

## THE NATIONAL FEDERATION OF ALMOs

### SUBMISSION TO THE COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE INQUIRY INTO THE SUPPLY OF RENTED HOUSING

#### Summary and Recommendations

- ❑ Since their establishment four years ago, ALMOs have secured an unrivalled track record of success, from meeting Government targets for improving housing standards, to tenant empowerment and groundbreaking new services on safety and community integration.
- ❑ The DCLG's 'Review of Arms Length Management Organisations' recognised the achievements of ALMOs and sets the scope for their long term future.
- ❑ ALMOs have delivered large scale, decent homes, refurbishment projects on time and in some cases ahead of the 2010 target date.
- ❑ To further improve housing, build new homes, regenerate estates and provide safe communities, ALMOs require longer-term stability and greater financial freedom.
- ❑ The decision by the Secretary of State to ask all ALMOs with expenditure profiles beyond 2007/08 to review their target dates and consider reprofiling their spend beyond 2010 needs to be reviewed, otherwise it will have detrimental consequences for tenants and ALMOs.
- ❑ There needs to be funding after 2010 for maintaining housing brought up to standard in 2010 and investment to provide for further improvement, with a total of £3.2bn being made available for the 2008-11 Spending Review period, and a further £1.2bn for the following period.
- ❑ ALMOs have the potential to deliver new build homes to replenish stock, but with no physical assets to support borrowing, and restrictions on raising and keeping revenue, ALMOs are currently unable to invest in new build.
- ❑ ALMOs need to have long term security of operation and finance reform to enable them to raise the funding for new build.
- ❑ A community ownership model would enable access by ALMOs to private sector finance and borrow on the basis of income stream to fund new build housing.
- ❑ Allowing ALMOs to be self-financing outside the HRA would offer long-term financial security, enabling ALMOs to better manage assets.
- ❑ The Government should give incentives to local authorities and public sector bodies to release land for ALMOs to deliver new homes.
- ❑ Under an amended structure, ALMOs would be able to supplement RSL new build, replacing properties lost through Right to Buy, properties that need remodelling or replacement due to structures no longer meeting current or future needs.
- ❑ ALMOs are not only interested in owning stock, but also in managing the neighbourhood.

- Tenants should become financial stakeholders in their ALMO, sharing the financial benefits of success.

## **1.0 The Effectiveness of ALMOs as a Social Housing Model**

- 1.1 ALMOs deliver high quality services. Their local focus means they are embedded in, and have an understanding of, their community as they only work in one local authority area.
- 1.2 ALMOs have demonstrated their willingness to innovate and engage in initiatives that go beyond the stock management - enhancing the lives of those living in ALMO neighbourhoods.
- 1.3 Currently there are 62 ALMOs in operation across 57 local authorities managing 924,000 council properties. Round 6 of the ALMO programme could see the total rise to 69 in 2007, and see ALMO managed homes top the one million mark.
- 1.4 Of the 48 ALMOs inspected by the Audit Commission, 12 have been classified as excellent (3\*) and 29 as good (2\*) on performance and service delivery. Performance is also improving year on year.
- 1.5 No traditional local authority and only one housing association has achieved three stars in the last three years.
- 1.6 ALMOs have delivered large scale, decent homes, refurbishment projects on time and in some cases ahead of the 2010 target date.
- 1.7 ALMOs have demonstrated an impressive record of delivering value for money services. The most recent analysis of local authority annual efficiency statements showed that, while ALMO authorities make up only 21% of local housing authorities in England, they produce 68% of local authority housing efficiency gains.
- 1.8 ALMOs have an excellent record on procurement. Long-term procurement relationships have brought investment in apprentice training and social enterprises as well as efficiency gains.
- 1.9 ALMOs are popular with residents with direct involvement in the management of their homes.
- 1.10 In the latest survey, 77 per cent of ALMO tenants were satisfied with the performance of their housing manager, higher than either local authority controlled housing or housing associations.
- 1.11 Tenants have a greater say in how their properties and environment are managed and how their money will be spent than under any other structure. At least a third of Board members are tenants, a higher proportion in some ALMOs, and many Boards are chaired by tenants. Three out of the four authorities awarded Beacon Status for 'improving housing services by involving tenants' are ALMO managed.
- 1.12 Day to day management is handed to Boards made up of tenants, councillors and independent members who reflect the diversity of the communities they serve. Strong community leadership also allows ALMOs to get things done.
- 1.13 Working within only one local authority, each ALMO has a detailed knowledge of the local community enabling it to tailor services to needs.
- 1.14 Separation from the council allows staff to focus purely on service delivery.

- 1.15 ALMOs recognise that improving housing standards is only one part of a wider role to improve neighbourhoods. ALMOs have an active role in regeneration and improving the local environment.
- 1.16 ALMOs contribute to the quality of the lives of their customers well beyond the traditional remit of housing management, and help councils and other agencies deliver innovative social inclusion and community safety agendas. They provide out of school clubs, mother and toddler schemes, training schemes, activities for older people, savings and debt reduction advice, and help with tackling fuel poverty amongst others.
- 1.17 Leading ALMOs have signed up to the Respect Standard of Housing Management, designed to help stamp out anti-social behaviour and build a stronger sense of community. Youth intervention schemes offer young people constructive alternatives to hanging around on streets, and by working, for instance, with schools and football clubs.
- 1.18 However, to further improve housing standards, build new homes, improve and regenerate estates and provide safe communities, ALMOs require longer-term stability and greater freedoms.
- 1.19 They are the potential first choice partners for regeneration and are well placed to make better use of public sector assets, including demolition and replacement of stock where necessary.
- 1.20 Because they work within the local community, ALMOs would also be suited to the promotion of mixed tenure solutions and to delivering broader neighbourhood functions on behalf of their home councils.

## **2.0 The Level of Public Funding Required to Meet Social Housing Needs**

- 2.1 The Decent Homes Standard is a major improvement, but housing needs and peoples' aspirations increase. There needs to be funding after 2010 for maintaining housing brought up to standard in 2010 and investment to provide for further improvement.
- 2.2 The following resources will be required to meet the commitments already made to those councils and tenants in the indicative and anticipated ALMO bids to date:-
  - 2.2.1 A total of £3.2bn for the 2008-11 Spending Review period
  - 2.2.2 A further £1.2bn for the following period
- 2.3 With this in mind, the recent decision by the Secretary of State to ask all ALMOs with expenditure profiles beyond 2007/08, particularly those with major programmes, to review their target dates and consider reprofiling their spend beyond 2010 to avoid peaks in expenditure, will have significant repercussions:
  - 2.3.1 Some ALMOs will have to interrupt current contracts
  - 2.3.2 Some Round 6 ALMOs may have to defer improvements to their homes for up to four years taking them beyond 2014 with implications for the survival of the ALMO, given the length of time without any benefit being apparent
  - 2.3.3 Work of a lower standard may be imposed
- 2.4 ALMOs accept the current and future stringent constraints on public expenditure, but it is important that this issue is dealt with in a way that is fair to tenants and ensures that ALMO success in improving the lives of their residents can be developed.

### **3.0 The Future Role for Local Authorities as Builders and Managers of Social Housing**

- 3.1 New social homes require subsidy through Social Housing Grant (SHG) administered by the Housing Corporation.
- 3.2 Without SHG it is much more difficult for ALMOs to develop viable schemes that stack up and retain reasonable rents and which compare favourably with RSL schemes.
- 3.3 ALMOs are not asking for special treatment - simply a level playing field with RSLs.
- 3.4 We would also like to see the Housing Corporation act upon the original intent of the legislative change in the Housing Act 2004 that enabled ALMOs and private developers to apply for SHG.
- 3.5 There are also technical issues, which currently prevent ALMOs from competing with RSLs and the private sector for SHG.
  - 3.5.1 ALMOs have no physical assets to support borrowing
  - 3.5.2 Furthermore, due to restrictions on raising and keeping revenue, it is also not possible to replace houses sold under right to buy with new build.
- 3.6 We are seeking to develop a community ownership model where ALMOs can borrow on the basis of income stream rather than assets to fund new build housing.
- 3.7 The current 5-10 year contracts and erratic Housing Revenue Account system, which recycles income between councils and makes revenue receipts unpredictable, inhibits long term planning and therefore the ability to borrow.
- 3.8 ALMOs cannot give borrowers the assurance that they will be operational for a period necessary to obtain finance. To give security for loans, management agreements with ALMOs would need to be extended significantly – to over 30 years.
- 3.9 Self-financing, and incentives for local authorities and public bodies to release land to ALMOs, would help increase the housing stock and reduce waiting lists.
- 3.10 Allowing ALMOs to be self-financing outside the HRA subsidy system would offer long-term financial stability and security, enabling ALMOs to better manage assets and deliver services – including new build opportunities. Six local authorities are working with the DCLG to further examine a basic model of freedom from subsidy.
- 3.11 As they would be outside the HRA, the right to buy would not be applicable. Applicants could decide when they bid for a property if they are likely to pursue the right to buy and consequently bid for council owned properties. Capital receipt rules would not apply, so the value of the housing would be retained.
- 3.12 In some cases, rents could increase, but in many cases rents would be contained within the normal rent restructuring parameters through cross subsidy.
- 3.13 Greater use of council owned and HRA land, where it is still available, could help develop affordable homes.
- 3.14 The Government needs to give further guidance and incentives to local authorities and other public sector bodies to release land for this purpose.
- 3.15 The “disposal for best consideration” rules need to more clearly recognise the added social value and the “best outcome” that can be delivered by using land supply for affordable housing.

- 3.16 Under an amended structure, ALMOs would be able to supplement RSL new build, replacing properties lost through Right to Buy, properties that need remodelling or replacement due to structures no longer meeting current or future needs.
- 3.17 ALMOs only work within their own local authority areas, and so offer detailed knowledge of local community needs in relation to new build.
- 3.18 ALMOs are not only interested in owning stock, but also in managing the neighbourhood. This would mean managing not just council and ALMO owned property, but also RSL and private sector owned, enabling a more holistic approach and a suite of services at the neighbourhood level.
- 3.19 Tenants should become financial stakeholders in their ALMO, sharing the financial benefits of success, or as 'shareholders' in the housing stock, benefiting from added stock value, providing tenants with some form of return on the capital value.

#### **4.0 The Role and Effectiveness of the Planning System**

- 4.1 The supply of affordable housing can be improved both by increasing the availability of sites specifically prioritised for this purpose and by increasing land brought forward for housing supply in general, provided that planning policy reinforces that affordable housing also be provided on site and in kind, often through Section 106 agreements.

***For further information*** on any of the points in this submission, please contact Gwyneth Taylor on 020 8699 3106 or [almos@hqnetwork.co.uk](mailto:almos@hqnetwork.co.uk) [www.almos.org.uk](http://www.almos.org.uk)