

National Federation of ALMOs' submission to the Public Bill Committee on the Housing and Planning Bill

9th November 2015

1. Introduction

- 1.1. The National Federation of ALMOs (NFA) (www.almos.org.uk) is the trade body which represents all housing Arms' Length Management Organisations (ALMOs) across England. ALMOs were first established in 2002 to manage council housing at arms' length from their parent local authorities. There are currently 40 ALMOs which manage around 564,000 council properties across 43 local authorities. The NFA represents the interests of ALMOs at the national level, lobbying and negotiating with central government on their behalf. In addition to this the NFA runs a website, organises events and regional meetings for its members and provides advice and briefings.
- 1.2. In light of our members' work managing council housing in their communities on behalf of their local councils our submission will focus on *Part 4 of the Bill – Social Housing in England*, with a few comments on other issues which compound some of the problems we identify. This submission draws on discussions and evidence from our members.

2. Summary

- 2.1. The NFA is fully supportive of the Government's purpose and intent in this Bill to increase the number of homes we build as a country and we very much welcome the commitment to try to do so. However, in our opinion some of the policies set out in Part 4 of the Bill on Social Housing in England, will not only diminish the ability of local councils and their ALMOs to build new homes, they will take away much of the local control and incentives within the self-financing system which has been responsible for the much welcomed increase in council house building recently.
- 2.2. We would like to praise both the previous Conservative Housing Minister Grant Shapps for completing the HRA self-financing deal with local authorities which has allowed and encouraged this council house building renaissance and the current Minister, Brandon Lewis MP for noting with pride the fact that in England council house building starts since 2010 are at a 23 year high.
- 2.3. Unfortunately we believe that some of the clauses in this Bill, alongside other policy changes such as the 1% social rent cut in the Work and Welfare Reform Bill, will have the unintended consequence of cutting off this potentially significant and locally important life line of new build affordable homes for communities struggling to afford to save up a deposit for home ownership whilst living in high cost private rented housing or stuck in temporary accommodation waiting for a social letting.
- 2.4. This Bill is very much an enabling Bill, setting out the policies at a high level and leaving the detail to regulation and the discretion of the present and future Secretaries of State. We believe that the actual impact of the Bill will really be determined by the regulations which will not be subject to parliamentary scrutiny. We therefore urge Parliament to discuss these issues now and consider our amendments which we believe will help to further clarify the intention and purpose of the Bill and help achieve the Government's aims of increasing housing supply.
- 2.5. The clauses we are most concerned about are in Chapter 2 Vacant High Value Local Authority Housing and Chapter 4 High Income Social Tenants: Mandatory Rents. Chapter 2 in particular takes away local authorities' control of their own assets, goes against the idea of localism and

devolution and imposes control from the centre again after only a few years of true local control of council housing which has delivered some of the best use of assets and resources in the public sector.

3. Interaction with other policies

- 3.1. We have already made a submission to the Public Bill Committee for the Welfare Reform and Work Bill. In that submission we outlined our belief that the most cost effective and quickest way to reverse the steady increase in Housing Benefit bills is to increase the amount of social rented accommodation available to those households who cannot afford to rent privately without financial assistance from the state or to own their own home in the foreseeable future. Analysis in the NFA/SHOUT report by Capital Economics *Building New Social Rent Homes* shows that the Government could save a significant amount of money in the medium to long term if it facilitated more investment in new social or affordable rented homes. Please see the attached report for more detail.
- 3.2. Unfortunately the Government's proposed social rent policy of cutting rents by 1% a year for the next 4 years will do nothing to improve this situation and will conversely help to drive up costs in the welfare bill if nothing else changes to increase the supply of affordable housing.
- 3.3. The rent cuts are particularly problematic in the council housing sector as our members have already made efficiency savings and tailored capital investment programmes to fit a reduced projected income stream due to the stopping of the rent restructuring policy early and the change from using RPI in the social rent formula to using the lower CPI figure.
- 3.4. We have therefore already proposed that councils are allowed to continue to make the decisions with their tenants on their own future rent policy.

4. Chapter 1: Grants by the Secretary of State

- 4.1. We are concerned that it is local authorities, through the sale of high value voids, that will have to pay for grants to Housing Associations to compensate them for the RtB discounts.
- 4.2. Councils already have to cover the costs of the discounts given to their own tenants exercising the Right to Buy from their own resources and in some cases still have to pay any remaining capital receipt over to the Treasury rather than be able to use it to re-invest on housing locally. Making councils pay the money over to Housing Associations via the Government will just further decrease their ability to provide housing in their own local communities and will unfairly re-distribute housing resources away from stock owning councils towards those areas which have already transferred their stock to a Housing Association under the LSVT arrangements.

5. Chapter 2: Vacant High Value Local Authority Housing

- 5.1. It is the requirement to make a payment to the Secretary of State which we believe will be detrimental to councils' ability to control their own resources and assets and make plans to build new homes in their areas. Because the payment will be made on a formula basis which will not necessarily reflect the actual level of high value voids or sales in any one year local authorities may have to find other ways to make the payment to the Government including taken on extra borrowing which would be perverse.
- 5.2. Alongside the formula for payment the legislation also includes "A duty to consider selling vacant high value housing". We believe that is this a helpful part of the legislation and we agree that all councils should be considering that as part of good asset management strategy but that they should be able to retain the full receipt from any properties sold.

Amendment

Delete clauses 62 – 68, 70 and 71 so local authorities are not required to make payments to the Secretary of State but keep section 69 so local authorities retain the duty to consider selling high value housing but retain the local decision making powers over what gets sold and when and get to keep 100% of the capital receipts to re-invest in HRA housing if it is sold.

- 5.3. If that amendment is not supported by the committee then at the very least we would urge that an amendment is added to honour the commitment made by David Cameron when launching the Conservative manifesto that it would cover in the first instance the replacement of homes in the same local authority area, on a like for like basis, by the council at social rents.

Amendment

In clause 62(2) at the end, insert:

“and such costs and deductions shall include (i) the repayment of capital debt on the high value properties sold and (ii) the cost of replacing the high value properties on a one for one basis within the same housing authority area. “

- 5.4. The definition of “high value” will also be set out in regulations at a later date. That definition will be critical in how the policy actually plays out in different areas of the country and we believe it should be defined as to only apply to truly “high value” in any one local authority area in order that it doesn’t have perverse effects in different housing markets. We also believe that Parliament should set a limit on the amount of sales that could happen in any one year in each local authority area so as to not have too detrimental an effect on social lettings in one area.

Amendment

In clause 62(8) at the end, insert:

“but high value properties shall be defined so that no more than one third of the council properties in any housing authority area are included”.

- 5.5. The purpose of this amendment is to ensure that no more than a third of all the council houses in any one area are sold, that no more than about one third of the council houses that become vacant and available for letting to a new tenant each year are sold.
- 5.6. The Secretary of State may exclude some housing from that duty, which again will be in the regulations. The NFA considers that exemptions will be needed for members to continue to meet housing need in their areas, for example we will argue for some local discretion if the property is adapted for use by disabled residents or specifically for housing the elderly or in some housing markets for other niche housing needs – e.g. it is the only 6 bed in the stock and there are 3 families waiting for it. There should also be exemptions for cases where the receipt would not cover, or is very close to, the cost of a replacement home in the local authority area and all properties built by the council in the last 10 years.
- 5.7. However, in reality if the council has to make a payment based on a formula this may be the only way they can realistically raise the cash which will impact on their ability to meet those housing needs.
- 5.8. The provisions of this chapter go against the principle of the HRA self-financing deal only brought in 3 years ago by a Conservative Housing Minister. The introduction of self-financing for council housing was intended to help them plan for the long term, enhance effective local decision, enable more effective active asset management and deliver greater efficiency. The requirement to make payments again to the Secretary of State in relation to a determination through the HRA subsidy system fundamentally undermines those principles and will take away

the incentives for councils to have efficient asset management strategies and deliver new council housing.

5.9. It is acknowledged that not all councils have moved as quickly as the best in the sector on these issues but the evidence is that they are all now on that journey and are moving in the right direction, only 3 years after the implementation of the policy and rather than support that journey this legislation will change the direction of travel.

5.10. Instead we would like to use this legislation to both strengthen the requirement of councils to do carry out proper asset management but ensure it remains in local control and offer our sector's help and support to share good practice and show all councils how it can be done.

6. Chapter 3: Reducing social housing regulation

6.1. In light of the possible implications in terms of nomination agreements between Local Authorities and Housing Associations and the availability of social lettings from new build, we believe there needs to be proper consultation of Local Strategic Housing Authorities before any regulation is reduced or changed.

6.2. We believe that measures need to be put in place that ensure that we have adequate re-provision and provision of social rented homes to be able to house the most vulnerable members of our communities.

6.3. We therefore propose an amendment:

Amendment

In clause 73 at the end, insert:

“The Secretary of State must consult local strategic housing authorities on any proposed regulations aimed at reducing regulatory control over private registered providers of social housing or their affairs. Once implemented private registered providers of social housing must consult the strategic local housing authorities affected by any proposed changes to their policies in areas such as, but not limited to: nomination agreements, stock disposals and new build development programmes and have regard to their impact on the authorities ability to meet housing need in its area and perform its homelessness duties”

7. Chapter 4: High Income Social Tenants: Mandatory Rents

7.1. The NFA believes that the proposed thresholds of £30k outside London and £40k inside London are too low and will encompass households who are in receipt of benefit and/or receiving the minimum wage. These households should not be regarded as high income households by any sensible definition and it would be a nonsense for the state to pay benefits with one arm for another part of it to take them away again.

7.2. Previous Government consultation on the policy concluded that “We consider that it is most likely that £80,000 or £100,000 would be the level which would best avoid perverse incentives. However, we believe there could also be a case for setting the threshold at £60,000, which would do more to achieve our aims in terms of fairness and is in line with the current maximum household income of £60,000 (or £74,000 in London) for access to Government funded affordable home ownership schemes, such as First Buy, in most parts of the country. Setting the threshold at £60,000 would therefore be consistent with the level below which people trying to get onto the housing ladder would be eligible to receive Government support to access housing.”

- 7.3. Introducing a threshold which is lower than £60k outside of London and £74k inside of London would therefore seem punitive and penalise aspiration as well as increasing the dis-incentives to work or working more hours.
- 7.4. The Government should also recognise that there is a significant difference in the disposable income of a single person earning £60k in a one bedroom property compared to a couple who both earn £30k living in a two or three bedroom home who have 2 children to feed, clothe and look after. Any threshold should therefore also have certain earnings disregards for things such as child benefit, child maintenance payments and childcare costs or additional costs associated with disability or other caring responsibilities.
- 7.5. The NFA is also concerned about how this policy will play out in different regions of the country. At present, the market rents of the stock managed and owned by our organisations are unknown and there is likely to be significant variances between property types and locations. In some cases, (mainly in areas of the Midlands and the North of England) social rents are likely to be the same as or only a little more than market rents. In these cases the administrative burden and the resources required to adopt this policy would be disproportionate to the revenue gained and could in fact lead to a cost to the HRA rather than a surplus for the Treasury.
- 7.6. In high cost areas such as London it will be imperative that the policy does not trap people in worklessness or poverty. The proposal to introduce a taper is therefore welcome to avoid the high marginal impacts of multiple thresholds and it is also likely to be easier to apply administratively. The new taper should clearly try to avoid any cliff edges and be low enough to minimise disincentives to work or seek promotion/improved remuneration.
- 7.7. Our members also believe that the implementation and administrative costs for Local Authorities have been underestimated; many tenants have incomes that fluctuate i.e. insecure/temporary jobs, seasonal work, zero hour contracts or are self-employed etc. This can be burdensome for operating systems to keep track of.
- 7.8. This chapter also enables regulations to give providers of social housing the power to require income information from tenants and the power for HMRC to disclose income information to “a registered provider of social housing”
- 7.9. The NFA is concerned that the wording of this legislation excludes the vast majority of ALMOs who are not Registered Providers unlike their parent councils and Housing Associations. Our members will need to be covered by these provisions if they are going to be able to implement the policy on the ground on behalf of their parent councils. We have raised this issue with the DCLG Bill team and propose an amendment to include ALMOs.

Amendment

In clause 77(2) at the end, insert:

“(e) an ALMO or local housing company wholly owned by its local authority which is managing social housing”

- 7.10. The NFA is also concerned that any extra rent generated by this policy will have to be paid over to central government whereas Housing Associations will be able to retain the additional income.
- 7.11. At a time when ALMOs are already losing income from the rent cuts and receipts from the sale of high value homes, this further erodes their ability to self-finance their housing work. We argue that ALMOs should also retain the extra income generated.

Amendment

Delete clause 79

8. Conclusion

8.1. The NFA fully supports the Government's intention to increase the supply of new housing in England however we believe that some of the proposals will actually have the converse effect of slowing down or stopping local authority new build programmes. We therefore urge the Committee and the Government to fully consider the amendments we have included in this paper which we believe would then mean that the Bill would achieve what the Government wants and increase housing supply, aspiration and opportunity for all within their housing choices.