

NFA – Spending Review 2013

Our ask

We recommend that the government:

1. Unlock the potential to invest in council housing by removing the HRA borrowing caps and relying instead on prudential borrowing rules to ensure that investment is sustainable.
2. Treat ALMOs in the same way as other Registered Providers in the value for money assessment for HCA grant funding, allowing them to access grant as in previous bidding rounds for new affordable housing.
3. Consider the longer-term case for a planned and transparent move to adopt internationally recognised rules to measure government borrowing, to bring Britain in line with our competitors.
4. Continue to meet the commitment made to those councils and tenants to complete the Decent Homes Programme, funding ALMOs after the period 2013/14. The NFA estimates that there is a need of about £400m for the period 2014/15 and 2015/16.

Our offer

If allowed by government, ALMOs will work with their parent local authorities to:

- Use their land and assets effectively to drive local growth, build new homes and regenerate neighbourhoods.
- Make the best use of the potential within the self-financing system to both manage the existing stock and build new homes for communities.
- Support voluntary, sector led, standards to maintain effective financial governance of housing accounts.
- Continue to support local businesses and provide employment and training opportunities in some of the poorest and most vulnerable areas of the country.

Explore ways to assist in the raising of standards in the private rented sector by offering management and maintenance services to private landlords, helping them to meet the decent homes standard and bring empty properties back into use.

Let's get building

The NFA recently published a report called "Let's get building" which is available in full on the NFA website at http://www.almos.org.uk/news_docs.php?subtypeid=24. The report explores how local authorities and ALMOs could make a much bigger contribution to building new homes and stimulating local economies, and explains how this could be done within prudential borrowing rules. The report highlights the need for an economic stimulus as well as outlining the case for investment in social housing. It argues that councils and ALMOs should be allowed to make the most of their assets and future rental income to invest now to build 60,000 new homes over the next five years. A summary of the key points is made below.

The case for a housing economic stimulus

Britain's economy, is barely growing and the case for an economic stimulus through house building is compelling for a number of reasons:

- Construction is a particularly rapid and effective way of achieving stimulus
- House building has 'shovel ready' projects already available
- Building social housing would use spare capacity and provide immediate work for building firms when there is insufficient effective demand for new private housing.
- House building can quickly add to GDP. Using official figures, building 60,000 new homes would boost GDP by 0.6%.
- Such a programme would increase total housing output each year by over 10% on 2011 figures.

ALMOs and councils should be enabled to build

The NFA is very supportive of the Coalition's commitment to localism and the desire to give more responsibility to local councils, communities, neighbourhoods and individuals. We have previously welcomed the government's actions in delivering a self-financing future for council housing which has given control and responsibility to local councils, their ALMOs and their tenants in relation to managing council housing.

However, at the same time as delivering these new freedoms and flexibilities the government chose to restrict councils' borrowing powers and set a debt cap on each local authority. ALMOs are also disadvantaged in bidding for social housing grant because of the concerns about them borrowing to invest in new homes. This is despite the fact they are covered by the local government prudential borrowing rules and can often deliver schemes at a lower grant rate than a housing association in their area.

- The cap on borrowing at the initial level of redistributed debt goes against the spirit of self-financing and does not fit with a proper business plan model where there will be peaks and troughs of investment need.
- Council housing has very low average debt levels, at just over £17,000 per house there is significant untapped borrowing potential based on future rental income that could be utilised now to help boost the economy.
- Given the scale of both housing and economic need, it makes sense to use the capacity of councils and ALMOs to build homes in addition to using the capacity of Housing Associations and private developers.
- 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 at this time then the debt caps could be lifted either across the board or linked to an HCA bidding round for new developments.
- Since becoming Investment Partners with the Homes and Communities Agency (HCA) in the last few years, ALMOs have delivered over 1,700 new homes and a further 500 with their local authority partners. They are also working on another 1,200 homes with their councils up to 2015.
- ALMOs have shown they can build at significantly lower levels of grant per unit for equivalent properties, gaining community support for new build using council-owned land which is difficult for others to develop.

Public borrowing rules need not limit council housing borrowing

Currently councils have 'headroom' to borrow an additional £2.8bn to invest in housing. But without the caps they would currently make plans to invest a further £4.2bn. If encouraged to invest, their maximum potential might be £7bn over five years, building up to 12,000 extra homes per year.

- Additional local authority borrowing would add to total public sector debt levels under current fiscal rules; but the marginal increase in borrowing would be justified by the economic benefits and by the benefits of providing affordable homes.
- The UK currently uses a wide measure of public sector debt; most governments measure 'general government' debt which would exclude council housing because it is self-financing.
- Any change to allow more freedom to borrow for council housing investment would therefore simply bring the UK into line with international rules.

- The government is providing guarantees for house builders which will produce a contingent liability in the event of default. However, if the government allowed more building by councils it would carry less risk to government and provide a more direct economic stimulus.
- Local authorities have high credit ratings and an excellent track record of sustainable borrowing over many decades.
- While market opinion suggests caution would be needed in making any rule change over the short term, the government could plan such a change in a transparent way, over a suitable time period, which would bring the UK into line with its competitors across Europe.

Decent homes investment

Although self-financing enables 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 self-financing cannot meet.

For ALMOs there is about £400 million worth of improvements to tenants' homes that will still be outstanding in 2014/15 and 2015/16. There is also an additional £850 million worth of work that was previously identified by CLG to address the additional repairs backlog across the council sector, which the decent homes programme was never intended to address.

ALMOs have worked very hard improving their services and working with tenants to identify what needs to be done and where. Tenants have been promised improvements to their homes to update kitchens and bathrooms that are over 20 years old as well as work to improve the energy efficiency and thermal comfort of their homes.

We therefore urge the government to ensure that there is an appropriate capital grants programme which would include the outstanding ALMO commitments that those ALMOs and local councils in need can access from April 2014.

The ALMO decent homes programme has been a key driver in service improvement and tenant empowerment and has also achieved a number of other key impacts including:

- Providing local jobs and apprenticeships
- Improvements to the health of residents and consequent reduction in calls on the health service, particularly at GP level
- Greater pride within local communities
- Reduced crime rates
- Improved energy efficiency and reduced carbon emissions

- Reducing fuel poverty
- Better community cohesion and empowerment.

Research by a number of ALMOs has shown that continued capital investment in bringing council housing up to the decent homes standard saves money on other public services such as health and policing as well as tackling fuel poverty and reducing the UK's carbon emissions.

Continuing to invest in improving and regenerating existing social housing will help government support economic recovery, particularly in economically and socially vulnerable areas. ALMOs work on some of the most intractable social housing estates and are able to work closely with those local communities and engage them in the difficult decisions over local spending priorities, ensuring that residents drive the improvement agenda and fully benefit from any investment.

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 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, Wolverhampton Homes has used its decent homes programme to support local construction companies, suppliers and the local workforce. The Wolverhampton Decent Homes Partnership, as a National Skills Academy for Construction, has created an average of 610 jobs over its five years, peaking at 750, of which a third have been resident within the City boundaries. Opportunities have also been created for over 200 apprentices and trainees with 90% of them achieving or working towards an NVQ level two or above qualification. Training programmes have been rolled out to help and train local people, encouraging both women and BME to consider construction centred jobs which provide a career path, create self-esteem and pride within their community.

Nottingham City Homes recently worked with Nottingham Business School and Nottingham Trent University to carry out The Decent Homes Impact Study. The final report "Decent Homes Impact Study: The effects of Secure Warm Modern Homes in Nottingham" shows a number of wider outcomes from the Decent Homes programme, including the economic impact of the programme.

The report notes that there are currently 560 people employed on their decent homes programme, around a third of whom live within the city boundaries, and just over half within the county of Nottinghamshire.

Their analysis shows that every £1 of the initial investment from the Secure Warm Modern programme generates £1.36 within Nottingham city, or £1.46 spending across Nottinghamshire (including the city).

In addition, investment in training through the 'One in a Million' Apprenticeship programme and staff training and accreditation has created at least £13m in social value (in terms of increased earnings over the lifetime of those individuals).

Crime and Anti-social behaviour

There is an established link between the quality of social housing stock and levels of resident satisfaction, crime and antisocial behaviour. Poor quality housing can create numerous social problems and have a negative effect on an area's reputation, creating undesirable communities and costing the public sector more in policing.

One of the key strengths of the ALMO model is the focus on resident involvement in how estates are managed. By giving tenants a direct role in the running of their communities, they are more likely to feel a sense of belonging and a pride in their local area. Coupled with a programme of physical regeneration, this has led to a reduction in crime and antisocial behaviour and an increase in resident involvement on ALMO estates.

Amongst others, statistical 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. The Nottingham City Homes report also notes that "Burglary to domestic properties has decreased by 42 percent between 2007 and 2010 on two sample estates after all single glazed windows were replaced with new Secured by Design double glazed windows; this is compared to a 21 percent decrease in burglary across the city over the same period."

Saving on Health budgets

There is also evidence that capital investment in housing can have a major impact on health outcomes for the residents affected and also save the NHS money. A major Health Impact Assessment, conducted by leading academics at Sheffield Hallam and Warwick Universities in 2006 concluded that the Sheffield Homes decent homes programme would save the NHS millions of pounds and dramatically improve the security of tenants.

The study found that upgrades of homes and estates across the city, affecting some 95,000 people, would result in:

- 300 fewer accidents in the home per year, saving nearly £1m in-hospital care alone
- More than £1m saved per year in long-term NHS care
- A reduction in winter cold-related deaths among the elderly and other illnesses
- Mental health improvements as a result of the reduction in burglaries
- Reduced fuel poverty, improving physical and mental health
- Potential savings for the NHS running into millions of pounds

The results not only showed how new kitchens, bathrooms, re-wiring, new heating systems and other adaptations reduce hazards and accidents, but also how new windows, doors and security measures make people feel more secure – bringing immeasurable mental health benefits to tenants.

Energy Efficiency work

Much of the council stock requires retrofit work, especially if future targets on carbon emissions are to be met and the problems of fuel poverty amongst some of the most vulnerable groups are to be addressed. Decent homes work has shown what can be done through improving the energy efficiency of social housing, but unfortunately it did not go far enough.

Many ALMOs, especially in the later rounds, have prioritised energy efficiency works and organisations like Northwards Housing estimate that around 18,000 tonnes of CO2 have been saved through improvements to energy efficiency. ALMOs are also 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 elderly 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%.

In Nottingham "The new double glazed windows, central heating systems and loft insulation fitted through SWM between 2008 and 2011 have increased the average energy efficiency (SAP) rating of NCH homes that have received the work to 68 points out of 100, compared to an average of 60 points before any the work."

"This equates to a reduction in CO2 emissions of 15,500 tonnes per year, a 15 per cent decrease in emissions from Nottingham City Homes' properties."

However to go further and meet the future requirements 'pump priming' finance is often needed to secure complementary funding from external sources and to access available grant funding and the government's Green Deal does not help in this area.