys has increased, as has the proportion of stock that has been surveyed. However, some shire districts have still to carry out any survey [EXHIBIT 8].

25. When drawing up maintenance programmes, authorities need to balance the amount that they spend on ad hoc repairs in response to tenants' requests with their spending on the more cost-effective cyclical and planned maintenance and renovation. The Audit Commission has recommended that spending on responsive repairs should not be more than 40 per cent of the total spent on maintenance. Recent environmental health legislation has given tenants the power to demand repairs, raising concerns that the amount spent on responsive repairs would increase. This update survey has found that there has been little national change in the amount spent on responsive repairs as a percentage of the total budget for repairs, which has increased from 42 per cent to 47 per cent in the metropolitan districts, and declined in London from 39 per cent to 35 per cent. However, many authorities are still above the good practice target [EXHIBIT 9].

EXHIBIT 8
Housing condition surveys
Some shire districts have still to carry out any surveys.

The percentage of the housing stock surveyed in the past five years, 1996/97

Source: Audit Commission survey

EXHIBIT 9
Responsive repairs
Many authorities are still above the target for expenditure on responsive repairs.

Ratio of expenditure on responsive repairs to expenditure on all repairs

Source: Audit Commission survey
Spending on repairs has increased in real terms.  

26. The actual spending on repairs of all classes, including capital works, has increased by 8 per cent in the shire districts, and by 15 per cent in London and the metropolitan districts in real terms over the period. It now averages £1,350 per dwelling in London, and £800 elsewhere, although there is a wide variation in spending between authorities [EXHIBIT 10].

EXHIBIT 10
Spending on repairs, 1996/97
There is a wide variation in spending on repairs.

Spending in £ per dwelling per year

Source: Audit Commission survey
The way forward

27. This update survey has highlighted national improvements in some aspects of local authorities' management of their housing, notably in dealing with long-term arrears, and in developing better working with RSLs. But performance in other areas has deteriorated, particularly in the management of empty dwellings. This reflects the changing problems that face housing authorities, as well as growing regional differences [EXHIBIT 11]. Further national research is needed to assess the impact of these trends on public sector housing strategies overall.

28. At a local level, the increasing emphasis on best value and benchmarking means that authorities need to manage their stock more effectively, as well as to develop local strategies to deal with the changing demands for housing. Each authority will need to identify the issues that are relevant to it and to set its own agenda. The Commission's auditors can assist each authority to do this, using specially developed computer software. Chief executives and directors of housing should discuss their results with their auditors if they have not already done so.

EXHIBIT 11
The problems facing authorities
The problems vary in different types of authority.

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<th>ISSUES</th>
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<tr>
<td>A metropolitan district</td>
<td>A London borough</td>
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<td>• difficult to let properties</td>
<td>• high rent arrears</td>
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<td>• more long term empty dwellings</td>
<td>• long relet times</td>
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<td>• rising stock turnover</td>
<td>• rising management costs</td>
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<td>• low RSL nominations</td>
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Source: Audit Commission
Following up value-for-money studies and audits

Each year the Audit Commission follows up selected national studies and associated local audits that it has carried out to see what changes have taken place. It does this by identifying key indicators - value-for-money indicators (VFMIs). These are based on the recommendations made by the study and compare new data for these indicators against the data collected at the time of the original audit. The choice of studies depends on the continued relevance of the topic and recommendations, and the scope for change. The results provide not only a valuable national picture of change, but they also allow individual authorities to gauge their own progress against that of other, similar authorities. Separate results are produced by auditors for each individual authority using computer software that allows them to select indicators and tailor comparative groups to particular local needs. The information for housing management has recently been given to auditors, and chief executives should discuss the mechanisms for local feedback with their auditor if they have not already done so.