

# Responsible choices for a fairer future

Submitted by:

**NATIONAL  
HOUSING  
FEDERATION**

 National Federation of **ALMOs**  
championing better homes and communities



# 1. Foreword

The 2010 Comprehensive Spending Review is about choices. Choices not only to restore the public finances to a sustainable position, but choices about where to invest resources to support economic recovery while delivering on the Government's core values of freedom, fairness and responsibility.

Continued and sustained investment in housing and associated areas is critical if Britain is to emerge from the challenges ahead in a stronger position. It is vital if government is to deliver on its pledge to limit, as far as possible, the impact of reductions in spending on the most vulnerable individuals and communities in our society.

Spending on housing generates high economic returns – protecting and creating jobs, and offering employment and training opportunities, particularly for young people. It makes a key contribution to achieving government's wider aspirations for improved health and educational outcomes and crime reduction. Investing to deliver new homes also offers government exceptional value for money. For every £400m pounds spent by government, housing associations have levered in a further £600m from private finance and their own resources. Investment by government also supports spending in the wider economy because of the economic multiplier effect it generates. It results in a 140% return in terms of spending in the wider economy for every pound spent on housing.

Housing organisations already play a key role in supporting and encouraging people to take social responsibility. In 2007-08, housing associations invested £435m in supporting neighbourhood groups, social enterprises and delivering neighbourhood services. Local authorities and arms length management organisations (ALMOs) have also invested in communities, over and above their Decent Homes programmes.

Housing associations, ALMOs and the many community-based bodies such as tenant management organisations (TMOs) and community gateway associations are a demonstration of the 'Big Society' in action – not-for-profit and charitable organisations working alongside government to provide services and support to the most vulnerable members of our communities. As government works to develop and implement its vision for a 'Big Society', the housing sector is already playing its part – empowering tenants and supporting community-based organisations.

Together our organisations support a sector which provides housing, housing-related support and community services for over 10m people. We are committed to assisting the government to deliver a fairer society. We have demonstrated over time that we can offer a great return on the investment of public money and have the ability to lever in additional monies. We are also happy to start a conversation with government about how we can work to deliver even greater benefits from government investment in the future.

The country faces a difficult period, but our organisations are committed to rising to the challenge of tackling the severe housing crisis which impacts on the life chances

of millions of people, and constrains their ability to meet their full potential. We look forward to working with the Government to help deliver economic growth, rebalance the economy and create a fairer society.

## 2. Executive summary

This submission to the Comprehensive Spending Review is the contribution of the major representative organisations across the housing sector. It will address the national debate on how the Government's priority to reduce the budget deficit can be combined with an attempt to limit the impact of reductions in spending on the most vulnerable in society and on those regions heavily dependent on the public sector. It illustrates why government should continue to provide investment in housing, and how that investment will generate substantial economic value and contribute to the delivery of a stronger and fairer society. It also shows how policy reforms can help the housing sector to increase the impact of government spending.

The role of the housing sector extends far beyond the homes that we build. The work we do contributes directly to the empowerment of local communities and encourages social responsibility. It provides improved quality of life, increased opportunities and improved social mobility for residents delivering prosperity to many of the least well off in society. These values underpin our sector's work and we are ready to work with government to help build a free, fair and responsible society.

The joint programme of government and private support for housing described in this submission demonstrates how, by making the right investment choices in a challenging period, housing policy and work with the housing sector can help government deliver its key priorities. At a time when the most pressing challenge is to restore fiscal stability, we are striving to deliver improved efficiency. This submission sets out our sector's offer to government in terms of direct savings to government, and delivery of government's aspirations.

The housing sector has a track record in delivering high quality outputs combined with continuous efficiencies and value for money. We have the experience and expertise to stretch government investment and assist in building a fairer society. We are ready to work with the government to deliver our shared aims and objectives, and enter discussions to challenge existing conventions and examine reform that could extend the impact of the housing sector's contribution.

Evidence illustrates that housing investment plays a critical role in a number of key elements of the Government's programme including:

- Strengthening economic recovery and protecting and sustaining jobs
- Empowering community groups
- Helping families to manage their debts and finances
- Bringing empty homes into use
- Promoting shared ownership schemes, helping social tenants and others to own or part-own their own home
- Improving the energy efficiency of new and existing housing
- Tackling child poverty
- Assisting families with multiple problems
- Helping older people live at home for longer
- Supporting the creation and expansion of social enterprises
- Supporting the creation of neighbourhood groups

- Enabling young people to develop the skills necessary to be active and responsible citizens and get involved with their communities.

Our submission contains the following key recommendations:

## **Support for individuals and households**

### ***Providing support, protection and opportunity for vulnerable and older people***

Housing-related support provides essential preventative services to vulnerable people, helping around 1m people at any one time, and meeting the needs of a variety of vulnerable groups. Housing-related support services can demonstrate impressive outcomes. An evaluation of the cost benefits of housing related support estimated that investing £1.6bn annually in housing-related support services generated in-year savings of £3.41bn to the public purse by avoiding more expensive acute services.<sup>1</sup>

Our sector is committed to delivering housing-related support services that are efficient, provide value for money and offer a personalised and tailored service to vulnerable adults. We have a strong track record of offering joined up services which deliver more effective interventions and increase the involvement and empowerment of vulnerable people.

The strong relationship between spending on care and support and costs incurred by the National Health Service (NHS) means the best way of protecting health resources and make the best use of NHS funds is to extend the ‘real terms’ guarantee to funding for housing related support alongside that of the NHS. To sustain vital services for vulnerable people without compromising quality, and to avoid increasing costs to the public purse in other service areas, **we recommend that the investment in housing-related support services is maintained at current levels, in real terms, between 2011 and 2015.** To maximise the value of public investment in this area **we recommend** longer term revenue contracts, reducing the bureaucratic burden and greater local transparency.

**Public health budgets should also be maintained in real terms between 2011 and 2015** as part of the Government’s commitment to protect health spending.

We recommend that investment in the **Disabled Facilities Grant (DFG) is maintained at £165m per annum for the forthcoming CSR period** to enable disabled and older people to continue to live independently in their own home and reducing the demand on health services.

### ***Housing benefit***

Housing benefit is a key instrument by which government supports disadvantaged households who would otherwise be unable to meet their housing needs.

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<sup>1</sup> CapGemini, *Research into the financial benefits of the Supporting People programme*, Communities and Local Government (CLG), 2009

The emergency Budget announced plans to cut the amount of housing benefit available to thousands of households. Within a generation there will be towns and cities all over the country where there is no private rented accommodation with a rent within the reach of people whose income is supported by benefits. Demand for social housing and advice services will increase rapidly. In both private and social renting, the changes will increase poverty, overcrowding, and exclusion from active labour markets.

Continued investment in social housing provision at scale can bring huge savings in benefit spending. Specifically, if the increase in the number of claimants in the private rented sector (PRS) had been accommodated in social housing, we estimate that the annual saving to government would amount to some £625.6m.

To ensure effective reform of housing benefit, government should **run a pilot scheme and research project to test the efficacy of transition into work payments (TIWPs). No further cuts to the amount available for spending on housing benefit** should take place until a public review of help with housing costs has been held and reform ideas tested. To address the current unsustainable situation, we suggest **a major commission into help with housing costs** with a view to finding a replacement in the medium to long term.

### ***Preventing repossessions***

Schemes to help vulnerable owner occupiers avoid repossession and stay in their home play a key role in mitigating the negative social and economic consequences of losing your home. **Government should invest £200m across the CSR period to help up to 2500 vulnerable households** facing repossession stay in their own home either through shared equity or paying intermediate rent.

### ***Empowering tenants and communities***

Citizens today benefit from a truly mixed market of housing providers. This places the housing sector in a unique position to contribute to the Government's vision of the 'Big Society'. Our sector spans civic society, local government and the mutual sector, making housing part of the 'Big Society', and a key enabler of community action. As a sector we are committed to enhancing our existing work to empower communities, encouraging greater involvement of tenants in housing and community services and to share learning from empowerment in housing services with other community based organisations.

To facilitate local empowerment and capacity building in social housing we recommend that central government makes funding available each year of the CSR period to **support local authorities in their strategic housing role. The Chartered Institute of Housing (CIH) will prepare a separate submission to help CLG quantify the investment required to support this function.** We recommend that **£2.5m per year be made available at national level to support capacity building and support networks** for tenant involvement and management. The return on this investment would increase through efficiencies and improvements in the programme.

## Support for investment in homes and economic growth

### *New affordable housing supply*

England's social housing sector provides 3.8m affordable homes for families across the country making an essential contribution towards meeting housing need. With a record 4.5m people on housing registers and 2.6m trapped in overcrowded homes the need for new affordable homes has never been more acute. Each year the sector builds tens of thousands of new affordable homes and it is vital this work continues if we are to ensure that every family has access to a high quality home that they can afford. Investment in new affordable housing has a critical role to play in achieving progress across a broad range of priority areas including:

- Supporting economic recovery
- Supporting strong and stable families and ending child poverty
- Improving health outcomes
- Driving up the competitiveness and productivity of our economy
- Raising educational achievement
- Reducing crime and antisocial behaviour
- Helping to create a greener future by tackling carbon emissions and supporting the creation of green jobs.

The social housing sector is ready to work in partnership with government to deliver new homes and keen to discuss ways we can innovate to deliver more homes across all tenures helping to build economically viable mixed communities.

Taking the Government's priorities into account and the fiscal position, we recommend that **Government should invest £9.5bn across the next four-year spending review period to provide 150,000 new affordable homes. The housing association sector will match this with £12.6bn from its own resources.**

This is a 15% cut in nominal terms and a 25% cut in real terms once inflation, the impact of an increase in VAT and the cost of delivering to higher standards are taken into account. This shows the sector's commitment to continue to deliver much-needed homes, whilst recognising the fiscal realities facing the government.

Our proposal for government investment has a number of caveats and is reliant upon a number of underlying assumptions. Changes to these could increase the number of new affordable homes or reduce the overall number if they are detrimental to the sector's capacity to fund new homes. These are:

- The impact of absorbing the increase 20% rate of VAT and offering a 25% cut in real terms to the current housing programme.
- There must be a robust mechanism to uphold the delivery of new affordable housing through planning gain.

- A relaxation of regulation on asset management would enable housing associations to proactively manage their stock and assets and help unlock capital.
- Disposal of public sector land should be evaluated against a wider framework than 'best consideration' to include the wider long term benefits that can be delivered for the local community, including the provision of affordable housing.
- There should be no changes to the current Recycled Capital Grant Fund system.
- We have assumed that the environmental, space and quality requirements for new affordable homes stay the same.
- Consideration should be given to allowing more flexibility in social housing rents.
- Government should take advantage of EU legislation to extend a reduced rate of 5% VAT to housing management services provided by housing associations.

Local communities should be empowered to prioritise the key areas for affordable housing in their localities local investment plans. **The Homes and Communities Agency (HCA) should be given more freedom to adopt a flexible and pragmatic approach to investment in affordable housing**, through moving away from top down targets on investment in specific areas. To ensure that investment decisions are transparent and focused on priority areas **the number of rural, supported and family sized homes that are funded should be reported at local authority and national level.**

### ***Housing Market Enabling Fund***

**We recommend an expenditure programme of £1bn in a limited number of places where exceptional and long-term under-investment in homes has resulted in a housing offer that significantly undermines potential economic growth.** This expenditure will be deployed to enhance the housing offer by, for example, creating housing development opportunities and bringing empty homes back into use.

By stimulating inward investment in key areas, we anticipate the fund will generate substantial economic value for public and private investors, as well as for communities. The fund will:

- improve the supply of housing to support economic growth and labour mobility by making an estimated 23,000 new and improved homes available over the period
- provide or secure 25,000 jobs to assist the construction industry

- enhance labour mobility by reconnecting tens of thousands of individuals to the wider housing market
- increase private and individual confidence to invest in the area.

### ***A self-financed future for ALMOs and local authorities***

A self-financing future for council housing will help deliver real control and responsibility to local councils, ALMOs and their tenants to manage council housing. Self financing will give the council housing sector the stability that will enable more effective business planning, better asset management and deliver long-term efficiencies and value for money for the taxpayer.

**Councils and ALMOs need to be able to move to a self-financed future from April 2011.** Responsibility should be given to local councils and ALMOs for managing their own debt levels so they can properly consider the affordability of any investment proposals and plan their activities accordingly.

For a significant minority of councils and ALMOs there are still many outstanding capital investment requirements that this offer will not be able to deal with. **For ALMOs there is around £2.4bn worth of improvements to tenants' homes that are still outstanding and this is required to meet the commitments already made to those councils and tenants in the indicative ALMO bids to date.**

**There is also an additional £850 million worth of work that has been identified to address the additional repairs backlog across the whole council housing sector.** The proposed revenue settlement can be paid for entirely from the rental income from council tenants and does not therefore call upon additional tax payer funding.

**The government should consider adopting fiscal rules in line with international conventions** which would provide greater transparency as well as removing barriers to public sector enterprise.

### ***Maintaining good quality homes***

Since 1988, almost 1m homes have been transferred from local councils to housing associations, securing investment for the improvement of social housing and facilitating greater opportunities for tenant involvement in the management of their home. Stock transfer has helped deliver £9bn of additional investment into neighbourhoods.

Gap funding is a funding stream of last resort and utilised by new landlords to contribute towards the costs of delivering quality homes to tenants. **The Government must honour gap funding arrangements that have been agreed and for transfers** that are in the pipeline. This will ensure that housing associations are able to meet the commitments that have been made to tenants as part of the transfer deal.

## ***Improving the energy efficiency of existing homes***

Housing is responsible for around 27% of the UK's carbon emissions. Over 80% of the existing housing stock will still be in use by 2050. We welcome the Government Green Deal, which could see up to 14m homes benefiting from energy saving measures funded through a pay-as-you-save mechanism.

To make the Green Deal a success and lever in the investment needed to meet greenhouse gas emissions reductions in existing homes we recommend:

- **A policy framework to enable energy efficient retrofit for all housing tenures and the recouping of initial investment costs**
- **A reduction in VAT to 5% for energy efficient housing refurbishment**
- **Continuation of suppliers' obligation post-2012**
- **Feed-in tariff rates be maintained for the scheme's duration**
- **The Green Investment Bank to finance both energy efficiency and energy infrastructure.**

A programme of energy-efficiency improvements will make a significant contribution to achieving the Government's emissions reduction targets and reducing fuel poverty. Investment of £1bn of government support will lead to an overall investment of £6bn in retrofitting.<sup>2</sup> A programme of 500,000 refurbished homes per year has the potential to create 200,000 jobs per year up to 2050.<sup>3</sup> Any initial costs to government are largely offset by the reduction in unemployment benefits.

### **Evidence for responsible choices**

In a document accompanying our submission, we set out an extensive evidence base that demonstrates the positive impact that investment in new and existing affordable homes has on the economy and wider social policy.

We outline how our proposals for investment in new affordable homes would help fuel economic growth by safeguarding 178,000 jobs, add approximately 0.4% to the level of GDP by the fifth year of a five year programme and, for every £1 spent on house building, £1.40 in gross output will be generated across the economy as a whole.

Investment in housing plays a critical role in achieving positive impacts across a wide range of economic, social and environmental areas helping to create and maintain thriving viable neighbourhoods that help create a fairer future for England. Our evidence demonstrates how investment in housing can have a positive impact on a range of social policy areas ranging from educational attainment, health outcomes, tackling carbon emissions and cutting crime.

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<sup>2</sup> Existing Homes Alliance (2009), *Paying for it*, London, ExHA

<sup>3</sup> For more detail see appendix 6 in Existing Homes Alliance (2009), *Paying for it*, London, ExHA

### **3. Introduction and overview**

In launching the Comprehensive Spending Review, the government made it clear that the priority is the reduction of the budget deficit, and a significant acceleration in the reduction of the structural deficit over the course of the parliament. It is clear that this process will mean significant reductions in government spending.

At a time when the Government has a number of difficult choices to make, this submission sets out how we should respond to the housing challenges of the coming years when financial resources are squeezed. It demonstrates the housing sector's recognition of the pressing need to improve efficiency and stretch resources further, while dealing with the pressing challenges facing our society in which housing plays an integral role.

The role of the housing sector extends far beyond the homes that we build, own and manage. The work contributes to the creation of fairer, responsible and empowered communities. We are ready to work with the Government to meet the challenges that lie ahead.

We have a long-term commitment to the people and communities we work with and a desire to improve their quality of life, increase opportunities and extend social mobility. These values underpin our sector's work and the proposed programme of work which needs to be supported by government investment set out in this document.

We are an innovative and resourceful sector which has the expertise and experience to work with the government to deliver its aspirations.

#### ***Our submission***

Our submission addresses the need to provide ongoing support to individuals and households in order to maximise their ability to contribute to society and reduce government expenditure on acute services, and places it alongside delivery of new homes to meet the substantial and growing need for housing across all strata of society.

We have placed these requirements in the context of delivering economic growth, environmental sustainability and targeting those who are most in need. Although much of the submission is addressed to Communities and Local Government (CLG) and the Treasury, the recommendations it makes relate to government in its entirety. We have attempted to prioritise specific areas for investment that have the potential to make the greatest positive impact on people's lives. At the same time we have looked realistically at where further efficiencies can be found or alternative methods of delivering policy aspirations developed.

The first substantive section of our submission deals with support to individuals and households and the need for government to assist in sustaining vital services for vulnerable people without compromising quality.

Our main recommendation in this section is for a commitment from government to provide the resources to maintain investment in housing-related support at current levels in real terms, and to ensure that local authorities regularly report on the allocation and use of their housing-related support budgets to deliver transparency and accountability to local communities.

Housing-related support enables people to live independently in their own homes. It also provides for crisis interventions and plays a valuable preventative role. There is strong evidence that that these services reduce expenditure on acute services including NHS and the criminal justice system.<sup>4</sup> Continuing investment can help to deliver our shared priorities and offers the potential for significant savings against other government budgets.

Clearly, welfare reform is a key priority for the Government, and a review of the housing benefit system forms part of that agenda. The changes already announced to housing benefit in the Budget will have significant impacts on some of the most vulnerable people in society. As a sector which provides homes and services to a number of those in society who are most in need, and whose rental income stream consists of a significant housing benefit element, we have a strong interest in working with the Government on the proposals for reform. Recently announced changes will significantly reduce options available to low-income households, and evidence suggests that this will increase demand for our services – not only affordable housing provision but housing advice and homelessness. The stability of the current system of housing benefit payments is part of the reason housing associations have been able to access private finance at a reasonable cost, ensuring that government investment in new supply stretches as far as possible.

The second section of our submission deals with the building of new homes, the maintenance and improvement of our existing housing stock and government support for economic and labour market restructuring. With more than 4.5m people on housing registers and with affordability ratios stretched way beyond the long-run average, there is a clear case for continued government investment at scale to support the building of new homes. This investment provides significant economic benefit which helps support a private sector-led recovery and can be targeted at those most in need. The subsidy provided by government is stretched by the levering in of significant private finance and by the deployment of housing association reserves. Housing providers are ready to innovate and think differently in the delivery of these new homes, especially alongside discussions on how freedoms and flexibilities could aid that innovation.

Our key recommendation to government on the improvement to existing stock is to implement self-financing for councils and ALMOs from April 2011 on the basis of the revenue settlement set out in the prospectus launched in March 2010, with responsibility given to local councils and ALMOs for managing their own debt levels.

A self-financing settlement would provide the framework and the resources for the majority of councils and ALMOs to maintain their stock, although there is currently a

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<sup>4</sup> Davis, Portues and Skidmore, *Housing health and care - A policy and practice report by the Chartered Institute of Housing*, December 2009

£3.2bn backlog of repairs and maintenance work on council housing which will not be met through the adoption of this system.

We therefore recommend that to meet the commitments already made to those councils and tenants in the indicative ALMO bids to date, an ALMO capital grants programme of £2.4bn be retained for the forthcoming CSR period.

An additional £850m worth of work has also been identified to address the additional repairs backlog across the whole council housing sector. Funding to address this backlog should be made available to councils and ALMOs through a capital grants programme.

We also ask that retrofitting of environmental technologies, which dramatically reduce carbon emissions and increase the disposable income of households, be funded by the continuation of the suppliers' obligation post-2012. Feed-in tariffs (FITs) should be maintained at their current levels for the long-term and government should explore using the proposed Green Investment Bank to finance work that improves energy efficiency and infrastructure. These actions would maximise the impact we can have on greening our existing homes through measures that are not funded by the taxpayer.

Other crucial areas of capital investment that require continued government support, even in the tight fiscal environment, are the efforts to deliver economic and labour market restructuring in some areas of the North and Midlands in particular. Significant progress has been made in recent years, and continued investment is essential to sustain the Government's commitment to protect the most vulnerable people from the worst impacts of public spending cuts and the recession.

If the economic competitiveness and productivity of these areas is to be maximised, there is a need to have a housing stock and skills and employment training that meets the needs and aspirations of a model labour force. The programme of investment has a track record of levering in significant private investment, and is vital if regional economies, where public sector activity represents a higher than average proportion of regional gross domestic product (GDP), are to be rebalanced.

Alongside our submission, we are presenting a substantial body of evidence that demonstrates how continued investment in housing at scale helps to deliver government priorities in terms of economic contribution and wider social policy. Over the last few months, the sector has commissioned research and collected evidence to illustrate the impacts of housing investment, including its ability to sustain and protect jobs, and its contribution to positive health and education outcomes.

The submission is written in the context of both the Comprehensive Spending Review criteria that aim to ensure value for money in public spending and the existing policy framework. However, we clearly recognise that the framework and the institutional architecture are likely to change radically over the coming period. In several sections of our submission we make suggestions on how the policy framework could be refreshed to assist effective delivery. As such, this document is intended to begin an ongoing discussion between government and the housing sector and is not a stand-alone 'wish list'.

Having given due weight to the fiscal position and the government's commitment to reducing the deficit through substantial and significant spending cuts, we have come together on recommendations which we believe will have the greatest impact on the lives of vulnerable individuals and households, the supply of new homes, and promote increased fairness across society.

We wish to make the offer that any of the organisations supporting this bid will make available their experience and expertise in ongoing discussions up to and beyond the announcement of the outcome of the Comprehensive Spending Review on 20 October 2010.

There will be other issues which each organisation will want to pick up with government outside the scope of this submission. However, the degree of consensus achieved in putting together this submission is a reflection of the willingness of all partners to deliver at a local level to benefit local communities.

## 4. Support for individuals and households

### *Providing support, protection and opportunity for vulnerable and older people*

Housing-related support provides essential preventative services to vulnerable people, helping around 1m people at any one time, and meeting the needs of a variety of vulnerable groups. This includes:

- Working with homeless individuals with complex and multiple needs to help them make the transition from life on the street to a settled home, education training or employment.
- Helping older people to maintain their independence and active life in the community, reducing isolation and loneliness.
- Providing specialist accommodation and support to help people with mental health needs stabilise their lives, recover, maintain a tenancy and live more independently.
- Providing emergency refuge and support for victims of domestic violence to help them stabilise their life and engage with other services.
- Helping young parents to build stable lives and quality parenting skills.
- Supporting people with learning disabilities in the longer term to maximise their independence and exercise choice and control over their lives.

Between 2003 and 2009, these services that provide vital support to help vulnerable people to live independently in the community were funded through the Supporting People programme. Housing-related support services can demonstrate impressive outcomes.

For clients who left short-term services during 2008 and 2009:

- 64,826 (85%) people established contact with external services
- 43,100 (80%) people better managed their physical health
- 59,556 (72%) people maintained their accommodation and avoided eviction
- 30,330 (61%) people accessed their desired training or education needs.<sup>5</sup>

*Is the activity essential to meet government priorities?*

The government has made a commitment to protect the most vulnerable people. Public investment in housing-related support is critical to providing better health opportunity, protection and independence for vulnerable people. An evaluation of the cost benefits of housing-related support estimated that investing £1.6bn annually in

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<sup>5</sup> St. Andrews University, *Supporting People Outcomes Annual Report 2009/10*.  
[www.spclientrecord.org.uk/publications/AnnualReports/SP\\_Annual\\_Report\\_2009\\_10.pdf](http://www.spclientrecord.org.uk/publications/AnnualReports/SP_Annual_Report_2009_10.pdf).

housing-related support services generated in-year savings of £3.41bn to the public purse by avoiding more expensive acute services.<sup>6</sup>

### *Why should government continue to fund this activity?*

When announcing the Spending Review, government confirmed that its aim is to 'ensure that expenditure is focused on protecting the quality of the key front-line services that are important to the public and that provide support to the worst off in society'.

Client groups for housing and support include some of the most vulnerable in society whose needs go far beyond housing. Those receiving support can be socially isolated, have physical and mental health problems, histories of offending, or have substance dependency issues. A lack of appropriate support can generate huge costs to public services and in some cases create serious antisocial behaviour problems. Housing and support is vital in moving on from dependency to an independent healthy life, connected to services, work and training opportunities and social contacts.

The Government is also committed to taking action to improve public health to deliver long-term benefits to society and the economy. Bending existing budgets towards prevention, early intervention and action to reduce health inequalities will have a bigger impact on public health than time-limited projects and reduces the need for additional government investment in healthcare.

There is also a strong evidence base that certain vulnerable groups are likely to report poor health. For instance, homeless people have higher rates of tuberculosis, bronchitis, foot problems and infections than the general population and alcohol misuse is identified as a causal factor in more than 60 medical conditions, including mouth, throat, stomach, liver and breast cancers, cirrhosis and depression.<sup>7</sup> By providing stability, access to other services and early intervention to prevent more severe problems arising, housing and support can improve health outcomes and help reduce health inequalities for some of the most vulnerable people.

### *Does the activity provide substantial economic value?*

Investment in housing-related support delivers significant economic benefits for the public purse. Housing organisations and other locally-based support providers deliver these cost savings through:

- Preventative services that intervene early to avoid clients accessing more costly acute services later on.
- Tailored packages of support that co-ordinate interventions across traditional service boundaries to more effectively and efficiently meet people's needs.

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<sup>6</sup> CapGemini, *Research into the financial benefits of the Supporting People programme*, CLG, 2009.

<sup>7</sup> Also: Around one person in three with a learning disability is obese, compared with one in five of the general population, Cabinet Office, *Inclusion Health* (2010).

- Reducing admissions to acute services and enabling quicker discharge from institutional or acute care to living independently in their own homes with support. Housing with support often costs less than institutional care. For some client groups who can improve their capacity to live independently, support can be reduced over time.

Reduced levels of investment in these services will create significant costs for society and the public purse.

Services that support vulnerable people offer significant economic benefits. More detail on these is available in the evidence document of our submission.

- An evaluation of the cost benefits of housing-related support estimated that investing £1.6bn annually in housing-related support services generated in-year savings of £3.41bn to the public purse by avoiding more expensive acute services. This includes avoiding £315.2m health costs, £413.6m costs of crime and criminal justice and £95m of the costs of homelessness.<sup>8</sup>
- The National Housing Federation's work with the Department of Health's Care Services Efficiency Delivery team demonstrated the levels of cost-avoidance that housing-related support can deliver to health and adult social service budgets through, for example, the avoidance of hospital admissions and reduced numbers of 'looked-after' children. A number of different services were analysed.<sup>9</sup>
- Services that join up a number of different interventions into a single package of support can offer savings across a number of service areas. A study by the Tyneside Cyrenians shows that providing a package of support including drug treatment, support for health and other needs and training support leads to sustained employment for vulnerable people and the annual average cost to the public purse is reduced by 89%.<sup>10</sup>
- It has been estimated that integrated early intervention programmes can produce savings of between £1.20 and £2.65 for every £1 spent.<sup>11</sup>
- It is estimated that single homeless people use around four times more acute hospital services than the general population, costing at least £85m in total per year. For inpatient costs, the figure rises to eight times when the client group is compared to the population aged 16-64.<sup>12</sup>

<sup>8</sup> CapGemini, *Research into the financial benefits of the Supporting People programme*, CLG, 2009

<sup>9</sup> Department of Health, *Support Related*

*Housing*. [www.dhcarenetworks.org.uk/csed/Solutions/supportRelatedHousing/](http://www.dhcarenetworks.org.uk/csed/Solutions/supportRelatedHousing/). Further details are included in the evidence section of this submission.

<sup>10</sup> Clare Wigmore (2009) Virginia House Self Build Economic Cost Benefit Analysis, Tyneside Cyrenians.

<sup>11</sup> Turning Point, *Benefits Realisation: Assessing the evidence for the cost benefit and cost effectiveness of integrated health and social care*. February 2010.

<sup>12</sup> Department of Health – Office of the Chief Analyst, *Healthcare for Single Homeless People*, March 2010. [www.dhcarenetworks.org.uk/library/Resources/Housing/Support\\_materials/Other\\_reports\\_and\\_guidance/Healthcare\\_for\\_single\\_homeless\\_people.pdf](http://www.dhcarenetworks.org.uk/library/Resources/Housing/Support_materials/Other_reports_and_guidance/Healthcare_for_single_homeless_people.pdf).

- Evidence from the US suggests improved case management of homeless people reduces hospitalisation and A&E visits by 25-30%.<sup>13</sup>

There is huge potential to deliver better outcomes from public investment by joining up housing, health and care. However, cutting revenue investment in social welfare like housing and benefits could have a serious negative impact on public health, particularly for the most vulnerable people.<sup>14</sup>

#### *Who should provide support for vulnerable people?*

Housing related support has been effective because it is delivered as a partnership led by local government working with independent providers to deliver cost-effective services to meet locally identified needs. Housing organisations have worked with local authorities to review services, develop new models of delivery and identify cost savings. This model of provision should continue.

Progress has been made in developing local strategies and maximising efficiency savings. The increased availability of floating support and greater spread of home improvement agencies (HIAs) has made support services more flexible and able to meet the needs of vulnerable people in both private rented and owner occupied accommodation.<sup>15</sup> Over recent years, local areas have assumed more control over funding to enable prioritisation and focusing of services on local needs. Over the next four years, local authorities should continue to work with providers to develop their understanding of local needs to achieve better targeting of services in the future.

A number of housing providers are working with local authorities to personalise services further and introduce more choice, control and independence for service users. A range of solutions and contracting models need to be developed to implement this. We believe there is a strong case to continue using block contracting models as part of this mix. These provide a degree of stability for services for vulnerable people and delivering economies of scale for purchasers.

Individual budgets and personal health budgets are mechanisms by which greater choice and control can be given to service users, but they are not the only routes to personalised services and will not always work effectively for clients living chaotic lives who would prefer not to have that same level of direct control over the funding mechanism. For some clients, personalising services within block contracts can be the most meaningful, effective and efficient way of promoting genuine independence choice and control.

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<sup>13</sup> Inclusion health Evidence pack March 2010

<http://www.cabinetoffice.gov.uk/media/346574/inclusion-health-evidencepack.pdf>.

<sup>14</sup> Analysis published in the *British Medical Journal* has suggested that some aspects of population health are more sensitive to changes in investment in social welfare, including housing and benefits, than changes to spending in healthcare D. Stuckler et al, 'Budget Crises, health and social welfare programmes', *British Medical Journal*, 24 June 2010.

<sup>15</sup> Audit Commission, *The Supporting People Programme 2005-2009*, July 2009

*Can non-state providers be paid to carry out the activity according to the results they achieve?*

This activity is already carried out by a range of non-state providers such as housing associations working in partnership with local authorities. Housing-related support services are already delivered through an outcomes framework. As our sector supports some of the most vulnerable people in society we do not believe that a more rigid system of payment by results would deliver additional value for money or achieve better outcomes. Successful outcomes with vulnerable client groups can be hard won and take a long time to deliver. This does not match with relatively short-term contracts.

*Can the delivery of support be made more effective?*

Providers are committed to driving efficiency savings and have found ways of remodelling and re-organising services to deliver cost savings that do not impact on the quality of services.

However, a number of providers report that, after a number of years of finding significant above-inflation savings, they are nearing a decision point on the continuation of some services where they feel some services would deteriorate in quality or cease to be financially viable to deliver for the contract price.<sup>16</sup> However, there are several ways in which services could be made more effective.

- Longer-term revenue contracts are vital to service quality, sustainability and the delivery of lower costs. The Federation's funding and contracting survey demonstrates that unsustainable, short-term, contracting still persists.<sup>17</sup>
- Reducing the bureaucratic burden and using alternatives to competitive commissioning when appropriate. Competitive tendering brings with it massive administration and process costs for both local authority and providers. For instance, one local authority in the South East calculated the resources for a procurement process for one housing-related support service. They concluded that, taking into account staff time involved, it cost £200,000 to purchase a £950,000 service.<sup>18</sup> Reducing the burden of bureaucracy on providers and commissioners can release more funds for front-line services.
- Reducing duplication and streamlining interactions with different agencies. Bringing health, housing, support and care services together also realises cost savings by streamlining assessments and better co-ordinating the number of agencies vulnerable people have contact with. The Total Place pilots showed that by joining services together to focus on prevention and early intervention it is possible to improve outcomes and avoid costs. For

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<sup>16</sup> National Housing Federation, *Supporting People Funding and contracting survey*, 2009.

<sup>17</sup> Short term contracting locks providers in a constant cycle of tendering and re-tendering for services, and creates instability and uncertainty against the interest of service users who benefit from security and consistency in their service. The Federation's 2009 survey found that 36% were contracts of less than three years in length, including nearly 23% contracts of a year or less.

<sup>18</sup> CLG Select Committee, *The Supporting People Programme*, October 2009

instance, Lewisham identified that 30% savings could be made by rationalising the 11 different assessments of offenders with complex needs.<sup>19</sup>

- To deliver improved public health and make cost savings, spending needs to be bent towards prevention and a more joined-up approach to assessment, commissioning monitoring and evaluation of services. This will facilitate a stronger partnership approach between local health authorities, social services, GPs and independent providers.
- Greater local accountability for spending on housing-related support. As funding for support is incorporated into Area Based Grant for local authorities, any formal means to track the expenditure on housing-related support has been lost. As part of the commitment to openness and transparency in government, local authorities should be supported and encouraged to provide information on expenditure on services for vulnerable people. This will enable public bodies and the wider audience of voluntary organisations, social enterprises, community groups and the individuals they support to gain a clear understanding of what is spent locally on supporting vulnerable people, what this delivers and the interventions that work.

### **Our offer**

- Housing-related support services that are efficient and provide value for money. The overall value of funding fell throughout duration of the Supporting People programme. In 2003/04, the total grant was £1.814bn and by 2008/09, the total grant available had fallen to £1.686bn. Even so, the numbers of service users supported nationally had increased and quality of services had improved. Providers have been committed to driving efficiency savings and have found ways of remodelling and re-organising services to deliver cost savings that would not impact on the quality of services.
- The delivery of personalised and tailored services to vulnerable adults. An individual, tailored support plan is at the heart of housing-related support services. Positive partnerships between providers and local statutory agencies are critical to ensuring the further development of this model in the future to maximise the independence, choice and control individuals have over their lives and services.
- A track record in joining up services to deliver more effective interventions. Housing organisations and other support providers are well placed to reduce duplication and co-ordinate multiple services better, helping vulnerable people access and stay in contact with the services they need. For instance, housing organisations have been involved in providing intensive support to tackle multiple exclusions, crime and poverty through Family Intervention Projects (FIPs).<sup>20</sup>

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<sup>19</sup> HMT, *Total place: a whole area approach to public services*, March 2010 [www.hm-treasury.gov.uk/d/total\\_place\\_report.pdf](http://www.hm-treasury.gov.uk/d/total_place_report.pdf).

<sup>20</sup> For further information on this please see the evidence section of our submission.

- The involvement and empowerment of vulnerable people, by placing them at the heart of services. Individual tailored support planning and a commitment to involve and respond to the voice of users at different levels of organisations help ensure service users have the opportunity to drive and shape their services. The independent cost-benefit evaluation of housing-related support concluded that the way services worked towards greater independence brought with it broader, as yet uncosted social value. These include the building of social capital and greater participation in the community, with residents both making a contribution to the community and benefiting from informal support from it.<sup>21</sup>

### ***What needs to be done to achieve this?***

A vital part of the context for spending on care and support services is the Government's decision to maintain the value of funding for the National Health Service in real terms over the CSR period. The strong relationship between spending on care and support and costs incurred by the NHS, means the best way of protecting health resources and making best use of NHS funds is to extend the 'real terms' guarantee to funding for housing-related support alongside that of the NHS.

To sustain vital services for vulnerable people without compromising quality, and to avoid increasing costs to the public purse in other service areas we recommend that **investment in housing-related support services should be maintained at current levels in real terms between 2011 and 2015.**

To maximise the value of public investment in this area we recommend:

- **Longer term revenue contracts to bring greater stability and security to services for vulnerable people.** Given long-term certainty, including fewer contracts with six-month break clauses, providers will be able to deliver high quality services to a greater number of people with no increase in the resource required.
- **Reducing the bureaucratic burden** on providers and commissioners of purchasing and monitoring to free resources to the front line.
- **Greater local transparency** over what is spent on supporting vulnerable people and the outcomes this achieves. This information could be published through Local Spending Reports or another suitable mechanism that will improve public accountability and transparency for investment in services for the most vulnerable.

To maximise the value of public investment and meet the needs of older and vulnerable people, we need to ensure housing, health and social care work together more effectively through joining up assessment of need, commissioning and delivery.

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<sup>21</sup> CapGemini, *Research into the financial benefits of the Supporting People programme*, CLG, 2009.

To deliver better value in the longer term, health and adult social services should be encouraged to invest in prevention and early intervention.

The government has committed to protecting health spending and is considering weighting allocations to local health authorities towards the most disadvantaged areas to improve access to preventative healthcare. Improvements to public health require sustained investment. It will also be important to **ensure public health budgets are maintained in real terms throughout the period between 2011 and 2015** as part of this commitment.

To drive links between housing and health from the highest levels and to make sure links are embedded in national policy, the housing sector should be represented on the Long Term Care Commission.

**We recommend that investment in the Disabled Facilities Grant (DFG) is maintained at £165m per annum for the forthcoming CSR period to enable disabled and older people to continue to live independently in their own home and reducing the demand on health services.** A survey by the Joseph Rowntree Foundation found that 77% of people who had adaptations to their homes perceived a positive impact for their health.<sup>22</sup> Demands for DFGs are likely to increase in the future. Falls-related accident and emergency admissions of older people are predicted to rise from 515,000 to 735,000 per year.<sup>23</sup>

### ***Housing benefit***

Housing benefit (HB) is a key instrument by which government supports disadvantaged households who would otherwise be unable to meet their housing needs. It is an essential component in the welfare system and addresses need not only in the field of housing but also in areas such as health, education and employment that would be adversely affected if households on low incomes were unable to access adequate accommodation.

Of the 4.7m households claim housing benefit, 76% are retired or not expected to work due to illness, disability, or caring commitments. The remaining 24% of claimants are of working age and expected to work, with 540,000 (50%) in employment. It is estimated that around half of employed households who would be eligible for housing benefit do not claim.

The emergency Budget announced plans to cut the housing benefit of those claiming jobseeker's allowance after 12 months by 10%, from 2013. This will lead to real terms cuts of up to 50% in disposable income for a significant proportion of the nation's 4.7m housing benefit claimants.

The cut will hit single, childless claimants hardest because they are not entitled to any other income support from the state – other than their jobseeker's allowance. They will be forced to make up the shortfall in their housing benefit with a substantial proportion of their jobseeker's allowance, which is worth just £65.45 a week. An

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<sup>22</sup> Joseph Rowntree Foundation, *The Effectiveness of Housing Adaptations*, August 2001.

<sup>23</sup> POPPI, Department of Health, 2006

unemployed, single and childless person in London, with a weekly rent bill of £350, will suffer a housing benefit cut of £35. Meeting this shortfall from jobseeker's allowance will leave only £30.45 for food, clothing and energy and travel to find work.

With not enough money to cover their basic household bills, thousands of unemployed people on housing benefit will fall into arrears on their rent and be evicted. Even if tenants do manage to pay their rent, the extra expense could plunge people into poverty and severe debt. Alternatively, households could be forced into squalid, overcrowded housing with serious impacts on public and personal health.

On the back of these proposals we can expect demand in those areas where rents are below the new thresholds to soar – this will create real pressure on those private and social rented homes that are currently affordable.

*Is the activity essential to meet government priorities?*

Ensuring that people can meet their housing needs is essential to the Government's commitment to support vulnerable households, ensure fairness and encourage people into employment, besides avoiding damage to the wider social fabric that would result from increasing homelessness or forcing people into poorer quality or overcrowded housing.

*Does the Government need to fund this activity?*

Yes – only the state can provide welfare benefits. Many people will struggle to meet their housing costs even if they are in employment or supported by a private pension, because the difference between prices and incomes is so great in many areas. The vast majority of working age people on low to modest incomes have no form of private income protection insurance (PPI) to support them if they become ill or unemployed, and it seems likely that levels of PPI are almost non-existent among those who rent. Households will be unable to provide their own safety net until products become more suitable.

*Does the activity provide substantial economic value?*

Yes. Supporting poor and vulnerable households with their housing avoids the massive social costs of squalid, overcrowded housing conditions. In addition, suitable and stable housing helps create conditions in which claimants may be able to sustain employment or re-enter the employment market. It also aids educational attainment and reduces spend in acute services.

*Can the activity be targeted to those most in need?*

Housing benefit is means-tested and is therefore already targeted at those most in need. Housing benefit is also an in-work (as well as an out-of-work) benefit. As such it provides part of the overall incentive package to move off other out-of-work benefits.

*How can the activity be provided at lower cost?*

There are a range of ways to cut the cost of housing benefit, for example, by considering efficiencies, eligibility, and more fundamental reform. Our organisations are concerned by recently announced changes to housing benefit eligibility, but we are convinced about the need for reform. We are keen to engage with the wider reform of housing benefit and will articulate the pros and cons of different options outside this submission.

*How can the activity be provided more effectively?*

The system would be more effective in helping people back into work if housing benefit for working families was integrated within a tax credit system – this would remove the double impact of benefit tapers, reducing the worst marginal tax rates by over 20%. It would help make progress towards the government's long-term objective of creating a single working-age benefit and give people a wider choice of ways to meet their housing requirements.

*Can the activity be provided by a non-state provider or by citizens, wholly, or in partnership?*

No – the benefits system should be provided by the state, although government may wish to consider the type of organisation which administers it.

*Can non-state providers be paid to carry out the activity according to the results they achieve?*

Incentives to non-state administrators could be provided in terms of speed and accuracy of processing claims.

*Can local bodies, as opposed to central government, provide the activity?*

Local government currently provides this activity and its performance in processing claims has dramatically improved over the last 10 years. It may be that efficiency savings could be made in administration costs if it was delivered by a single national agency (eg, HMRC). However, national agencies have a poor record in controlling levels of fraud and correctly paid benefit, and also have slower processing times. Processing times are a major factor in encouraging people back into work. In the medium term local authorities could be encouraged to group together to provide shared services, which already happens in a number of county council areas (the authorities in Worcestershire and Kent have shared benefit services) as way of providing savings in administration.

## ***Our offer***

- To consider the impact on the housing benefit bill when we develop services for people likely to claim the benefit
- Continue to support people in local communities to become economically active
- Commit to sharing information, where possible, to support timely and accurate processing of benefit applications
- Constructive discussion and debate on ideas for reform to housing benefit
- Ongoing investment, from the sector, in the supply of social housing to secure savings in housing benefit costs for years to come.

## ***What needs to be done to achieve this?***

Ongoing investment in the supply of social housing from the taxpayer would secure savings in housing benefit costs for years to come. Continued investment in social housing provision at scale, for which we make the case elsewhere in this submission, can bring huge savings in benefit spending. Specifically, if the increase in the number of claimants in the PRS had been accommodated in the social housing sector instead, we estimate that the annualised saving to government would amount to some £625.6m.

**Government should run a pilot scheme and research project to test the efficacy of transition into work payments (TIWPs). The aim would be to test differing levels of incentive, for example, by varying the length and rate (eg, 50% or 100% of TIWP award to provide the maximum incentive for the minimum cost). The research will also attempt to model the net cost or savings made from all welfare benefits.**

**More generally, it seems clear that the current system of support to help low income working age people with their housing costs through housing benefit and support for mortgage interest has become unsustainable. We therefore suggest a major commission into help with housing costs, with a view to finding a replacement in the medium to long term. The terms of reference would be to identify a new system (including a realistic transition period) which balances the interests of claimants and taxpayers and provides a politically stable system against which the Government, claimants and housing providers can make decisions with confidence.**

**Reform to housing benefit should take place within the context of the Poverty Commission.**

**No further cuts to the amount available for spending on housing benefit until a public review of help with housing costs has been held and reform ideas tested.**

## ***Preventing repossessions***

Schemes to help vulnerable home owners avoid repossession and stay in their homes play a key role in mitigating the negative social and economic consequences of losing your home.

There is consensus that repossessions should be avoided where possible, because they have a broad and negative impact:

- **Households** – Repossessions are in general bad for households' financial, emotional, and social circumstances
- **Communities** – They can also be bad for localities, where concentrations of repossessions undermine confidence in the local housing market
- **National government** – They undermine the national vision to support home ownership and to ensure everyone can meet their housing needs.<sup>24</sup>

A range of government and industry initiatives has helped to contain levels of home owner repossessions.

*Is the activity essential to meet government priorities?*

Government has stated its commitment to protecting vulnerable households. The existing scheme to help vulnerable home owners facing repossession has demonstrated the inherent value in assisting vulnerable families. Funding has directly ensured that 629 households were able to stay in their home, with a more sustainable tenure. More importantly, the scheme has seen over 20,000 households approach their local authority and receive free mortgage advice, with over two-thirds of these being provided with tailored advice or referred to their lender. This has undoubtedly contributed to repossession figures remaining lower than originally predicted, with CML data showing that the number of properties taken into possession in the first three months of this year totalled 9,800, down from 10,600 in the previous quarter and 13,200 in the first quarter of 2009.

*Does the Government need to fund this activity?*

Current mortgage protection policies are not adequate for home owners to protect themselves through private means, and so mortgage rescue will be required to prevent homelessness for some time. Housing associations, lenders, and local authorities are all making a financial commitment to this work, but additional funding is required to make mortgage rescue schemes viable.

*Does the activity provide substantial economic value?*

A mortgage scheme to prevent repossessions can offer strong value for money and significant economic benefits. The cost to the public purse for the existing scheme is

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<sup>24</sup> Analysis of Mortgage Repossessions in the South West, CIH 2009.

£3,700 per family that have sought advice through the scheme. The average quantifiable cost to the exchequer of a repossession of a vulnerable household is £16,000. This is a cost associated with the housing benefit payments that would be paid to this household in order to house them in temporary accommodation, a statutory duty for local authorities. This figure does not include the significant legal costs of repossession action. The estimated monetised benefit for government, accrued from savings in housing benefit, rental income and capital receipts from future property sales is £65,000 per household.<sup>25</sup>

*Can the activity be targeted to those most in need?*

Repossessions support is already targeted to those most in need. It is a backstop when all other options have been ruled out, which is available only to households who would be owed a homeless duty if they were to lose their home.

*How can the activity be provided at lower cost?*

Efficiency in administering the scheme may help to cut costs.

*How can the activity be provided more effectively?*

Need for mortgage rescue can be further reduced by stepping up efforts to identify and target home owners most at risk of repossession, eg, those making new claims for jobseeker's allowance/employment and support allowance.

*Can the activity be provided by a non-state provider or by citizens, wholly, or in partnership?*

The current mortgage rescue scheme is a partnership between government, local authorities, housing associations, advice services, and mortgage lenders. This partnership approach should continue.

*Can non-state providers be paid to carry out the activity according to the results they achieve?*

Non-state providers are already contracted to deliver results through this scheme. However, it does still need to be a partnership between local authorities, housing associations and local advice agencies, and the Government's Homes and Communities Agency (HCA). Not all of the costs are borne by the state, housing associations already part-fund these schemes.

*Can local bodies, as opposed to central government, provide the activity?*

Local bodies are already heavily involved in delivering and funding repossessions support, but central government support is essential to its success.

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<sup>25</sup> CLG, *Facing the housing challenge Action today, innovation for tomorrow*, July 2008

## **Our offer**

The social housing sector is committed to helping vulnerable home owners facing repossession. To ensure that they can work with government to ensure maximum value for money for this scheme, housing associations will meet 45% of the cost of the schemes.

Advice agencies will work actively with local authorities to help identify 'at risk' home owners prior to them getting into serious difficulty.

## **What needs to be done to achieve this?**

There is a need for government to continue its support of home owners and vulnerable families with mortgage difficulties. As such, we think there should be public subsidy available to help households avoid the trauma caused by repossession.

**Government should invest £200m across the CSR period to help up to 2,500 vulnerable households facing repossession stay in their own homes either through shared equity or paying intermediate rent.**

## **Empowering tenants and communities**

Citizens today benefit from a truly mixed market of housing providers. This places the housing sector in a unique position to contribute to the Government's vision of the 'Big Society'. Our sector spans civic society, local government and the mutual sector, making housing part of the 'Big Society', *and* a key enabler of community action.

Successive Housing Acts in the 1980s laid the foundations for a greater role for social enterprise in housing and created the mixed market citizens enjoy today. Social housing is a unique public service in that the majority of the service is provided by independent social enterprises. The greatest benefit of this is that citizens and communities can choose the provider model that best suits them – be it local authority, private sector, ALMO, housing association, or even set up their own provider. The involvement of residents makes housing the embodiment of the Big Society and the mixed market the Government seeks to extend to other public services.

Our sector is also an instigator and enabler for social action. Our ownership and management of homes and neighbourhoods means we have strong local roots and a social and financial responsibility to ensure the success of the communities we are part of. The Neighbourhood Audit conducted by the National Housing Federation found 6,800 individual projects supported and promoted by housing associations, many of them in partnership with community groups, charitable and faith organisations. Through the provision of services such as community centres, our tenant involvement activities, and work with emerging community housing providers

like Community Land Trusts, the housing sector acts as an ‘incubator’ for local social action, empowering communities to come together to address local issues.<sup>26</sup>

The ‘Big Society’ agenda has a clear goal to increase the involvement and power of communities and users of public services. Some 78% of people in England said it was important to feel able to influence local decisions, and 27% of people in England said that they would like to be more involved in decisions affecting the local area.<sup>27</sup>

For tenants and communities to be able to participate in local decision-making and, if they choose, delivery of local services, they need a certain level of capacity and social capital. This capacity is known to be lacking in many areas, meaning that some communities could be excluded from the ‘Big Society’ approach. The social housing sector invests heavily in tenant empowerment, and increasingly there is recognition of the efficiency and satisfaction benefits derived from increased engagement with the tenant population. However, there are very few people who seek to influence strategic housing decisions at local level, and many of those who do are objecting to change whilst having no need for the change themselves.<sup>28</sup> Costs of participation and development of skills for active social tenants are, and should be, borne by the landlord. However, there is a clear need for additional funding to support (a) training and capacity building for tenants/communities, (b) networks of active tenants/community members to share learning and provide mutual support and (c) members of the community to influence strategic decisions on housing supply and investment.

The government has set out its ambition to create new trusts which make it simpler for communities to provide homes for local people. The housing sector stands ready to support communities which seek to set up trusts, and to provide them with development, management and technical assistance.

Significant investment has also been made in the strategic housing function within local authorities in recent years, but more is needed to consolidate and sustain improvement in skills and growth in capacity for the function to take place.

The costs of strategic housing are largely staffing and research. Districts on average spent less than £150,000 in staff costs on the strategic housing function.<sup>29</sup> Teams are usually 1-5 people although some larger authorities have 11-20. Staff costs are often shared between councils, and more efficiencies could be generated in this area. Research to understand the local context is essential, but costs can be reduced if all organisations working in an area share their data and evidence bases.

Strategic housing is at its most effective when local leadership is strong, consistent, and focused on the needs of the whole community. Effectiveness can be enhanced where engagement with the community runs through all processes and is not restricted to formal consultation periods.

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<sup>26</sup> National Housing Federation, *Neighbourhood Audit*, September 2008

<sup>27</sup> CLG (2009) 2008-09 *Citizenship Survey Empowered Communities Topic Report*, London, CLG

<sup>28</sup> Source: CIH YouGov survey June 2010, and Inside Housing Ipsos Mori survey June 2010.

<sup>29</sup> Audit Commission, *Building Better Lives : Getting the best from strategic housing*, September 2009

The Total Place pilots offer some lessons for improved efficiency and effectiveness. Durham Council has considered how the county's housing offer could better complement economic growth and regeneration, ensuring that the right properties are available to attract and retain talented individuals and businesses. The pilot has suggested reducing the multiple funding sources (19 for housing and 58 for housing and regeneration) to deliver overall regenerative transformation of the area, make investment more aligned, and reduce the transaction costs of bidding for funding.<sup>30</sup>

**We recommend that central government makes funding available each year of the CSR period to support local authorities in their strategic housing role.** This money would be used as local authorities see fit to boost their capacity to deliver their cross-tenure housing functions in a strategic and informed way. This money does not need to be divided equally between authorities, nor should it necessarily be allocated pro rata according to size. It can be targeted where it is most needed to help ensure good housing outcomes in an area. CIH has worked extensively to define, develop and support delivery of effective strategic housing services at local level. **CIH will prepare a separate submission to help CLG quantify the investment required to support this function.**

To support effective strategic approaches to housing at local level, we would ask government to provide:

- A clear national strategic planning framework
- Expectations on councillors to ensure their local area has a robust evidence base and understanding of housing need and potential, give a voice to those least often heard in society, and provide a clear justification of adopted approaches to housing development at local level
- The ability for communities to choose the development model which best suits their local circumstances, with the same access to simplified planning processes
- Early clarity on proposed development incentive systems, ensuring they provide sufficient incentive and are targeted at the correct tier of local government.

*Is the activity essential to meet government priorities?*

The success of government's central objectives around localism and the Big Society (including 'open source planning', increased tenant power, community management of resources, and local housing trusts) depend on local authorities and communities having the capacity to step up to a leadership and provision role. In many places this capacity is not present, and so creating a framework where decisions and services can be made and run locally will not be enough to enable local control to take place.

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<sup>30</sup> HM Treasury, *Total place : a whole area approach to public services*, March 2010

*Does the Government need to fund this activity?*

Costs of participation and development of skills for active social tenants are, and should be, borne by the landlord but limited government funding for strategic housing and community capacity building should be included in area-based grant given to local authorities.

Community involvement within the housing sector is well developed and reasonably well resourced. Certainly mainstream housing providers integrate involvement into their daily business and deliver increasingly good results. However, community involvement in strategic decisions for the local area is not so well developed: social capital is lacking and some groups are easily able to dominate others. The success of the Big Society requires all communities to participate, and therefore some financial support for communities to build skills and enable involvement is required.

Within the housing sector, tenant management is growing slowly but has required significant investment to get this far. Funding is needed to help potential tenant management groups build their skills and capacity. The value of a government-funded programme is that it makes resources available to tenants without them having to rely directly on their landlord.

*Does the activity provide substantial economic value?*

Community involvement and community management can support efficiency at local level, and they can help people to move closer to employability. They can also generate economic value where community-led not-for-profit organisations begin to provide commercial services to others, employ staff, and generate surpluses which can be reinvested in the community.

Well executed strategic housing activities do generate economic value as well as efficiency savings. They can enable development activities to take place – supporting re-growing the construction sector and, over the longer term, using availability of suitable housing to attract new employers. Strategic housing work can lead to creative solutions to local problems being proposed. For example, Oxford City Council Local Strategic Partnership (LSP) held a select committee-style hearing and subsequently addressed a number of areas, including improving links with developers and making innovative use of the limited amount of land available.<sup>31</sup>

*Can the activity be targeted to those most in need?*

**Support for tenant/community involvement and management can be targeted at those areas most in need of development, and also those with greatest potential to benefit from investment.**

Central government funding to support strategic housing can be targeted at those authorities that most need it. This is likely to be smaller authorities and, in particular, rural ones.

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<sup>31</sup> Source: IDEa <http://www.idea.gov.uk/idk/core/page.do?pagelId=11901641>

*How can the activity be provided at lower cost?*

There is potential to use funding for tenant empowerment more cost-effectively – ideally making the available resources deliver better outcomes and stretch further without reducing overall funding. Tenant groups can become less grant dependent, for example, by being more resourceful, working more with local voluntary sector training and support networks, and looking to their landlord for more training and advice.

*How can the activity be provided more effectively?*

By focusing tenants and providers on outcomes rather than processes, by reforming the Tenant Empowerment Programme, and by leveraging in additional voluntary resources, the costs of developing tenant management arrangements and enhanced involvement structures can be reduced and their performance can be increased.

*Can the activity be provided by a non-state provider or by citizens, wholly, or in partnership?*

Involvement and management activities can be provided by non-state providers and by citizens. Indeed, there is substantial expertise to draw on here – for example TAROE, Trafford Hall, and the Campaign Company. Some of these are revenue generating, although in general core funding from central government is required to lever this additional revenue. In addition, financial support will be required to help build capacity of community groups which do not have any resources of their own to pay for training and development activity and are already giving their time voluntarily.

*Can non-state providers be paid to carry out the activity according to the results they achieve?*

Non-state providers could be rewarded for community involvement and empowerment work, for example, according to the range or depth of involvement they achieve, or the improved outcomes arising from new delivery methods.

*Can local bodies, as opposed to central government, provide the activity?*

Yes – in fact it is essential that local bodies do carry out empowerment activities. However, community involvement and empowerment is not yet fully understood and there may be some resistance to people who want to get involved. The housing sector is probably ahead of local authorities here, but even so the culture is not yet fully established.

## **Our offer**

- To enhance our existing work to empower communities
- To encourage greater involvement of tenants in housing and community services
- To share learning from empowerment in housing services with other community-based organisations – one in five people engaged in civic activism is a member of a tenants' group or committee, so there is a great deal of experience to share.

## **What needs to be done to achieve this?**

**Local empowerment and capacity building is needed in social housing. We recommend that £2.5m per year is made available at national level to support capacity building and support networks for tenant involvement and management. This is equal to the amount invested in 2009-10 through the tenant empowerment fund, and the return on this investment would increase through efficiencies and improvements in the programme.**

To support development of community involvement in, and management of, housing decisions and services, we would ask government to:

- Stress the importance of capacity building programmes at local and national level
- Require JobCentrePlus and others seeking to encourage tenants back into work to recognise the value of voluntary work in the housing sector as a step towards paid employment – currently voluntary activity with housing providers is seen as tenants making themselves unavailable for paid work
- Maintain a national tenant empowerment fund, but review it with a view to improving value for money and the outcomes it achieves
- Monitor and support the growth of involvement activities, and set clear expectations.

## 5. Support for investment in homes and economic growth

England's social housing sector provides 3.8m affordable homes for families across the country, making an essential contribution towards meeting housing need. With a record 4.5m people on housing waiting lists and 2.6m trapped in overcrowded homes the need for new affordable homes has never been more critical. By 2011 it is predicted that this will rise to well over 5m households on waiting lists and 2.6m people living in overcrowded conditions. Each year the sector builds tens of thousands of new affordable homes and it is vital this work continues if we are to ensure that every family has access to a decent home that they can afford.

A growing population and increasing number of new households means we need to continue to deliver new affordable homes to avoid condemning future generations to poor housing conditions and the associated impact on economic opportunities, educational attainment, health and crime.

Government investment in new affordable homes not only helps to tackle our housing crisis head on but also makes a key contribution to economic growth. It also reduces spending on health, education and crime reduction.

Housing associations, local authorities and ALMOs are the key delivery partners to government in building new affordable homes, offering exceptional value for money. Housing associations build new homes using a mixture of their own funds and government investment to maximise the number of homes built, meeting around 60% of the costs of building new homes. Local authorities and ALMOs have also started to build significant numbers of new homes. In these cases local authorities will typically provide the land for the development of affordable homes, making the best use of a public sector asset as well as contributing their own capital resources from receipts or prudential borrowing.

### ***New affordable housing supply***

**The social housing sector is ready to work in partnership with government to deliver new homes and keen to discuss ways we can innovate to deliver more homes across all tenures, helping to build economically viable mixed communities. Taking the Government's priorities into account and the fiscal position, we recommend that government invests £9.5bn across the next four-year spending review period to provide 150,000 new affordable homes. The housing association sector will match this with £12.6bn from its own resources.**

This is a 15% cut in nominal terms and a 25% cut in real terms once inflation, the impact of an increase in VAT and costs of delivering to higher standards are taken into account. This shows the sector's commitment to continue to deliver much needed homes whilst recognising the fiscal realities facing the Government. Specialist provision such as supported housing, rural housing and larger homes are included in the total number of new affordable homes.

We set out below our views on how greater flexibilities for the social housing sector in areas such as asset management, rent levels and programme mix could also maximise the number of new affordable homes that the sector has the capacity to deliver, leveraging in even greater levels of private funds. This is all predicated on the continuance of the existing regulatory settlement, which gives lenders the surety they require to continue to lend to the sector at extremely competitive rates.

### ***The case for government investment in affordable rented housing***

Decent, sustainable and affordable rented housing is vital to the well-being of, and opportunities for, families, central to thriving mixed-income neighbourhoods and critical for our country's economy. We are now building fewer houses than at any point since the Second World War and it is vital that government supports the provision of new affordable homes to meet the housing need outlined above.

The affordability, quality and security of social rented housing provides a vital lifeline to families, as shown by the characteristics of current new entrants to the social housing sector. CORE data shows that in 2008/09 59% of new households entering social rented accommodation were eligible for housing benefit. 51% were entirely dependent on state benefits for their household income. 16% of new households are couples with children and 25% are lone parent households. 18% of new entrants to the sector have a household member with a disability. Only 25% of households are in full-time employment and 9% in part-time employment, contributing to mean incomes of just £206 a week. It is vital that all families, regardless of their circumstances, are able to access an affordable decent home.

### ***The case for low cost home ownership (LCHO) and intermediate housing***

Low cost home ownership schemes help meet first-time buyers', key workers' and social tenants' aspiration for home ownership, encouraging the development of asset-based wealth. They help address major affordability issues and, for families that don't have recourse to the 'bank of Mum and Dad', help fund a large deposit and often offer the only route to home ownership.

**Government support should be targeted at low and moderate income households that otherwise have no means of buying their own home. We recommend that shared ownership should continue to be the main product offered by government.**

Shared ownership is the most affordable product for people on low incomes. It offers flexibility to buy shares at a level people can afford and purchase additional shares in their property, or in the event of financial difficulties, sell shares back to a housing association. The average household income for those accessing shared ownership is £27,000. This is significantly lower than both the £32,000 needed for use of an equity loan, and £38,900 needed on the open market. Shared ownership also requires the lowest level of public subsidy out of all LCHO products, 25% of the total scheme costs, offering excellent value for money.

## ***The case for government investment in specialised housing***

Settled homes and support are vital in helping vulnerable adults to stabilise, and maximise their life chances and opportunities to live independently and a prerequisite for improved health, well-being and independence. Supported and specialist housing projects meet a number of different needs from addressing mental ill health, drug and alcohol issues, support and care, to meeting the needs of our ageing population and housing solutions for adults with learning disabilities, teenage parents and young people at risk.

Investment in supported accommodation is vital to meet the current and future demographic challenges facing our society. Between 1991 and 2001, the number of people aged 85 and over in the UK grew by 22%.<sup>32</sup> People in this age group twice as likely as those aged 75-84 to be disabled. The number of people aged 65 years and over is expected to rise by over 60% in the next 25 years to almost 15.8m in 2031.<sup>33</sup>

Supported housing is essential to achieving the outcomes government wants to deliver for vulnerable individuals and safer, stronger communities. It can generate significant cost savings for the Government, for instance:

- For every £1 spent on providing housing support for vulnerable people nearly £2 is saved in reduced costs of health services, tenancy failure, crime and residential care.<sup>34</sup>
- Having stable accommodation reduces the risk of re-offending by a fifth; being in employment reduces the risk of re-offending by between a third and a half.<sup>35</sup>
- The average annual cost to services for people with chaotic lives and multiple needs is approximately £23,000 per individual.<sup>36</sup>
- Providing supported housing to homeless people with psychiatric and substance use disorders considerably reduces their use of costly hospital emergency department and inpatient services, reducing visits to emergency departments by 56%.<sup>37</sup>

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<sup>32</sup> (OPCS, census 1991 and 2001, cited by Fieldhouse, *Census analysis*, (2002)

<sup>33</sup> National Population Projections 2006-based, Office for National Statistics, 2008; Health Statistical Quarterly 35 (Winter, 2007); and Eurostat New Cronos database

<sup>34</sup> Audit Commission, *Building better lives: Getting the best from strategic housing*, September 2009

<sup>35</sup> Social Exclusion Unit *Reducing re-offending by ex-prisoners* (Cabinet Office, 2002)

<sup>36</sup> Social Exclusion Unit, *Reaching out: an action plan on social exclusion* (Cabinet Office, 2006)

<sup>37</sup> Tia E. Martinez and Martha R. Burt, *Impact of Permanent Supportive Housing on the Use of Acute Care Health Services by Homeless Adults, Psychiatric Services*, July 2006; 57: 992 - 999

## ***The case for government investment in rural housing***

There is an urgent need to increase the provision of affordable housing in rural settlements. Many rural communities are in decline as a combination of high house prices and lower wages force young people and lower income earners out of their home villages to cheaper urban areas. A house in the countryside now costs over £40,000 more on average than a house in an urban area, even though the wages of those working in rural areas are lower. Despite the desperate need for new affordable homes in many villages and market towns, scarce availability of suitable land, planning obstacles and local opposition often mean the necessary homes are never built. Investment in the delivery of new affordable homes in rural areas is vital to securing a viable and vibrant future for rural communities.

### **Council and ALMO new build**

Councils and ALMOs would like to be able to continue to deliver a small programme of local new build projects to meet the needs of local communities and complement what the private sector or housing associations can offer. Local authority or ALMO new build schemes can make the best use of local authority assets and land and typically use small pieces of HRA land and infill sites in the middle of existing council estates, such as disused garage sites.

Council and ALMO developments are often linked to regeneration or estate improvement and result in better use of space and the designing out of antisocial behaviour. They have also provided much needed larger family homes and have been built to high levels of environmental sustainability. Under a self-financed future this could be further enhanced through better asset management as councils could sell or demolish expensive to repair stock and re-build replacement homes that are cheaper to maintain in the long term.

### **Tax and VAT for ALMOs**

In order to be able to make the best use of public money ALMOs need to be treated in the same way as housing associations for stamp duty and VAT. There are a number of anomalies that make the new build process more difficult and expensive than it needs to be for an ALMO. For example, free land provided by the council for ALMO developments is subject to stamp duty at full market value. A housing association, however, can benefit from a specific relief from stamp duty on land transactions from councils or another housing association. This means that, for a comparable transaction, the cost of land for an ALMO is 4% higher than for a housing association. It is proposed that the above stamp duty land tax (SDLT) relief be extended to all not-for-profit registered providers, (including ALMOs).

Another issue that prevents ALMOs offering a range of housing for their communities is that leaseholders acquiring a shared ownership property from an ALMO will be liable for stamp duty on both the lease premium and the net present value of the rents for the tranche that they have acquired. They would also have to pay further stamp duty if they bought a further share of the property. In contrast, leaseholders acquiring a shared ownership property from a housing association are able to opt to pay stamp duty on a market value basis on the whole property at the time of the

purchase of the first tranche. It is therefore proposed that the list of permitted bodies under the legislation for market value SDLT options be extended to all not-for-profit registered providers, (including ALMOs).

VAT is another tax that is not equally applied across the sector; an 'Option to Tax' on land acquired by a housing association will not have effect if the association intends to use the land for social housing and it has provided a certificate to the seller to that effect. An ALMO does not have the power to waive such an option to tax and thus has another 15% additional cost compared to a housing association. It is therefore proposed that when an ALMO seeks to purchase land for social housing that has been subject to an option to tax, it is able to waive its VAT liabilities in exactly the same way, and subject to the same conditions under which a housing association operates.

### ***Why government should continue to fund new affordable homes***

We acknowledge that the Government needs to ensure that, in this era of tough public spending decisions, all expenditure must meet stringent value for money criteria.

Addressing the scale of the housing crisis across the country will help meet housing need. It will also support economic growth and avoid the greater costs to the public purse caused by pressure on health services, crime rates and educational attainment.

Using the criteria on ensuring value for money for public spending set out in the Comprehensive Spending Review framework, we set out below how investment in housing can help deliver key government priorities and the excellent value for money offered by working in partnership with housing associations, local authorities and ALMOs. Working together we can ensure that access to decent, warm and secure housing for all families can help England can meet long-term demographic, economic and environmental challenges.

#### *Is the activity essential to meet government priorities?*

Investment in new affordable housing has a critical role to play in achieving progress across a broad range of areas including:

- Supporting economic recovery
- Supporting strong and stable families and ending child poverty
- Improving health outcomes
- Driving up the competitiveness and productivity of our economy
- Raising educational achievement
- Reducing crime and antisocial behaviour
- Helping to create a greener future by tackling carbon emissions and supporting the creation of green jobs.

Here we outline how investment in building new homes can help contribute to a significant number of the government's priorities:

**Families and children:** the Government is committed to the goal of ending child poverty by 2020. The stark facts are that children who live in poverty are almost twice as likely to be in bad housing. Those children who are condemned to being brought up in poor housing are twice as likely to suffer from poor health and to leave school without any GCSEs.<sup>38</sup> It is widely recognised that the Government will not combat child poverty without improving access to decent housing.<sup>39</sup>

**Schools:** there is a direct correlation between housing and educational attainment. Living in poor overcrowded housing means that children miss school more frequently, are twice as likely to leave school with no GCSEs and more prone to exclusion. Homeless children living in temporary accommodation are up to three times more likely to be absent from school than other children, due to the disruption caused by moving.<sup>40</sup>

**Business:** housing associations employ over 144,000 people and help create hundreds of apprenticeship opportunities each year. Lack of affordable accommodation affects access to skilled workers, the mobility of the workforce and undermines business and public services. Housing associations also play a key role in helping support the creation of, and securing business services from, social enterprises and community entrepreneurs. Modelling by Oxford Economics demonstrates that due to the economic multiplier effect, for every £1 spent on house building, £1.40 in gross output will be generated across the economy as a whole.<sup>41</sup>

**Public health:** poor housing conditions are proven to lead to a wide range of health conditions and health inequalities. Living in cold and damp housing can cause a range of health problems, such as asthma, skin problems, coughing and wheezing. Overcrowding increases the risk of infectious or respiratory disease. Poor housing conditions also lead to long-term mental health problems, such as anxiety and depression.<sup>42</sup> Working in partnership with housing associations to deliver new affordable homes can help avoid preventable costs to the NHS through avoiding the health problems associated with poor housing.

**Equalities:** the work of the housing sector contributes directly to the creation and maintenance of successful, sustainable neighbourhoods. Communities which offer improved quality of life, increased opportunities and improved social mobility for their residents, many of them the least well off in society.

**Crime and policing:** having stable accommodation can reduce ex-offender reconviction rates by more than 20%.<sup>43</sup> Tackling crime and antisocial behaviour requires government to address broader issues on the supply of new affordable homes and the provision of housing support services. Amongst others, statistical

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<sup>38</sup> *Child Poverty and housing*, Shelter, 2006

<sup>39</sup> Hirsch D, *What will it take to end child poverty? Firing on all cylinders*, JRF, 2006  
2007 Comprehensive Spending Review; HM Treasury, *Child Poverty Review*, 2004

<sup>40</sup> Barnes et al, National Centre for Social Research, 2006 and *Child Poverty and housing*, Shelter, 2006

<sup>41</sup> Oxford Economics, *Economic Impact of Social Housing Cuts - Report for the National Housing Federation*, July 2010

<sup>42</sup> BMA, *Housing and Health: building for the future*, BMA, 2003

<sup>43</sup> Pawson H et al, *Homelessness Prevention: a guide to good practice*, DCLG, June 2006

evidence by Berneslai Homes indicates that areas where properties that have been refurbished have reduced instances of reported crime (across four areas crime was reduced by 22.5%), particularly with regard to burglary and breaking and entering (across the same four areas burglary was reduced by 39%). This evidence also indicates a reduced turnover in tenancy in these areas.

**Energy and climate change:** existing housing creates 27% of our carbon emissions and associations, local authorities and ALMOs are committed to supporting the green economy through retrofitting existing homes to higher energy efficient standards and building new homes to zero carbon by 2016. This retrofitting work will help to kickstart the green economy and support the creation of green jobs. Many ALMOs, especially in the later rounds, have prioritised energy efficiency works, and organisations like Northwards Housing estimate that around 18,000 tonnes of carbon dioxide have been saved through improvements to energy efficiency. Many ALMOs are testing out alternative methods of heating their properties, such as A1 Housing Bassetlaw who have replaced outdated oil-fired and electrical systems with over 150 ground-sourced heat pump systems to older people's properties and over 50 air-sourced heat pumps. These new systems have reduced CO2 emissions, increased the warmth of properties and reduced the cost of heating to tenants by as much as 60%, as well as building a new green economy.

*Does the Government need to fund this activity?*

The provision of sub-market housing at any scale requires subsidy. Housing associations build new homes using a mixture of their own funds and government investment to maximise the number of homes built. Housing associations offer exceptional value to government working in partnership to deliver new affordable homes. The proposed level of government investment of £9.5bn over the next four-year spending review period would secure an investment of £12.6bn from the housing association sector to deliver 150,000 new affordable homes. Local authorities will provide land and capital resources to support the development of affordable homes in their own new build schemes, or will work with their ALMO (where there is one) or local housing associations to address specific local community issues through the redevelopment of existing council housing land.

*Does the activity provide substantial economic value?*

Investment in housing creates substantial economic value. As outlined in more detail in our evidence base this programme would secure the jobs of 89,000 construction workers and safeguard the jobs of an additional 89,000 workers engaged in trades supplying the house building sector, leading to longer term jobs, all of them taxpayers<sup>44</sup>. It would also secure further apprenticeships and training opportunities for the wider community. Investment by government supports spending in the wider economy because of the economic multiplier effect it generates. It results in a 140% return in terms of spending in the wider economy for every pound spent on housing.

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<sup>44</sup> Oxford Economics for National Housing Federation, *The economic impact of social housing cuts July 2010*,

Studies have shown that in high cost housing areas a lack of affordable homes has created difficulties for employers to recruit and retain lower paid workers and limits labour mobility.<sup>45</sup> Many of these posts are in essential public services or jobs required to keep the economy running.

Supported accommodation can provide vital support, assistance, care and supervision needed by vulnerable groups and avoid more significant costs to the public purse. For every £1 spent on providing housing support for vulnerable people nearly £2 is saved in reduced costs of health services, tenancy failure, crime and residential care.<sup>46</sup> Specialist accommodation can offer a number of benefits for different client groups. Temporary accommodation for homeless people needs to focus on moving people out of homelessness in the long term and providing residents with the skills, confidence and opportunities to move towards independent living and employment. Many services now provide volunteering, training, pre-employment support and employment opportunities. There has been a 44% increase in the accessibility of training on accredited courses such as NVQs in homeless services.<sup>47</sup>

*Can the activity be targeted to those most in need?*

Housing associations work in partnership with local authorities to target affordable housing, prioritising those families in acute need. However, the current system for social rented housing suffers from a number of unintended consequences, including creating neighbourhoods where the most vulnerable and marginalised people are housed together, resulting in areas of high economic inactivity, poverty and disadvantage.

We are strongly supportive of moves to reform allocations, especially the way they interact with homelessness legislation and targets.

Low cost home ownership is effectively targeted, through HomeBuy agents, on families that would be unable to afford a home on the open market, prioritising social tenants, key workers and first-time buyers.

*How can the activity be provided at lower cost?*

*How can the activity be provided more effectively?*

Housing associations would match Government investment of £9.5bn with £12.6bn from their own resources to deliver 150,000 new affordable homes across the spending review period. Our proposal offers a 25% cut in real terms once inflation, the impact of an increase in VAT and costs of delivering to higher standards are taken into account. In our submission we have identified a number of areas where greater flexibility and freedom for the housing sector could increase capacity and support the delivery of a higher number of new affordable homes than currently proposed.

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<sup>45</sup> Steve Wilcox, *The geography of affordable and unaffordable housing: the ability of younger working households to become home owners*, JRF, December 2006

<sup>46</sup> Audit Commission, *Building better lives: Getting the best from strategic housing*, September 2009

<sup>47</sup> Homeless Link, *Survey of Needs and Provision (SNAP)*, (2010)

*Can the activity be provided by a non-state provider or by citizens, wholly or in partnership?*

Local authorities, ALMOs and housing associations work in partnership to deliver new affordable homes. Housing associations are independent not-for-profit social businesses set up to provide affordable homes for people in housing need. They are already the most successful example of public-private partnership in the UK. Housing associations pay for around 60% of the cost of every affordable home built, with 40% being met by government grants. This allows new affordable homes to be built at the lowest cost to the taxpayer. ALMOs, as bodies owned by local authorities but managed by an independent and community based board can assist the Government and their parent local authorities meet specific local needs and make use of existing local authority owned land. Most ALMO schemes are developed on infill sites on existing council estates where it makes sense to keep the management of the homes under the same organisation. This helps provide more efficient local management of the new schemes and ensures they are integrated into the existing community.

*Can local bodies as opposed to central government provide the activity?*

Affordable housing is already delivered by local government and social housing providers. We support the Government's intentions to move towards decentralisation and democratic engagement through empowering local communities and government.

Local communities should be empowered to prioritise the key areas for affordable housing in their localities local investment plans. **The Homes and Communities Agency should be given more freedom to adopt a flexible and pragmatic approach to investment in affordable housing, through moving away from top down targets on investment in specific areas. To ensure that investment decisions are transparent and focused on priority areas the number of rural, supported and family sized homes that are funded should be reported at local authority and national level.**

There needs to be an increased focus on homes that meet local need, with success measured by number of people housed rather than number of homes delivered. This will avoid past mistakes of delivering a large number of one and two bedroom flats when the acute need is for family homes.

## **Our offer**

To deliver 150,000 new affordable homes in partnership with government across the comprehensive spending review period. For every £400 million pounds spent by government, housing associations will lever in a further £600 million from private finance and their own resources.

Our proposal offers a 15% cut in nominal terms and a 25% cut in real terms once inflation, the impact of an increase in VAT and costs of delivering to higher standards are taken into account.

## What needs to be done to achieve this?

The social housing sector is ready to work in partnership with government to deliver 150,000 new affordable homes. To do this we need the Government to invest £9.5bn across the next spending review period that housing associations would match with £12.6bn from their own resources, and local authorities and ALMOs would assist through providing their own land and capital resources.

Our proposal for government investment has a number of caveats and is reliant upon a number of underlying assumptions. If these change then they could affect the sector's capacity and ability to meet the commitments outlined here. We have also identified a number of areas where greater flexibility and freedom for the housing sector could increase capacity and support the delivery of a higher number of new affordable homes than currently proposed. These are:

- The impact of absorbing the increase to a 20% rate of VAT. The increased rate of VAT will have a substantial impact on revenue and subsequent capacity to fund new homes, as the sector pays a full rate of VAT on repairs, maintenance and management of existing social housing.
- Our bid is made on the basis of the same number of affordable homes coming through the planning system. Currently, 40% of all social homes are delivered through Section 106 on-site developer contributions. **There must be a robust mechanism to uphold the delivery of new affordable housing through planning gain.**
- The present regulatory framework governing asset management is highly restrictive. **A relaxation of regulation on asset management would enable housing associations to proactively manage their stock and assets and help unlock capital.**
- We have assumed that the programme will continue to be delivered with approximately 70% of new homes being for affordable rent and 30% being for low cost home ownership, mainly shared ownership. Our proposals would deliver 105,000 homes for social rent and 45,000 homes for low cost home ownership. This is indicative. If these assumptions move, more homes could be delivered in areas of high value and demand for less investment.
- Public sector land is important to the delivery of new social homes as it reduces reliance on other forms of subsidy. Local authorities should be asked to re-assess their land holdings and to consider offering suitable surplus land for affordable housing development at discounted rates or to develop it themselves directly or through an ALMO to get the best local use of unused public sector land. **Disposal of public sector land should be evaluated against a wider framework than 'best consideration' to include the wider long-term benefits that can be delivered for the local community, including the provision of affordable housing.**

- **There should be no changes to the current Recycled Capital Grant Fund (RCGF) system** as this would drastically reduce the capacity of housing associations to fund the costs of new affordable homes and increase the costs of private finance, leading to a need for higher levels of subsidy.
- We have assumed that the environmental, space and quality requirements for new affordable homes stay the same. If the sector is required to deliver to higher standards then the increased delivery cost would clearly reduce the number of homes that could be delivered for the same level of investment.
- The capacity of housing providers to fund new homes is limited by the revenue they receive from rental income. **Consideration should be given to allowing more flexibility in social housing rents and we would welcome further discussion with government on this issue.**
- Housing associations want to ensure that their property management arrangements are as efficient as possible. In some cases a more effective approach is to contract out management to another organisation. Currently, the fees paid under these arrangements are subject to VAT at 17.5% making the costs greater than they need to be and in some cases preventing such arrangements going ahead. **Government should take advantage of EU legislation to extend a reduced rate of 5% to housing management services provided by housing associations.** This would ensure that this money could be invested in new affordable homes rather than being spending on housing management tax.

The housing sector has an exceptional track record of continual improvement in achieving efficiencies in the cost of building new affordable homes. In the midst of the worst housing crisis our country has witnessed and the need to curb public spending to tackle the nation's deficit, the sector will continue to respond innovatively and make business improvements to enable it to continue to build new homes. Changes to the above assumptions could increase the number of new affordable homes or reduce the overall number if they are detrimental to the sector's capacity to fund new homes. The National Housing Federation's recent publication, *Facing the future: Evolution or revolution*, discusses these issues and their impact in more depth and we have enclosed a copy with our submission.

### ***Housing Market Enabling Fund***

**We support a programme of expenditure of £1bn in a limited number of places where exceptional and long-term under-investment in homes has resulted in a housing offer that significantly undermines potential economic growth.** This expenditure will be deployed to enhance the housing offer for example, by creating housing development opportunities and by bringing empty homes back into use. Resources could be allocated following a bid process and administered by contract.

*Is the activity essential to meet government priorities?*

The fund is essential to meet government priorities because the housing market has failed in these places. For example, the lack of response to housing price signals

means that the residents are essentially isolated from the wider housing market, are therefore unable to move freely for work. The concentration of underinvested and abandoned properties acts as a disincentive to continued private investment and potential inward investor in some the country's major conurbations. In summary, residents can't move out – private investment won't come in. This investment will contribute to government policies through:

- Improving housing supply, substantially by ensuring existing (often empty) housing is brought back into use
- Creating the conditions to attract and facilitate private housing development, eg, through land assembly, pump-priming investment
- Supporting localisation through active devolution of decision making to local authorities and communities and fostering local enterprises
- Mitigating the effects of the public expenditure reductions through commissioning of construction in profoundly disadvantaged places

*Does the Government need to fund this activity?*

The taxpayer needs to fund this activity as a pump-primer to attract private investment. Without public intervention to facilitate the development of land currently assembled by housing market renewal areas, the assembly and marketing of new land where desirable, the remodelling of overconcentrations of unsaleable house types and the refurbishment of empty homes, etc. there is no probability that the private sector will identify sufficient opportunities for profit to attract their investment.

*Does the activity provide substantial economic value?*

By catalysing inward investment in key areas, we anticipate the fund will generate substantial economic value for both public and private investors. The Audit Commission's estimate of leverage from the housing market renewal areas was 29% private investment.<sup>48</sup> (This is an early analysis of places where no private investment would generally have occurred. The long-term leverage is anticipated to be much higher.)

In terms of wider outputs, we anticipate the fund will:

- Improve the supply of housing to support economic growth and labour mobility by making an estimated 23,000 new and improved homes available over the period<sup>49</sup>
- Provide or secure 25,000 jobs to assist the construction industry<sup>50</sup>

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<sup>48</sup> Audit Commission Housing Market Renewal: Programme review 2008/09

<sup>49</sup> Broad estimate derived from housing market renewal areas 2007/8 outputs. A shift towards restoring empty homes is assumed to balance the decline in private development.

<sup>50</sup> Estimate derived from Shelter *Housing cuts mean job losses* (14/6/2010)

- Enhance labour mobility by reconnecting tens of thousands of individuals to the wider housing market<sup>51</sup>.

It is anticipated that the monitoring regime will include measures of the amount of land made available for development and the number of empty homes brought back into use.

*Can the activity be targeted to those most in need?*

Those areas where extensive housing market failure is evidenced by the highest levels of empty homes will be the targets for the fund. Usually, these will be areas where the empty homes are a prevailing feature in a number of neighbouring or contiguous wards. Based on Audit Commission findings, these areas are primarily – though not exclusively – located in the North and Midlands.

*How can the activity be provided at lower cost?*

*How can the activity be provided more effectively?*

To produce savings from existing funding streams we would propose:

- That, except in areas where there is the need for substantial cross-LA coordination or where the scale or complexity requires it, the fund be administered wholly through local authorities
- Where new or existing cross-LA bodies are required a pre-requisite for funding would be the sharing of back office functions with another body
- where a number of publicly-funded agencies are working to support interventions for regeneration or growth *in the same area* amalgamation and overhead cost reduction would be a pre-requisite of this funding. (To bring greater coherency and cost efficiency, any future initiatives in the same area, for example Local Enterprise Partnerships, would be expected to co-locate and share back office functions)
- It is anticipated that value uplifts will be gradually recycled to the fund through the use of equity stakes in new developments.

*Can the activity be provided by a non-state provider or by citizens, wholly or in partnership?*

*Can non-state providers be paid to carry out the activity according to the results they achieve?*

*Can local bodies as opposed to central government provide the activity?*

The onus would be on local authorities to bid for the fund demonstrating strong partnerships with communities, businesses and voluntary bodies. It is anticipated that non-state providers would be rewarded through achieving targets in contracts.

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<sup>51</sup> CLG estimate of *total* population of 1.9 million for the *current* housing market renewal areas.

We consider it feasible for a much greater engagement by citizens in the investment in these areas (as has been demonstrated in successful market renewal projects). For example, the fund areas would be ideal candidates where local housing trusts could be developed. A prerequisite of funding would be a component allocated for facilitating new businesses and other bodies to access aspects of the ongoing maintenance and servicing of the improved neighbourhoods.

### **Our offer**

Our sector has a long-term commitment to communities where extensive and continued under-investment in homes has created areas where dysfunctional housing markets prevent economic growth. We will work with communities, government and the private sector to reinvigorate communities by creating development opportunities and bringing empty homes back into use. This work acts as pump-primer to attract investment into the area to spur economic growth.

### **What needs to be done to achieve this?**

**We support a programme of expenditure of £1bn in a limited number of places where exceptional and long term under-investment in homes has resulted in a housing offer that significantly undermines potential economic growth.**

This expenditure will be deployed to enhance the housing offer for example, by creating housing development opportunities and by bringing empty homes back into use. Resources could be allocated following a bid process and administered by contract.

### ***Investment in maintaining and improving existing homes***

#### **A self-financed future for ALMOs and local authorities**

Councils and ALMOs should be given the financial freedom and responsibility to deliver locally.

The housing sector welcomes the Government's commitment to localism and the desire to give more responsibility to local councils, communities, neighbourhoods and individuals. We believe that a self-financing future for council housing will help deliver real control and responsibility to local councils, their ALMOs and their tenants to manage council housing.

The government has the opportunity now to end the overly bureaucratic and inefficient housing subsidy system and give the council housing sector the stability that will enable better and more effective business planning, and deliver long-term efficiencies and value for money for the public sector.

The proposals address the key issue of the chronic underfunding of the existing system, which is threatening the sustainability of most housing revenue accounts across the country. Research carried out on behalf of CLG as part of the review of council house funding concluded that management and maintenance (M&M) allowances are underfunded by at least 10% and the major repairs allowance (MRA)

by 60% when taking into account communal, environmental, health and safety and other non-Decent Homes standard specific elements.

All local authorities and ALMOs (where they exist) have now been able to model the implications of the proposals put forward by the previous government in their consultation document on a self-financing future for council housing. The suggested uplifts in the MRA and M&M allowances are not as significant as many in the sector had hoped, but for the vast majority they represent, together with a 6.5% discount rate, a realistic and workable settlement.

However, to fully deliver self-financing, the Government needs to give councils, ALMOs and tenants the appropriate tools and resources with which to manage the whole social housing business, and plan affordable capital investment in the stock and their neighbourhoods.

The proposed cap on borrowing at the initial level of redistributed debt goes against the spirit of self-financing and imposes a central cap on the available finances at a local level. It does not fit with a proper 30-year business planning model. In order to manage the assets properly and plan capital works efficiently councils and their ALMOs need to have the flexibility to increase borrowing in some years and reduce it in others. They would then be able to properly consider the affordability of any investment proposals and plan their activities accordingly.

We believe the existing safeguards in relation to new borrowing, such as the Prudential Code, the limits on rent increases and the HRA ring-fence are all sufficient to ensure that local authorities do not increase borrowing at unsustainable levels. However, if government feels an additional control is necessary then an income to actual debt ratio could be used to control borrowing by self-financing councils. This would enable councils and their ALMOs to properly manage their debt levels and investment needs locally and prudently.

The proposed revenue settlement can be paid for entirely from the rental income from council tenants and does not call upon additional taxpayer funding. We therefore urge the Government to implement self-financing from April 2011 on the basis of the resource levels set out in March 2010, without a cap on additional borrowing and to exclude a new self-financed HRA from any wider reviews proposed for local government finance.

The majority of the local authority sector would move to a self-financed model by April 2011, however, if there are those who do not wish to do this yet we urge a staggered approach.

### **Our offer**

- Self-financing will give the council housing sector the stability that will enable more effective business planning, better asset management and deliver long-term efficiencies and value for money for the taxpayer.
- Councils and their ALMOs will manage their debt levels and their investment needs locally and prudently if they are given the responsibility of using an

income to actual debt ratio to control borrowing instead of a centrally controlled cap on debt levels.

- The proposed revenue settlement can be paid for entirely from the rental income from council tenants and does not therefore call upon additional taxpayer funding.

### **What needs to be done to achieve this?**

- Councils and their ALMOs need to be able to move to a self-financed future from April 2011 on the basis of the revenue settlement set out in the prospectus in March 2010.
- Responsibility should be given to local councils and ALMOs for managing their own debt levels so they can properly consider the affordability of any investment proposals and plan their activities accordingly.
- There is currently a £3.2bn backlog of repairs and maintenance work on council housing which will not be met through a self-financing system.
- To meet the commitments already made to those councils and tenants in the indicative ALMO bids to date requires a capital grants programme of £1.9bn for the period (2011/12 - 2013/14) and £450m for the period thereafter: a total of £2.4.bn. There is also an additional £850m worth of work that has been identified to address the additional repairs backlog across the whole council housing sector.

### **Local responsibility for capital investment**

Given the significant capital requirements for council housing over and above the original Decent Homes commitments, it would make sense to ensure that as part of a self-financed future for council housing, councils, ALMOs and tenants are given the appropriate tools and resources with which to manage that demand and plan affordable investment. The Treasury's wish to control such borrowing in future rather than give the responsibility to local people arises mainly because current borrowing rules make no distinction between borrowing that can be met from revenue (such as rents) and borrowing that depends on taxation. While the previous government recognised that its borrowing rules had been breached, it did not bring forward any fundamental reforms.

The new Government has the opportunity to recast these spending rules. One of its key objectives is to convince the international finance markets that it has the UK government debt under control. For those markets the principal yardstick is the international measure of general government debt – not the UK measure of public sector debt (excluding financial interventions). Adopting fiscal rules in line with international conventions would provide greater transparency as well as removing barriers to public sector enterprise.

The key difference lies in the way international rules treat publicly owned trading bodies. In the UK we include their borrowing in the central public sector-based fiscal

measures. Under international measures that borrowing is *excluded* – only government grants or subsidies to the (public or private) corporate sector are included. Whilst we appreciate this is unlikely in the short term, we would like government to move to this in the medium term.

The reasons for the Government to consider a move towards the internationally recognised structure of fiscal rules are wide ranging, but they are also of particular importance for the housing sector. The current proposals for Housing Revenue Account (HRA) reform in England would potentially raise some £3.5bn for the Treasury. While helpful for the Treasury in cash terms that would be neutral in terms of public sector debt, as the net payments to the Treasury would be matched by an increase in council HRA borrowing. But under international fiscal rules that transaction would lead to a £3.5bn reduction in general government debt, as council's HRA borrowing would fall in the public corporate sector.

Not only would that be a useful contribution towards reducing government debt, it would remove any need for the Treasury to set a cap on future council HRA borrowing. Removing that restriction would in turn make the debt redistribution exercise far more attractive to councils. The government would simply need to retain the prudential borrowing rules to ensure that councils do not borrow more than their businesses can soundly support.

*Is the activity essential to meet government priorities?*

The Government has stated that it believes 'it is time for a fundamental shift of power from Westminster to people.' Government wants to 'promote decentralisation and democratic engagement' and we believe self-financing is the clear way to do that for council housing.

The Government has committed itself to 'review the unfair housing revenue account' and we urge them to consider all of the work that CLG officials, councils and ALMOs have done with housing finance experts to review the options in which self-financing has emerged as the only viable way forward.

A self-financing future for council housing will help deliver real powers and responsibility to local councils, their ALMOs and their tenants in relation to managing council housing.

*Does the Government need to fund this activity?*

Insofar as it needs to release councils and ALMOs from the housing subsidy system and allow councils, ALMOs and their tenants collect their rent and manage their debt and borrowing. The proposed revenue settlement can be paid for entirely from the rental income from council tenants and does not therefore call upon additional taxpayer funding.

*Does the activity provide substantial economic value?*

Self-financing will give the council housing sector the stability that will enable more effective business planning, better asset management and deliver long -term efficiencies and value for money for the public sector.

*Can the activity be targeted to those most in need?*

Council housing is already targeted at those most in need through homelessness legislation and council allocations policies. The implementation of a self-financed future for councils and ALMOs would not change this but would ensure that those vulnerable members of society could be reassured that their homes will be properly maintained in the future.

*Can the activity be provided at lower cost?*

No – the evidence from local authorities modelling the proposed terms of an offer has indicated that the revenue proposals are just sufficient in most cases to provide the minimum standards of repair, maintenance and housing management services. ALMOs have reported that the settlement is very tight, especially in the first five years.

*How can the activity be provided more effectively?*

A self-financed system would be more effective in making use of council housing rental income and ensuring that local services are provided as efficiently as possible as well as reflecting the priorities of local communities.

In order to manage the assets properly and plan capital works efficiently and effectively, councils and their ALMOs need to have the flexibility to increase borrowing in some years and reduce it in others.

*Can the activity be provided by a non-state provider or by citizens, wholly or in partnership?*

Yes, in partnership with their local councils, ALMOs offer some significant advantages in being able to manage a self-financing HRA. ALMOs have an independent board drawn from the community which they serve, including at least a third tenants, often with a tenant chair.

ALMOs, as community housing organisations, combine a local community base with a business-like, entrepreneurial attitude. Their size and composition 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 and deliver what their customers really want.

*Can non-state providers be paid to carry out the activity according to the results they achieve?*

ALMOs are already paid a management fee by their parent local authorities, and local authorities can include the management of the HRA in the list of activities delegated to them.

*Can local bodies, as opposed to central government, provide the activity?*  
Self-financing would deliver a locally controlled and managed council housing system.

### **The need for capital investment**

Although self-financing would enable the vast majority of local councils and ALMOs to maintain tenants' homes as well as providing the flexibility to address environmental and neighbourhood issues, for a significant minority of councils and ALMOs there are still many outstanding capital investment requirements that this offer will not be able to deal with.

Research undertaken within the Review of Council Housing Finance indicated that there was a substantial remaining backlog of investment required in the council housing stock, and in the neighbourhoods where council housing predominates. In total, and this was acknowledged in the consultation at the conclusion of the Review (July 2009) at least £6bn. The backlogs are varied but primarily cover (i) the need to complete the basic refurbishment programmes (to Decent Homes standard), (ii) the need to address communal areas especially for flatted areas, (iii) the need for investment in environmental upgrades, and (iv) the need to address the outstanding refurbishment needs of non-traditionally built stock.<sup>52</sup>

In addition, the research identified significant future investment needs around aids and adaptations, and the improvement of conditions to address building regulations (ie, health and safety concerns), the treatment of asbestos and fire safety work on purpose-built blocks being prime examples. These were estimated at £5-6bn over the longer term, ie, up to £200m per year, but many of these liabilities are increasing now, as a result of ageing stock and a rising elderly population.

The prospectus acknowledges the need for capital investment to address backlogs, but at £3.2bn to cover the basics rather than the £6bn identified within the research. There is no acknowledgement of the funding needs of the other longer-term investment needs.

There is also therefore at least £3.7bn worth of work that has already been identified to address the repairs backlog across the council housing sector.

For ALMOs there is around £2.4bn worth of improvements to tenants' homes that are still outstanding, and this is required to meet the commitments already made to those councils and tenants in the indicative ALMO bids to date for the CSR period (up to 2014/15).

### **Economic benefits**

Investment in improving existing social housing has been shown to successfully improve access to work and employment opportunities for many long-term unemployed social housing residents. Most councils and ALMOs have ensured that

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<sup>52</sup> CLG and HM Treasury, *Review of Council Housing Finance*, June 2008

private contractors that carry out council housing refurbishments also run apprenticeship and training schemes in construction trades. However, many ALMOs are going beyond these initiatives and are working with local colleges over a long period to give tenants new skills and to help them find meaningful employment.

For example, Sandwell Homes has used its Decent Homes programme to support local construction companies, suppliers and the local workforce. It has created 1,000 employment opportunities, 98% with the Sandwell Decent Homes Partnership (SDHP). Opportunities have also been created for 150 apprentices with 90% of them achieving or working towards an NVQ level 2 qualification. Training programmes have been rolled out to help and train disengaged youths, youth offenders and those affected by gang-related culture, which provides a career path, and creates self-esteem and pride within their community.

### **Decent neighbourhoods**

Although upgrading the building elements of the stock is necessary and very welcome to most council tenants, it does not address many of the other fundamental and complex social problems that tenants also want to see addressed by their housing providers.

Tenants want to live in decent neighbourhoods, and community safety issues are a key priority for many ALMOs and tenants. Talking to the communities they serve ALMOs know that residents want to start tackling estate design issues and security concerns, which can range from a wholesale redevelopment to small improvements such as improving boundary fencing or providing external lighting improvements for terraces of pensioners' bungalows.

ALMOs yet to start their investment programmes or in the early stages of a decent homes programme would welcome the opportunity to work with government and residents to ensure that any investment programme tackles both the modernisation needs of the stock and the communal areas of the estate and the wider neighbourhood issues. Many ALMOs have already done this where local resources were available to complement the previous government's decent homes programme. For example, Berneslai Homes worked with its local council, key housing associations in the area and the local community to deliver a wider regeneration programme, which has resulted in both physical and social transformation. Over 600 properties have been cleared and new housing association homes built across the borough. Berneslai Homes also made a successful local authority challenge fund bid to provide 78 new units as part of this initiative.

The ALMO Rykneld Homes has worked extensively with tenants, residents and the council to completely overhaul the service and is now hoping to be able to deliver a similar sort of transformation for their residents. Rykneld Homes has engaged its residents to help identify what the local priorities are for capital investment in the area, but the size of the investment gap means that this cannot be done without the resources promised once the two star rating had been achieved. The investment programme put forward by Rykneld Homes would significantly improve the health and quality of life in those deprived neighbourhoods and, if delivered, would further

integrate the tenants of council dwellings into the mainstream economic and social life.

*Is the activity essential to meet government priorities?*

Continuing capital investment to address the backlog of repairs and maintenance in council housing will help meet a number of government priorities.

Capital investment in housing can have a major impact on health outcomes for the residents affected and also save the NHS money. Investment in new kitchens, bathrooms, re-wiring, new heating systems and other adaptations reduce hazards and accidents and therefore visits to accident and emergency. New windows, doors and security measures make people feel more secure – bringing immeasurable mental health benefits to tenants, as well as improving the thermal comfort of homes, reducing winter cold-related deaths among older people, and other respiratory illnesses related to cold, damp housing.

Capital investment in council housing will also contribute to improving the energy efficiency of existing social housing. Decent Homes work has shown what can be done through improving the energy efficiency of social housing, but we need to more in future to meet carbon reduction targets.

*Does the Government need to fund this activity?*

Addressing the backlog of repairs and maintenance work on council housing, and meeting the commitments already made to those councils and tenants in the indicative ALMO bids to date, needs to be funded by the Government as part of the deal on self financing. Central government needs to establish a central capital grants programme to which ALMOs and councils can bid for resources that self-financing will not and was not intended to cover. The proposed revenue settlement on self-financing generates sufficient funds from the rental income from council tenants to government for the purpose of directing capital investment to where it is needed most to meet the outstanding backlog.

*Does the activity provide substantial economic value?*

As outlined earlier in our submission this activity provides substantial economic value through the creation of jobs and apprenticeships.

*Can the activity be targeted to those most in need?*

This activity is effectively targeted through the allocation process and prioritising decent homes work.

*How can the activity be provided at lower cost?*

ALMOs have already been at the forefront of making efficiency savings on behalf of local councils. A capital grants programme inviting bids from councils and ALMOs will allow central government to fully analyse bids to ensure that they are proposing to spend resources in an efficient and effective way.

*How can the activity be provided more effectively?*

The previous ALMO programme, by ensuring that ALMOs had to deliver a 'two star' housing management service before they could access the funding to improve council homes, led to a great improvement in housing management services across the ALMO sector. This ensured that only effective and efficient organisations were given the additional money to invest on behalf of the public. We believe that both the ALMO model, with an independent board including tenants, focusing on the day-to-day job of managing social housing, and the system in which they were rewarded for improving services, has shown to be an effective way to deliver public sector services and could be built on in future.

*Can the activity be provided by a non-state provider or by citizens, wholly or in partnership?*

Yes, capital investment programmes can be managed and delivered on behalf of their local councils by ALMOs, TMOs or private management companies. This should continue to be left to the choice of local councils and their residents at the local level. In carrying out large major works programmes ALMOs have mostly used the skills and expertise of private contractors to actually carry out the work, but retained the management of the programme themselves so that it is locally accountable and adaptable to the community's needs and priorities.

*Can non-state providers be paid to carry out the activity according to the results they achieve?*

ALMOs already receive a management fee agreed with the local council to manage and deliver their decent homes programmes.

*Can local bodies, as opposed to central government, provide the activity?*

Local bodies can deliver the capital investment programmes in consultation with their residents but for some councils and ALMOs this will need to be funded by central government as the self-financing proposals do not allow for this level of investment need in some areas.

### ***Maintaining good quality homes – gap funding***

Since 1988 almost 1m homes have been transferred from local councils to housing associations, securing investment for the improvement of social housing and facilitating greater opportunities for tenant involvement in the management of their homes. Stock transfer has helped deliver £9bn of additional investment into neighbourhoods.

In 80% of ballots tenants voted yes for transfer. 82% of tenants who transferred to a housing association were satisfied with their new landlord – 13% higher than those still in council homes. Satisfaction with opportunities for participation is higher for housing association tenants than council tenants.

Gap funding is a funding stream of last resort and utilised by new landlords to contribute towards the costs of delivering quality homes to tenants. Gap funding covers the negative valuation of stock to enable large scale voluntary transfer (LSVT) proposals to proceed and is based upon a robust stock condition survey and assessment of the housing association's business plans and capacity.

**The government must honour gap funding arrangements that have been agreed and for transfers that are in the pipeline. This will ensure that housing associations are able to meet the commitments that have been made to tenants as part of the transfer deal to significantly improve the quality of their homes.**

### ***Improving the energy efficiency of existing homes***

Housing is responsible for around 27% of the UK's carbon emissions. Over 80% of the existing housing stock will still be in use by 2050. Government has inherited a target to reduce carbon emissions from the housing stock by 29% by 2020; the vast majority of this saving will have to be achieved in the existing stock.

Estimates for so-called whole-house refurbishment range from £10,000 to over £40,000, depending on the level of intervention as well as a number of factors, including the type of property (solid wall, off the gas grid); location (remote rural versus urban, with the latter benefiting from economies of scale, such as refurbishing whole streets/neighbourhoods at a time); method of procurement and implementation; market maturity (supply chain capacity, skills and labour availability, economies of scale).<sup>53</sup>

Work by the Existing Homes Alliance (ExHA) showed that the cost of retrofitting the UK's housing stock in line with the Government's emission reduction target by 2050 would cost around £10bn per year, based on £20,000 per home and with a total of 500,000 homes to be retrofitted per year.<sup>54</sup>

The Government has recognised the importance of retrofitting by launching the Green Deal, which could see up to 14m homes benefiting from energy saving measures funded through a pay-as-you-save mechanism. It is important that the policy and legislation is developed in such a way that the 'green deal' can be used for all tenures of housing, especially those who need it most, ie, social housing tenants and those in fuel poverty. It is also a chance to put the framework in place to attract the additional investments required to deliver more substantial carbon savings than those that can be achieved with the proposed Green Deal investment level alone.

The government should take the opportunity to set out a national retrofit programme, fully funded through the continuation of supplier obligations post-2012, feed-in tariffs and a green investment bank, with targets and timetable, that will enable housing owners, providers and the construction industry to plan for and carry out major energy efficiency improvement programmes. Such a programme would also have

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<sup>53</sup> Existing Homes Alliance (forthcoming) *Refurbishment Costs*, London, ExHA

<sup>54</sup> Existing Homes Alliance (2009), *Paying for it*, London, ExHA (Available from <http://www.existinghomesalliance.org/resources.php> )

the potential to position the UK as the market leader in the development and provision of retrofitting technologies.

As part of a national retrofit programme government should reduce the number of different schemes that local authorities and housing providers can apply for, and simplify the system with fewer and larger funding pots that cut across government departments, to allow scope at the local level to decide what is the best value response according to the nature of the stock.

*What is required to make the 'green deal' a success and lever in the investment needed to meet greenhouse gas emissions reductions in existing homes?*

**A policy framework to enable energy efficient retrofit for all housing tenures and the recouping of initial investment costs.** It is important that the policy and legislation is developed in such a way that the 'green deal' can be used for all tenures of housing, especially those who need it most, ie, social housing tenants and those in fuel poverty. The enabling legislation should contain all the necessary powers that will allow all possible options for financing and delivering the energy efficiency improvements and allow all possible methods of recouping the up-front investment (fuel bills, council tax supplement from all housing tenures). This will provide the essential flexibility for the secondary legislation to address the detailed implementation and operation of the Green Deal in consultation with stakeholders.

**A reduction to a 5% VAT rate for energy efficient housing refurbishment.** A reduced VAT rate on the installation (ie, labour costs as well as materials) of energy efficiency measures, including solid wall insulation, double-glazing will further stimulate demand for energy efficiency refurbishments and help create demand for the Green Deal.

*Our offer to make the Green Deal a success and lever in the investment needed to meet greenhouse gas emissions reductions in existing homes*

Continue to play an important role in delivering local, area-based improvement programmes. For example, housing associations and local authorities have been successful in securing major EU investment for area-based energy efficiency improvement programmes. Such programmes can provide significant opportunities for job creation and training; can stimulate cost-effective improvements; and create the scale to encourage the development of the UK supply chain. Associations and other registered landlords have the experience to commission, manage and deliver major improvement programmes. Such programmes could serve all tenures in an area and not just social housing tenants, as was achieved with the 'enveloping schemes' carrying out major home repair grant work on a street-by-street basis in the 1970s and 1980s.

*Other sources of non-government funding for energy efficiency improvements*

**A continuation of suppliers' obligations post-2012.** The suppliers' obligations, alongside the Green Deal, will have an important role in helping social housing tenants and those in fuel poverty access energy efficiency measures. Large targeted, area-based investments help bring scale to projects and will attract interest

from other areas and tenures, providing PR for the Green Deal. However, it is important that social housing landlords and local authorities who are the recipient of suppliers' obligations have a bigger say on how it is delivered than the current Community Energy Saving Programme (CESP) allows. Suppliers' obligations help pilot more costly measures and so prepare the supply chain to deliver further carbon emission reductions.

**The feed-in tariff rates to be maintained for the scheme's duration.** Feed-in tariffs stimulate the renewable energy market and guaranteed revenues attract investors, who provide the initial capital investment. The tariffs also encourage new delivery mechanisms such as energy service companies (ESCOs). It is crucial that the current feed-in tariff arrangements are kept in place to enable business planning that will deliver investment in major energy efficiency improvement programmes.

**The Green Investment Bank to finance both energy efficiency and energy infrastructure (ie, demand-side reduction and greening the supply side). The provision of low-cost capital is crucial to the delivery of cost-effective reductions in emissions from the existing stock.** The Green Investment Bank could fulfil that role, possibly functioning as an intermediary for low-cost capital such as European Investment Bank funding.

### **What will these measures deliver?**

A programme of energy-efficiency improvements will make a significant contribution to achieving the Government's emissions reduction targets and reducing fuel poverty.

Work by the Existing Homes Alliance has shown that £1bn of government support will lead to £6bn of investment in retrofitting.<sup>55</sup> At an estimated £60,000 gross contract cost per job this results in the creation of 100,000 new jobs. Based on a programme of 500,000 refurbished homes per year (see above), this has the potential to create 200,000 jobs per year up to 2050.<sup>56</sup> Any initial costs to government are largely offset by the reduction in unemployment benefits.

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<sup>55</sup> Existing Homes Alliance (2009), *Paying for it*, London, ExHA

<sup>56</sup> For more detail see appendix 6 in Existing Homes Alliance (2009), *Paying for it*, London, ExHA

## 6. Conclusion

The National Housing Federation, Chartered Institute of Housing and National Federation of ALMOs have made the offers in this submission as a concrete demonstration of our commitment to work with government to assist in delivering their aspirations in a difficult fiscal environment.

We look forward to discussing our proposals with government in the coming months, and participating in the public consultation on the Government's future spending plans.

Investment in housing is capable of delivering wide-ranging benefits across society, empowering individuals and communities, promoting social mobility and delivering economic growth.

The Government has a series of difficult choices to make in deciding how to invest taxpayer's money in the forthcoming four year period, but we firmly believe that the recommendations we set out in our submission represent responsible choices for a fairer future.

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