

NFA Submission to CLG Assessment of the Decent Homes Programme

1. Summary

- The decent homes programme has delivered far more than just new kitchens and bathrooms and other improvements to the council stock, which is a public asset. It has also achieved many other objectives in terms of quality of life, health impacts, community sustainability, resident empowerment, contribution to the local economy and to delivering local jobs – in many cases to the long term unemployed.
- The ALMO model has proved a successful mechanism for delivering the decent homes programme and demonstrably produces better services, tenant empowerment, effective delivery of major programmes, value for money and efficiencies. However, it is still a new sector and the NFA expects it to diversify further in accordance with local priorities.
- A key feature of the programme's success has been the link between funding and service improvement. The requirement to achieve a 2* inspection rating before being able to access additional funding has been hugely instrumental in service improvement within the ALMO sector that is now also starting to influence other sectors.
- The decent homes programme has been an effective programme but will not be sustained if both the remaining backlog and the long-term financing needs are not addressed.
- The decent homes standard is a minimum standard – at local level many providers have developed higher standards but resources need to be made available to achieve these and the programme now needs to be extended to the wider neighbourhood.
- The current HRA subsidy system is no longer fit for purpose and self financing should be implemented as soon as possible.
- The government should review the current fiscal barriers that inhibit a fair market in housing management services.

2. Delivering the decent homes programme at local level

2.1 The ALMO model has been a very effective way of delivering the decent homes programme and other service improvements. Where local authorities and their tenants have opted to use this route a key factor in their success has been the very real engagement, at all levels, of residents. From determining investment priorities, setting service standards, appointing contractors etc resident engagement in decision making has had an enormous influence on the sector. Tenants have, beyond doubt, fully demonstrated their ability to make decisions on managing and maintaining their homes.

2.2 However, ALMOs deliver more than just a housing service – they are inextricably linked to people and communities and to delivering functions at local authority level. They can deliver other benefits to their home council and local

strategic partnerships through activities aimed at addressing worklessness, tackling and preventing anti-social behaviour, working with young people, financial inclusion etc.

2.3 Nevertheless, with restrictions on the resources available to ALMOs after the ending of decent homes funding, a small number of local authorities with ALMOs are already contemplating large scale voluntary transfer as the only means to enable their housing service to retain financial viability. Other councils are considering bringing their ALMO back in house or opening it up to tender. Nevertheless, most authorities and their tenants would prefer to retain their ALMOs because of the service improvements they have consistently delivered and their proven commitment to engaging tenants. The NFA believes it is essential that tenants are fully involved in future decisions on the management of their homes.

2.4 ALMOs combine a local community base with a business like, entrepreneurial attitude. Their size and composition, and their non political status, allows for faster decision making and a more dynamic approach to service delivery. They are able to focus on the tasks that fall within the remit of their agreement with the local authority. At the same time they must be able to deliver local authority objectives and work in partnership with other agencies.

2.5 They are the potential first choice partners for regeneration and are well placed to make better use of public sector assets, including demolition and replacement of stock where necessary. ALMOs, because they work within the local community, would also be suited to the promotion of mixed tenure solutions and to delivering broader neighbourhood functions on behalf of their home councils.

2.6 As the decent homes programme nears completion, many ALMOs are, with their residents and local authorities, considering a number of new activities, eg,

- Decent homes plus, retrofit and energy efficiency measures
- Neighbourhood management, including services such as cleaning, grass cutting, addressing anti-social behaviour, graffiti removal etc.
- Providing services for other organisations, eg, housing associations
- New build, replacement or remodelling of the existing stock
- Rationalisation of stock management in an area, eg, managing other landlords' properties within the ALMO locality
- Regeneration activities on behalf of council or market renewal partnerships
- Managing private sector properties under Housing Act 2004 selective licensing powers
- Offering services to home owners including decent homes in vulnerable private sector properties.

2.7 ALMOs have been incredibly successful in managing the council housing stock since they first began operations nearly eight years ago. As a sector ALMOs are likely to diversify further in the future. What is needed and what works best in one local authority area will differ from another. The strength of the ALMO model is its ability to adapt to local circumstances and its focus on tenant involvement and an aspiration to deliver excellent services.

3. Delivering value for money

3.1 The main focus of ALMOs up to now has been to improve services to residents and to deliver the much needed improvements to tenants' homes. The results so far have shown that ALMOs have excelled in delivering decent homes. The combination of clear objectives, good project management and real resident involvement has ensured that ALMOs now have a great track record of delivering excellent services alongside major repairs and refurbishment projects on budget and on schedule. ALMOs are also delivering the majority of local authority housing finance efficiencies.

3.2 In order to access the government funding for decent homes all ALMOs have to first achieve a two star or higher rating from the Audit Commission. The combination of a reward for good performance and the constraints of a management fee ensure that ALMOs are extremely motivated to deliver efficiencies on the ground. This performance related regime has delivered real service improvements to residents and as at January 2010 out of 61 published ALMO inspection results there were 21 three star and 37 two star ALMOs.

3.3 ALMOs have to deliver a two star or higher service in the first instance with the same level of funding and mainly the same staff as the previous local authority housing department. This illustrates that it is not just an increase in funding or new staff that makes the fundamental difference to performance but the ALMO model itself with the focus on performance, delivery and customer service together with a new closer relationship with residents. Interestingly, no traditional local authority housing management service and only four housing associations have achieved three stars in the last five years.

3.4 ALMOs have an excellent record on procurement and obtaining value for money both in terms of investment and management. ALMOs already have partnerships with suppliers and developers which provide economic and social benefits locally while regional and sub-regional procurement partnerships have been developed, such as CYNTRA – a procurement consortia owned by ten London ALMOs which is now extending its remit to other partners including housing associations.

4. Additional benefits to the decent homes programme

4.1 The decent homes programme has delivered much more than simply upgrading stock that has suffered from years of under-investment. It has been a key driver in service improvement and tenant empowerment and has also achieved a number of other key impacts including:

- Providing local jobs and apprenticeships
- Improvements to the health of residents and consequent reduction in calls on the health service, particularly at GP level
- Greater pride within local communities with some indication of reduced crime rates
- Improved energy efficiency and reduced carbon emissions
- Impact on general poverty, eg, through reducing fuel poverty
- Better community cohesion and empowerment.

4.2 Overall, the level of subsidy on decent homes provides benefits for more people than new build programmes. However, although the decent homes standard has been successful in upgrading the stock it does have its limitations since it does not address common parts, lifts, environmental works or the degree of energy efficiency requirements that will be needed in the future to meet government targets.

4.3 Most ALMOs, therefore, tend to work to higher, local standards. The implementation of national and local standards under the new regulatory system in April 2010 will still enable those decisions to be made by residents and councils at local level. However, ALMOs are managing some of the most intractable council housing and resources will need to be found for retrofit in much of the stock, especially if future targets on carbon emissions are to be met and the problems of fuel poverty amongst some of the most vulnerable groups are to be addressed.

5. Lessons learnt

5.1 The decent homes programme has been a remarkable success and has improved the quality of life for many tenants. While it is essential that resources continue to be made available to bring the remainder of the social housing stock up to the decent homes standard this only addresses part of the problem.

5.2 The government must recognise that, however much new housing may be built, the current housing stock will continue to provide the majority of housing provision for decades to come. It is vital that the work of bringing the current local authority housing stock up to acceptable standards is continued. In 2050 the existing housing stock will still constitute 70% of council homes, many of which will be over 120 years old. Further investment will also be needed in the future if the existing stock is to be brought up to decent environmental standards.

5.3 The stop-start nature of the programme has created major difficulties. Over the whole decent homes funding period ALMOs have several times been asked by CLG to re-programme. Sometimes they have been asked to bring forward spending (as in March 2009), other times they have been asked to reprofile spend (as in July 2009 and also in 2006). However, ALMOs have always delivered although it is very difficult to manage large scale programmes efficiently in these circumstances.

5.4 The July 2009 announcement on the deferral of round 6 funding for non two star ALMOs meant that ALMOs who had heavily invested in preparing for their forthcoming Audit Commission inspections will effectively have wasted their money as there is no funding guaranteed as a result of a successful outcome. Promises made to tenants in housing desperately in need of renovation will now be reneged upon. This is a devastating blow to them and will cause them not just to question the integrity of the government but also of the ALMO as the vehicle which they supported to provide them with a better standard of housing.

5.5 It is also vital that the government urgently addresses the problems with the housing revenue account subsidy system. The success of the decent homes programme will be undermined if future revenue streams are insufficient to maintain both the management service and repair of the dwellings at an appropriate standard. The major repairs allowance is nowhere near keeping pace with the requirement to cater for properties that fall outside the decent homes standard post

2010 while management and maintenance allowances are considerably below that which is needed to maintain current levels of service and day to day repairs.

5.6 Unless action is taken quickly much of the good work so far will be undone and residents will face cuts in services and a decline in the condition of the stock. It is ironic that early round ALMOs that have achieved decent homes may find their stock falling out of decency in only a few years time as there is insufficient revenue currently coming through the subsidy system to carry out the necessary improvements.

5.7 As a structure for delivering the Decent Homes Programme the basic ALMO model is relatively simple and efficient for both VAT and Corporation Tax; ALMOs can qualify for a beneficial corporation tax status – namely, that their relationship with their parent council does not amount to a trade for Corporation Tax purposes and can recover its input VAT on its management services provided it only supplies this to its parent council.

5.8 However, once ALMOs start to try to do some of the things that both government and their parent authorities would like them to do, such as manage properties on behalf of housing associations or build their own properties the tax regime is not so simple or fair.

5.9 ALMOs are subject to VAT if they want to take on the management of housing association properties and if housing associations want to subcontract services to an ALMO then VAT is also payable. For example a small housing association or one with a small amount of dispersed stock in an area might find it more efficient, as well as delivering a better service for tenants, to pay the local ALMO for full or part management services. Because the ALMO is the major provider in the area it has more people on the ground and can offer a suite of services to other landlords and tenants in its area.

5.10 However the VAT rules are a fiscal disincentive to this kind of rationalisation of management and an obstacle for tenants who may want to opt for a better management service, something which could be promoted by the Tenant Services Authority.

5.11 The Government should also consider changing the classification of borrowing for council housing investment, recognising that council housing is a trading activity and that, under European accounting conventions, its borrowing need no longer count towards the main measure of general government debt.

5.12 Additionally the current five-ten year contract term between the ALMO and its local authority reduces efficiency and long term planning and makes it harder to keep excellent staff and retain the focus on long term improvements, especially for those ALMOs who have achieved the decent homes standard and are nearing the end of their contract terms.

5.13 It compares unfavourably to the other stock options that councils can consider such as PFI (a 30 year contract) and LSVT (a permanent management and

ownership change) and inhibits the ability of ALMOs to push ahead with innovative ideas and deliver real change in their neighbourhoods.

5.14 ALMOs deliver high quality services and value for money. Their local focus means they are embedded in, and have an understanding of, of their community as they only work in one local authority area. With a culture of service improvement and real tenant involvement in decision making ALMOs have already demonstrated their willingness to innovate and proactively engage in initiatives that go beyond the management and maintenance of the stock and are designed to enhance the lives of all those living in ALMO neighbourhoods.

5.15 However, in order to deliver on national and local policy agendas it is essential that ALMOs are given longer term stability and financial freedoms. It is simply not possible to build new homes or manage existing assets effectively on short term five-year contracts while being subject to an erratic and annual subsidy system.

5.16 It is also important that the government implements its commitments to tenants in terms of funding the decent homes programme and ensuring that councils cannot substantially change or wind up their ALMOs without tenant support and involvement.

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