

HOMES FOR THE FUTURE: MORE AFFORDABLE, MORE SUSTAINABLE

NFA response

Summary

The National Federation of ALMOs (NFA) represents all current and aspirant arms length management organisations (ALMOs) who between them manage more than one million council homes across sixty six local authorities. We welcome the opportunity to comment on the housing green paper and the key points of our response are summarised below.

- The NFA warmly welcomes the government's vision for the future delivery of decent and affordable housing for all. We are pleased that the context of places and homes where people want to live is highlighted as ALMOs deliver more than just a housing service – they are inextricably linked to people and communities and to delivering functions at local level.
- It is clear that there is a need for a substantial increase in affordable housing provision and ALMOs are well placed in the community to help contribute towards that goal.
- At the same time it must be recognised that however much new housing is built the current housing stock will continue to provide the majority of housing provision for decades to come. It is vital that the work of the hugely successful decent homes programme to bring the current local authority housing stock up to acceptable standards is continued.
- Round 6 ALMOs have already had to wait more than a year after the decisions on their bids had originally been promised while indicative allocations beyond March 2008 for earlier ALMOs now need to be confirmed.
- In addition future revenue streams must ensure the stock continues to be maintained, as a minimum, at decent homes level in the future.
- The government urgently needs to implement financial freedoms for high performing authorities and to address the major problem of the housing subsidy system which, if not tackled soon, will lead to much of the good work in better services, tenant empowerment and improvements to the stock being undermined.

More social housing

The NFA believes that ALMOs can bring an additional element to the new provision table that will complement the resources being provided through the main volume build providers. ALMOs have shown, through the decent homes programme, that they can manage large programmes efficiently and effectively and, more importantly, that they can help address resident aspirations and minimise the disruption that is inevitable in major construction programmes.

ALMOs have a sound knowledge of their local communities. They work within one local authority area and are required to deliver local priorities on behalf of their owning councils. Many ALMOs are managing stock on council land that has unused spaces, such as garage sites, which are often magnets for anti-social behaviour. The stock may, in some cases, be low density and of a design that, even when brought up to decent homes standard, is unlikely to meet residents' aspirations and expectations in the long term future. Such sites, which cannot be easily tackled by other providers, can (together with more traditional new build sites) provide an opportunity not only to increase provision, but also to make the neighbourhoods better places to live that will also offer the sort of housing that will meet current and future needs.

Amending the general consents regime to make it easier for authorities to dispose of land to ALMOs at nil or minimum value would help reduce delays in the delivery process. Similarly, the government should give councils stronger and clearer guidance on disposals, including urging them to make General Fund, as well as HRA, land available. While there are a number of complex tax issues (stamp duty, VAT, corporation tax) that inhibit ALMO new build schemes which need clarification.

Working with their local authorities and with other housing association and private sector developers there is a clear niche area in which ALMOs can contribute to the government's new build targets. While ALMOs are not looking to provide volume build outside their own local authorities they can nevertheless make a significant contribution at local level in the longer term. The NFA anticipates that ALMOs and their local authorities will, between them, develop a number of different models that will produce more council housing and other forms of low cost affordable housing.

The NFA very much welcomes the proposed extension of the eligibility criteria for access to social housing grant from three star to two star ALMOs. Two star ALMOs have already demonstrated their competence to manage major decent homes programmes and provide good quality management of the stock. We are disappointed, however, that a two star ALMO that had already successfully negotiated the pre-qualification process has been told it must apply again next year before it can apply for social housing grant (SHG). This seems an unnecessary delay when the council concerned already has schemes that could go forward.

Nevertheless, it remains the case that ALMOs are still not on a level footing with housing associations, either in the eligibility criteria for SHG or in access to private finance. When considering value for money objectives in competing schemes greater consideration should be given to lifetime costs and benefits rather than just immediate capital costs. While councils and ALMOs can deliver other benefits,

particularly in terms of utilising land that would not otherwise be developed, they could contribute even more if the government introduced financial freedoms and flexibilities and looked again at the community ownership model promoted in the joint NFA/CIH/HouseMark report *ALMOs – a new future for council housing*.

The NFA welcomes the proposal to enable rents and receipts in new council and ALMO homes to be retained. The work of the self financing case studies has shown clearly the potential for considerably increasing the scope for development and regeneration, even without access to private finance. ALMOs have already demonstrated their ability to deliver value for money since they continue to produce the majority of local authority housing efficiencies. Where councils already have ALMOs in place, therefore, it makes more sense to use them as the deliverers of new council housing rather than develop new vehicles.

Furthermore, the ALMO model has clearly been demonstrated as a successful mechanism for improving services and increasing tenant empowerment, even without decent homes funding. The additional focus of ALMOs on the management and maintenance of the stock and on community engagement and delivering local priorities have led to enormous improvements for residents and show clearly that ALMOs offer a genuine alternative to traditional council housing management and stock transfer that still retains the identity of council housing. More councils and their tenants should consider whether the ALMO option might better meet the needs of council housing in the future.

Continuing the decent homes programme

The NFA welcomes the government's continued commitment to the decent homes programme. However, additional resources above and beyond the minimum £2bn to be allocated in this CSR period will be required to meet the needs of all those in the ALMO programme, which will itself need to extend considerably beyond 2010 if it is to be fully completed. Further investment will also be needed in the future if the existing stock is to be brought up to environmental standards.

The key priority now is to let round 6 ALMOs, who were originally promised a decision on their bids by September 2006, know the details of their funding. In addition earlier round ALMOs need to know whether their indicative funding commitments will be honoured.

It is also vital that the government urgently addresses the problems with the housing revenue account subsidy system. The decent homes programme has been a huge success in bringing council housing up to a decent homes standard, improving service delivery and increasing tenant empowerment. Yet this success will be undermined if future revenue streams are insufficient to maintain both the management service and repair of the dwellings at an appropriate standard.

Within a short time, the current Housing Revenue Account subsidy system will be in surplus and the rental income from tenants nationally will not be spent on services for them. The majority of local authorities with ALMOs will move out of subsidy in the next few years and their income will be insufficient to sustain the improvements

made. The major repairs allowance is nowhere near keeping pace with the requirement to cater for properties that fall outside the decent homes standard post 2010 while management and maintenance allowances are considerably below that which is needed to maintain current levels of service and day to day repairs.

Unless action is taken quickly much of the good work so far will be undone and residents will face cuts in services and a decline in the condition of the stock. The customer culture that ALMOs have done so much to foster amongst their staff will break down as staff become anxious about their ability to continue to deliver services in the future. If there are no longer incentives to achieve excellence in service delivery the aspiration to achieve three stars, which has been a key feature of the ALMO movement, may dissipate.

ALMOs operate within the Housing Revenue Account subsidy system which means that those that generate a surplus resulting from effective management are unable to retain the benefit. This denies ALMOs the same financial freedom and flexibility as housing associations.

Self financing rebuilds the link between rent paid by tenants and services provided by landlords. This means the rent paid by tenants will have a real relationship to the services provided by the landlord. The current subsidy method of allocating resources has removed this relationship. Self financing would offer long-term financial stability, enabling high performing ALMOs to better manage assets, to better deliver services and to assist in developing new housing. Self-financing also provides the means to reduce the overall level of local authority housing debt.

Moving from tight central government control to a system where local people through their ALMO can exercise a greater degree of autonomy, would enable decisions to more effectively relate to local needs. At present there is no link between the rent paid and what is spent on services and this seriously weakens the accountability of the landlord to tenants. Self financing restores that link.

Linking management performance to the ability to exercise self-financing would act as an incentive for further improvement. The ALMO programme has demonstrated the effectiveness of a system where improvements must be demonstrated before the additional decent homes funding can be accessed.

In proposing to allow local authorities to produce new housing outside the HRA the government has tacitly recognised the inherent problems of the subsidy system. It now needs to introduce a phased programme of self financing to enable high performers to move outside the subsidy system and it must address the perverse disincentives to excellence in service delivery for those remaining within the system.

Delivery: making it happen

ALMOs, by virtue of their placement in the local community, are involved in much more than the delivery of housing services. As part of the sustainable community agenda many ALMOs are actively involved in:

- Local employment, training and apprenticeships – working with contractors and local colleges to address skills gaps and worklessness
- Addressing anti-social behaviour, particularly developing youth activity schemes and working with schools
- Financial inclusion and anti-poverty work
- Community engagement, such as with elderly and vulnerable groups
- Health impact assessments clearly identify not only improvements to the lives of residents living in homes brought up to the decent homes standard but also savings in other public services, such as health.

The green paper does not address the role of social housing in an ageing population. The current sheltered housing stock falls well below the standard and range of choice that we should be offering to older people and compare poorly with options in other European countries. Radical improvements to and investment in sheltered housing could also free up more family housing.

There is also still much work to be done to achieve decent homes in the private sector for vulnerable households. Low income owner occupiers present a potential time bomb for the future if their homes are not brought up to standard. ALMOs, with their capacity and experience in decent homes work, are well placed to assist local authorities in delivering this objective.

ALMOs work in areas which have some of the most intractable social and welfare problems. Greater local control of finance, as through self financing, is needed if councils and ALMOs are to have a greater impact on reducing poverty on estates as called for in the Hills report on the future role of social housing. The government needs to ensure that all its investment regimes are being used to their greatest effectiveness in meeting national, regional and local priorities. Until the subsidy issue is resolved ALMOs will find it difficult to go forward in terms of addressing the neighbourhood and places agenda.

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