National Federation of ALMOs
championing better homes and communities

NATIONAL FEDERATION OF ALMOS' RESPONSE TO DCLG ON THE HOUSING WHITE PAPER "FIXING OUR BROKEN HOUSING MARKET"

Introduction

- 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.

- The NFA represents all 35 ALMOs, which manage around 500,000 council homes across 38 local authorities. The NFA represents the interests of ALMOs at the national level and provides advice and training for members.

- ALMOs were first established in 2002 to manage council housing through not for profit companies set up and wholly owned by the local authority.

- The establishment of ALMOs along with the performance regime which supported the movement led to a significant improvement in housing management services, housing conditions and a new positive working culture within council housing originations. The model has been embraced by councils of all political colours and enjoys cross party support within parliament.

- A defining feature of all ALMOs is that tenants have a significant say in how their estates are managed. At least one-third of all ALMO Board members are tenants with the remaining positions filled by councillors and independents often with business and housing experience.

- Once the self-financing reforms to the HRA subsidy system were implemented by the Coalition Government in 2012, ALMOs lead the sector in terms of delivering both new build and regeneration through their housing revenue accounts. As a result over the last five years ALMOs have built 3,000 new homes across all tenures.

- Self-financing for council housing was a significant change in the way that councils managed their housing assets and revenue and councils and ALMOs across the country were just adjusting to those opportunities when significant changes were made to the framework which has resulted in a loss of control and resource to councils once again.

- Unfortunately plans by ALMOs to deliver a further 12,000 homes for their parent councils over the next five years have already had to be revised downwards by 3,000 homes due to the cut in council rents by 1% every year for 4 years and are likely to undergo further cuts due to the sale of high value voids due to be implemented next year.

- We have always supported the Government's ambition of a million new homes by 2020 and we welcomed the new administration's renewed commitment to achieving it. We believe that this cannot be done without utilising all of the capacity within the sector from the largest private sector housebuilders down to small local builders financed by private developers, housing associations and, where appropriate, local authorities and ALMOs.

Summary
The NFA very much welcomes the sentiment behind the document and the aims of this administration to tackle the housing crisis and "fix our broken housing market". However from our perspective it does not do enough to move the actual policies on from where we were at the end of 2016. Issues like the social rent policy are mentioned but not resolved and significant issues like the HRA debt cap, recent welfare cuts and the roll out of Universal Credit which impact on social landlords' ability to build new homes are not even touched upon.

The NFA believes that ALMOs can play a key role in helping to deliver new affordable homes right across the country. Whilst we recognise that ALMOs will not be the volume builders of the future we believe that ALMOs and Councils could play a much more significant role in increasing affordable housing delivery and build at least 60,000 more homes over the next 5 years if they were allowed to make the most of their assets and business plans. The current housing crisis will not be solved by one route alone and we believe that every available route should be fully utilised in order to increase house building across all sectors.

We are therefore reassured that the current Government has acknowledged local authorities' role in delivering homes themselves and have said that **"DCLG will work with local authorities to understand all the options for increasing the supply of affordable housing".** We know that the last time this country was building homes at the level needed to meet demand councils were building significant numbers of new homes and neither the market nor the Housing Association sector has ever managed to fill that gap at any time over the past 30 years.

Analysis by Capital Economics last year for the NFA, ARCH and SHOUT showed that investing in genuinely affordable new homes for rent would reduce the massive bill the taxpayer picks up paying the rents of low-income people in the private sector and that the cost of allowing councils to borrow to invest in new council housing would not fall to the taxpayer but would be paid back through tenant's rents. With the current crisis in the affordability of housing for both aspiring home owners and private renters we believe the government must act now to enable more councils to build the affordable homes to meet that need.

We welcome the support for a mixed tenure approach rather than a sole focus on homeownership as well as the acknowledgement of broader issues such as housing for an older generation and supportive statements about some of the innovative ways in which councils and ALMOs have been building new homes over the past few years.

To our dismay there is no mention of the impact of recent welfare changes on the ability of tenants to pay for affordable housing across both the social and private rented sector or the impact of the roll out of UC on arrears and the risks posed to landlords to their income stream.

We have not commented on the specific consultation questions as these are primarily on planning issues which we will leave to our local authority colleagues but the NFA has already been engaging with the department on options for bespoke deals on the HRA to build more new homes. We would very much like to continue this engagement with Government to explore "**the scope for bespoke housing deals with authorities in high demand areas, which have a genuine ambition to build"** and through those discussions find a way for ALMOs and councils to build many more of the homes that the country so desperately needs.

Key recommendations for Government:

Social Housing
In June 2015, Capital Economics published a report on behalf of the NFA and the Campaign for Social Housing (SHOUT) titled: 'Building New Social Rent Homes.' (attached for information). The report found that the building of 100,000 new social homes a year would create a net surplus for the Exchequer by 2035. Savings would come from a burgeoning housing benefit bill which currently stands at £24.4 billion but is forecast to rise dramatically to £197.3bn by 2066 without action being taken to boost social housing supply. For every £1 invested in building new social housing, £2.84 of economic output would be stimulated, of which 56p would go straight to the Exchequer.

In the scenario in the report of the 100,000 new housing units for social rent, 24,500 would be built by local authorities or ALMOs, the remainder by housing associations. The modelling is based on 85,000 of these receiving a government grant of £59,000 per unit. In the policy's earliest years, the additional borrowing needed to fund the new homes will be greater than the welfare savings or the additional tax revenues from the construction activity. The net impact of the policy on public borrowing should peak in 2019-20 at 0.13% of GDP or £2.9 billion (nominal terms). Thereafter, its impact on net borrowing will decline sharply, and, with improvements to the welfare bill accumulating each year, by 2034-35, the policy is set to create an in-year surplus for the government.

By 2030-31 public sector net debt would be only 0.5 percentage points of GDP higher than it would be under current policies. By 2040-41, the debt levels would be the same under either policy and, thereafter, the policy of 100,000 new social homes each year will start to pay down the debt with public sector net debt as a proportion of GDP 5.2 percentage points lower than it would be on current policies after 50 years.

In October 2016 we published an updated analysis which shows that under four different BREXIT scenarios the government would still receive a net annual surplus by year 26 (or earlier); delivering a return on investment for the remaining term of the programme.

- We therefore urge the government to consider reviewing the current housing grant programme and supporting significantly more affordable and social rented housing.

Council Housebuilding
In 2012 the government introduced a new regime of HRA self-financing which was supported by all political parties. Under this, councils were relieved of any future need to give to or receive from government any payments of housing subsidy. This was in exchange for a one-off debt settlement based on the net present value of its housing stock. In return, councils won the right to keep rent income in full and invest it.

The self-financing settlement was based on a valuation of each council's housing stock that gave a total value of £29.2 billion to council housing in England. This valuation was based on the assumption that council rents would rise annually by 0.5% more than the Retail Price Index broadly in line with the expected long- term growth in tenants' incomes. It was also assumed that councils would be allowed to complete the convergence of individual rents to the target rents set in Government guidance through an additional increase of up to £2 a week where necessary.

This reform lead directly to council house building starts in England being at a 23 year high two years ago. The good work started by local authorities in managing their housing stock more efficiently and effectively over the long term is however now being reversed as a result of the previous government's decision to stop rent convergence, cut rents by 1% a year for the next 4 years and by the introduction of the requirement for councils to consider selling off their high value voids and make a payment to central government based upon what the government expect them to sell each year. We believe the government should re-instate the original self-financing principles and allow local authorities more flexibility to make the best use of their assets and resources locally.

Local authorities and ALMOs should be empowered to build more homes by:

- Giving councils back control of their housing assets and revenue. The framework of self-financing for council housing has the potential to drive a real revival in public investment in council housing if properly supported.

- Removing the HRA debt caps for new build purposes and relying instead on prudential borrowing rules to enable councils to invest in new homes and pay back the money from their rental income.

- If Government is still not willing to commit to the above points then continuing to working with a small group of leading council and ALMO housebuilders to explore freedoms and flexibilities including rent levels and the debt cap which would enable them to develop their business plans to support investment in new build. This is based on our work so far with DCLG officials on the back of our submission to government in December 2016 with CIH, CIPFA and ARCH with proposals to increase council housebuilding (attached for information). This could create a group of "market leaders" who could share experience and good practice with others. Councils and ALMOs have a lot to offer in terms of developing high quality, sustainable and affordable new affordable homes in their areas but many at the moment are restricted in what they can deliver.

- Reversing the future under investment in social housing by putting council housing rents on a sustainable footing, recognising that these are some of the lowest rents in the whole social housing sector already.

We also believe that they need more control and flexibility over their capital receipts from both Right to Buy sales and any high value void sales in future. The following specific changes would give local authorities the ability to manage their assets effectively and enable more homes to be replaced:

- Giving authorities the freedom to use RTB receipts to meet more than 30% of the cost of building replacement homes, to combine RTB receipts with grant funding, other capital receipts held in the housing revenue account (HRA) or public land and to pass RTB receipts to an arms' length management organisation (ALMO) or another council owned company (provided the money is still reinvested in new homes).

- Raising or removing local authority borrowing caps to give councils more freedom to supplement RTB receipts with additional borrowing.
- Extending the cost floor ceiling, which prevents new council homes from being sold at a loss, from 15 to 25 years.

- Extending the three year time limit within which RTB receipts must be committed to five years.

- The Treasury should agree to forego its share of receipts so that 100% of the revenue raised from sales is retained and reinvested locally.

- That the government grants individual local authorities freedoms to reduce discounts locally, where they are able to demonstrate that they will have insufficient receipts to enable them to replace homes sold.

- That the government continues to monitor progress in replacing homes sold under the RTB and commits to taking further action in the future, should the policy continue to deliver a net loss of affordable homes.

Meeting housing needs across the community
Whilst not commenting on the detail of the proposed planning changes the NFA does welcome the fact that the government is proposing a number of changes to the planning framework in order to assist the delivery of affordable and specialised housing to meet housing needs in a local authority area.

The NFA welcomes the proposed consultation on options for introducing a standardised approach to assessing housing requirements as well as weight being attached to the value of using suitable brownfield land within settlements for homes and small undeveloped sites within settlements for homes.

The NFA also welcomes the acknowledgement of the consideration of social and economic benefits of estate regeneration in the planning process and giving much stronger support for sites that provide affordable homes for local people.

Given the demographic changes that the country is now facing we are also particularly glad to see proposals to strengthen national policy so that local planning authorities are expected to have clear policies for addressing the housing requirements of groups with particular needs, such as older and disabled people.

Welfare Reform
Although not under DCLG's remit the impact of recent welfare reforms and the introduction of Universal Credit have had far reaching effects on both tenants' lives and landlords' businesses. Whilst the NFA welcomes efforts to make the welfare system simpler, fairer and easier to get back to work, we remain concerned about the impact that some measures are having on tenants and communities across the country.

We urge government to acknowledge the impact these changes and the increased risk of rent arrears is having on the ability of social landlords to invest both in existing stock and new build properties. To mitigate some of the most adverse consequences of the reforms, the NFA urges government to consider:

- Making payment direct to landlord under Universal Credit a 'tenant choice' like owner occupiers have their housing allowance paid directly to their mortgage lender to protect their home.

- Removing the seven day waiting period for a Universal Credit claim to start.

- Universal Credit to be paid in advance, instead of in arrears, recognising that this is a safety net for people with no other means of supporting themselves.

- Resourcing social landlords to provide support to claimants on budget and debt management as well as digital and financial inclusion.

- Suspending the roll out of Universal Credit until:
    - DWP improves its processes (faster/more accurate processing of applications and payments)

    - There is better training for Job Centre Plus staff, to improve understanding of housing issues

    - Social landlords having more control over APAs (Alternative Payment Arrangements) and the Trusted Partner pilot is rolled out fully with resources.

    - There is better communication between landlords and DWP

- Reforming the under-occupation penalty to ensure it does not penalise tenants who cannot move or who need the extra space.

- Reversing the restriction on entitlement to payment for housing costs for those aged 18-21 which will impact on an estimated 11,000 young people.

- Removing the link between council rents and the outdated and unsustainable Local Housing Allowance Rates.

Improving the Private Rented Sector

The NFA welcomes the measures included in the White Paper to get local authorities to plan proactively for Build to Rent where there is a need, and to make it easier for Build to Rent developers to offer affordable private rental homes instead of other types of affordable housing.

We fully support family-friendly tenancies of three or more years and an improvement in standards of both management and maintenance in the private rented sector. However we are disappointed to hear that although the Government is working with the British Property

Federation and National Housing Federation to consolidate this approach across the sector we have not been approached to join those discussions.

The NFA believes that ALMOs could help improve the quality of homes and services within the private rented sector across the country. Individual ALMOs are already offering private sector landlords the opportunity to provide a local, high quality management and maintenance service to all of their tenants through social lettings agencies. More encouragement of this service could significantly help improve standards at the lower end of the sector and we urge the government to consider policies which would:

- Encourage private landlords who wish to place the management of their homes in the hands of organisations (including ALMOs) capable of delivering quality services over an extended period with a choice of longer term tenancies to tenants.

- Support a nationwide accreditation scheme that has to be obtained by private sector landlords to provide housing management and for which criteria is modelled on best practice in the social housing sector. Nationally recognised standards of quality of management would assure investors that their reputations would be safe in this area of business.

- Facilitate the development of this sector and new supply with institutional investors, promoting ALMO management as a route to managing new 'built to rent' stock in their areas.

- Increase the supply of reasonable rents within the sector by increasing supply overall and introducing some level of assurance for tenants that landlords wouldn't be able to hike rents unreasonably over a certain period. We support the development of appropriate frameworks, mechanisms and resources for local authorities to prevent unreasonable increases in private rent levels.

- Look at the developing solutions for the most common reasons why properties are left empty for more than 12 months in the private rented sector. From our members' experience this is often due to a sole owner occupier moving into care and lasting power of attorney has not been granted or has yet to be sorted out or because a sole owner occupier has died intestate and it takes months to sort out. Options could be developed to provide temporary solutions for those properties whilst legal issues are fully resolved and ALMOs could provide a management service to the families, letting them out to provide both a social benefit and some income to the family.

- Owners of empty homes within the lowest council tax band could be encouraged to lease their homes to an accredited landlord or an ALMO by making them eligible for a grant so the property achieves the local housing quality standard.

Improving the health of our communities

Although the White Paper mentions strengthening national policy so that local planning authorities are expected to have clear policies for addressing the housing requirements of groups with particular needs, such as older and disabled people we believe the housing sector could go further in helping deliver on some health and social care agendas.

ALMOs up and down the country are currently engaged in activities ranging from helping to reduce delayed discharge from hospital to helping tackle mental health issues amongst some sections of the community. They are building and managing specialist accommodation for the elderly or those with learning difficulties and supporting public health campaigns to tackle obesity, smoking and fuel poverty. Many ALMOs also provide community care alarms across all tenures and are exploring other ways to use their expertise to help people in both owner occupation and the private rented sector.

And yet it is clear that many ALMOs are still struggling to engage with their colleagues in health, be that at the strategic level on Health and Wellbeing Boards, or at the local level with GP Practices on estates or the local hospital.

Given the increased demands on our National Health Service and the scarcity of public resources at the moment it is clearly time to for government to promote and support more joint working and develop a holistic approach to health and housing, in particular with regard to meeting the needs of an ageing population.

As part of any local development plans, ALMOs are well placed to help councils develop suitable housing options for their elderly and vulnerable residents who may need additional support or specialist accommodation. Through careful asset management, opportunities for infill and redevelopment of existing sites they are already delivering additional older peoples' housing for their communities and are leading the way in developing hubs around older peoples housing, to bring in a wider community and to engage with partners such as health.

ALMOs are able to bring their knowledge of the existing housing as well as the housing needs of large parts of their communities to discussions on health and could play a wider role in helping to plan both future developments as well as making better use of existing stock to specifically help meet the health needs of residents if included in strategic discussions in their areas.

Whilst we have welcomed the government's commitment to the provision of supported housing and to not applying the shared accommodation rate to people living in the supported housing sector, the on-going uncertainty over supported housing funding and the decision to apply the 1%

rent cuts to this sector as well is now causing additional problems for providers wishing to develop what they know is much needed suitable housing for our ageing population.

A radical programme of new homes fit for 21st century seniors could incentivise downsizers across all tenures and provide the housing we need as a society. Couple this with offering tailored incentives to potential downsizers portable RTB discounts/priority help for adaptations and practical downsizing help could really help make better use of our existing housing stock both in the social and private sector.

To enable ALMOs to go further with this agenda we urge the government to consider:

- Enabling councils and ALMOs to build new provision that is desirable and 'future-proofed' as much as possible to accommodate peoples' changing needs.
- Increasing government resources through the HCA grant funding regime to support extra care schemes.
- Providing more resources (dedicated officers) and financial incentives to all age groups including pensioners to encourage the better use of social housing stock.
- An increased level of capital funding along with long term ring fenced revenue funding through a form of local 'approved for funding' status might give providers confidence required to commit to further provision. Failure to ensure long-term funding of supported accommodation will result in a loss of provision and more costs incurred in interventions by social care and health with budgetary consequences.
- Supporting further joining up of healthcare and housing budgets.
- Making housing a statutory partner on health and wellbeing boards

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