

Rt Hon Eric Pickles  
Secretary of State for Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU

27 August 2010

Dear Secretary of State

Thank you for your letter inviting the NFA to suggest fair and responsible ways to reduce public spending. ALMOs face continual pressure to cut costs and improve tenant satisfaction so we have real practical experience here. It is our bread and butter. We attach a range of proven ideas for saving money set out under the headings from your letter. Three guiding principles underpin our approach.

**1      *We believe in localism***

ALMOs only operate where local tenants and councils want them. If we fail to deliver what local people want at a fair price, bluntly, we are finished. We don't complain about this, we advocate it. Our boards, tenants, leaseholders, councillors and council officers place us under tremendous scrutiny. This is why ALMOs take out costs, reduce staffing levels and still do well on tenant satisfaction. We give some examples in the attached paper.

**2      *We hunt for every saving – but aren't penny wise and pound foolish***

In our joint submission on the Comprehensive Spending Review with the CIH and NHF we gave examples of how spending on housing actually saves money elsewhere. Independent research backed this up. Effective investment in housing support slashes spending on crime, health and homelessness. Refurbishing homes creates jobs, and local jobs to boot.

**3      *We want to be locally accountable social enterprises***

ALMOs' boards are local people. They can be tenants, leaseholders, business people, professionals and council nominees. We stick to management agreements with the local council. The current Housing Revenue Account arrangements hold us back. There is no link at all between what the tenant pays and the service they get. Central government pools all the rents then divvies it out. Your government is considering overhauling the system to put councils on a proper business footing. If each council and its ALMO had a sensible stand-alone Housing Revenue Account deal it would boost local accountability everywhere. The council and the ALMO

would have to manage within the deal they agreed. Armchair auditors could raise challenges much more easily than they can in the current regime. Please avoid national guidance on how we run our ALMOs. One size does not fit all. Local people and councils have plenty of ways of making sure an ALMO does what is wanted.

The NFA agrees with your pursuit of fair and responsible savings and we will help in any way we can. I would be pleased to come in and discuss our ideas with you or your civil servants.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alison Inman', written in a cursive style.

Alison Inman  
NFA Chair

## Suggestions in response to Secretary of State's letter on fair and responsible savings

- How localism can drive improved public services, including improving transparency and accountability, using market-based solutions, outcome-based commissioning and payment by results:
  - ALMOs are all about scrutiny at the local level – they only operate in areas where they have a mandate from the council and tenants
  - Tenants and leaseholders (and councillors) on our boards/panels play a full role in specifying services and evaluating tenders
  - ALMOs create a perfect storm of accountability: the council challenges the ALMO to be cheaper and better than taking services in-house, while the ALMO challenges council service level agreements versus the market
  - ALMOs work to management agreements set by the council – payment and the continuation of the ALMO are dependent on results
  - The world moves on. There is no legal redress if a council varies a contract with an ALMO. So there is much more flexibility for local people than with a conventional contractor.
- Making savings in public spending:
  - It's not a standing start for ALMOs (ALMOs made 66% of local authority housing efficiency savings whilst managing 40% of all council housing in one-third of local authorities)
  - ALMOs face tough performance tests with dwindling budgets. Last year Sheffield Homes cut yet another £1.5m from costs and reduced staff by 108 whilst retaining three stars. The management fee passed onto Hounslow Homes fell by £5m between 2006/07 and 2009/10. Despite a reduction of 100 in staff numbers, tenant satisfaction went up at Hounslow Homes
  - Investment in housing can also lead to other public sector savings in health, unemployment and community safety as well as having impacts on the local economy – therefore delivering better value for money than some other spending streams. Many examples were given in our joint submission to the CSR with the NHF and CIH, *Responsible Choices for a Fairer Future*, and include:
    - Investing £1.6bn annually in housing-related support services generates savings of £3.41bn to the public purse. (It avoids spending £315m on health, £414m on crime and criminal justice and £95m on homelessness)
    - Refurbishing 500,000 homes per year can create up to 200,000 jobs a year. Costs are largely offset by reductions in unemployment benefits
    - ALMOs that refurbish homes create local jobs. Sandwell Homes' Decent Homes programme led to 1,000 local jobs and 150 apprenticeships. Training programmes with real career

paths were developed to steer disadvantaged young people away from crime.

- Management of the NFA was outsourced and re-tendered. Fees are low versus other trade bodies
  - Tenant board members are sharp – some chose to outsource management of Decent Homes to avoid long-term pension liabilities of permanent staff
  - Shared services (Homes for Islington and Lewisham Homes share services to avoid duplication)
  - Shared CEO (four Kent councils are forming a ‘super ALMO’ with one chief officer)
  - No ALMO CEO gets paid more than the PM, and senior staff work far more than their contracted hours (source: NFA salary survey)
  - Individual ALMOs were keen to suggest ideas for savings to go in this NFA response, eg:
    - Greater monitoring of services by tenants to reduce the costs of regulators and outside consultants
    - Incentives to persuade tenants to access services online
    - Align the boundaries of councils and other public bodies to streamline co-ordination and share costs
    - Get staff to run consultation exercises, not outside consultants
    - Introduce smart meters to help tenants manage their energy consumption and reduce bills.
- Achieving the best value for money for the taxpayer, including promoting individual choice and the use of individual budgets, as well as developing the role of co-operatives and mutuals:
    - Wide consultation with tenants/leaseholders when letting contracts
    - Repairs by appointment
    - Accounts at block level for leaseholders
    - ALMOs run on similar lines to co-operatives/mutuals
    - NFA is working with the Confederation of Co-operative Housing to develop tenant-owned arm’s-length management organisations for housing.
  - Ensuring the most vulnerable in society protected:
    - We know the tenants well – ALMOs gather information on vulnerability for all tenants. The elderly, disabled, single parent families and children are heavily represented amongst our tenants
    - ALMOs make individual arrangements to suit vulnerable tenants on aids and adaptations, gas safety and benefits advice
    - Lewisham Housing Safeguarding – ALMO staff visiting homes identify risks like child neglect, vulnerable elderly and mental health to make referrals.

- Balancing trade-offs between funding different activities:
  - Annual budgeting under current HRA rules leads to poor decision-making
  - It results in spending money when you have it on state-dictated priorities rather than what is best locally
  - Sustainable HRA deal leads to long-term planning – could do works just in time instead of when the money is serendipitously available. Less big bang expenditure could reduce tension with leaseholders.

### ***Ideas for consideration***

Fair and responsible savings not cuts – should there be straightforward tests for sensible savings? These could flow from the criteria in the Secretary of State's letter. What is the likely impact of suggested savings on:

- Vulnerable people (would the elderly and disabled be affected?)
- Localism (would it boost local decision-making?)
- Asset management (the nation's council housing stock is worth billions. Is this being stewarded properly? Will cuts today sacrifice the value tomorrow?)
- Safety (ensure that gas safety, asbestos, Legionella and fire safety matters can be tackled.)

Make localism real 1: Abolish all non-essential state guidance – the advice on partnering for maintenance was a disaster for many. Government and the Audit Commission forced councils and ALMOs into so-called partnering contracts. Councils and ALMOs have to sort out these deals when they go wrong. Those that carry the can locally should take the big decisions.

Make localism real 2: For years there have been concerns about council areas with numerous and remote housing managers. Let local people sort this out. Total Place showed the savings that could emerge when landlords worked together instead of each doing their own thing. Let tenant panels take the lead in rationalising housing management in their own areas. Take from the poor housing managers and give to the cost-effective.

Make localism real 3: Give tenants a vote on the future of their ALMO. But make sure it is an informed debate, not a knee-jerk in favour of staying with the ALMO or going back to the council. Get the claims for savings and improvements independently vetted before the ballot. Hold the council or ALMO managers to account afterwards. Make sure the promised savings really happen – send in the auditors. Stop stone-dead the industry in speculative savings.

Make localism real 4: Can the Secretary of State abolish useless European diktats? OJEU tenders waste millions and achieve nothing. No one in Luxembourg wants to repair council houses in Doncaster.