

## **Investing in Affordable Housing: Consultation on the principles of Recovery for Social Housing Assistance**

### **NFA response**

#### **Introduction**

The National Federation of ALMOs (NFA) represents all 69 arms length management organisations (ALMOs) who between them manage more than one million council homes across sixty-five local authorities, more than half of all council housing in England.

Since their inception six years ago, ALMOs have provided tenants with excellent local, customer focused and cost effective housing management services. They have significantly improved performance and customer service by forging a new, closer relationship with residents. This has been reflected in the ratings given by the Audit Commission for housing services. At January 2010 there are 37 ALMOs with a two-star rating and no less than 21 ALMOs with three stars.

ALMOs have also successfully managed a huge programme of major works and have brought over 250,000 council homes up to the Decent Homes Standard. Almost without exception, these programmes have been completed on time, within budget and to high levels of customer satisfaction.

ALMOs are now engaging in new build projects with funding from the HCA, sometimes on their own, sometimes in partnership with RSLs, developers or with their parent Local Authorities. The NFA therefore believes it is appropriate that we respond to this consultation and make the case that ALMOs should not be treated any differently to RSLs with regard to the recycling of grant.

#### **Summary**

Currently ALMOs and Local Authorities have a separate and distinct grant agreement with the HCA on each individual project that they receive grant for and are treated differently to housing associations.

The NFA welcomes the revised ALMO grant agreement and is encouraged by the improvements that have been made to the document which better recognise the context within which ALMOs work and the types of organisation that they are.

However, in the consultation on the principles of recovery for Social Housing Assistance the HCA is still proposing to treat ALMOs differently to housing associations and the NFA does not believe there is any reasonable justification for that view.

The NFA would like to see an equal playing field with housing associations in dealing with HCA grant and recognition that ALMOs work closely with tenants and their parent local authorities to ensure that their objectives reflect local priorities and needs.

#### **Current position for ALMOs**

As stated in the consultation paper the current position for ALMOs is that they have to repay the HCA in the event of any disposal and that the amount returned to the HCA is linked to the uplift (or fall) in the value of the property.

This position does not recognise that ALMOs, like housing associations, do not distribute surpluses and that receipts would be recycled to pursue housing and related activities for the benefit of the local community and to re-invest in new supply. ALMOs have the added advantage of only working in one local authority area and being closely linked to the council and its local strategic objectives and so any receipts from stock disposals in the local area would be used to meet the housing priorities of local residents and the council.

It would seem appropriate that if the HCA decided to keep option 1 for housing associations as it is minded to do for social rented homes then this should be reflected in the arrangements for ALMOs. The same arguments around encouraging good practice in housing management and a proactive approach to stock rationalisation and asset management all apply to an ALMO's own stock and given the small scale of the investment by the HCA into ALMO new build projects compared to the investment in the housing association sector it would seem much more efficient and less bureaucratic to deal with the inevitably low numbers of stock disposal through ALMOs being able to recycle the grant rather than return it and re-bid for funding.

In terms of homes for intermediate rent and low cost homeownership the HCA is proposing a move for housing associations to the type of arrangement already in place for ALMOs (option 3). The NFA believes again that there is no justification for ALMOs to be treated differently to housing associations in this regard and supports the view that the uplift (or fall) in value should be captured and recycled into housing.

However, we think that it would be better to do that through an amended RCGF system that ALMOs could be part of. This would ensure that there was a level playing field and that the process would both provide good value for tax payers money and be efficient and less bureaucratic to administer as well as responsive to local needs.

#### **Preferred options for the whole social sector**

The NFA therefore believes that ALMOs should be treated in the same way that housing associations are treated with regard to the ability to recycle grant for housing purposes. It proposes that arrangements are made with ALMOs that enable them to recycle grant in the same way that housing associations can, which would allow ALMOs to better manage their assets and respond to local housing priorities. ALMOs are in a unique position to engage with their Local Authority in discussions on priorities for recycling grant. The NFA believes that if grant cannot be recycled by the ALMO then the priority should be to retain the funding within that Local Authority area.

We hope that these comments are considered helpful and we would welcome an opportunity to further discuss the possible arrangements for ALMOs in terms of the ability to recycle grant for both social rented and low cost home ownership and intermediate housing.