

BUILDING HOMES, IMPROVING COMMUNITIES

1.0 About the National Federation of ALMOs

- 1.1 The National Federation of ALMOs (NFA) is the trade body which represents all housing Arms' Length Management Organisations (ALMOs) across England.
- 1.2 All 35 ALMOs are members who between them manage around 500,000 council homes across 38 local authorities.

2.0 Features of ALMOs

- 2.1 ALMOs were first established in 2002 to manage council housing through not for profit companies set up and wholly owned by the local authority.
- 2.2 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 organisations. The model has been embraced by councils of all political colours and enjoys cross party support within parliament.
- 2.3 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. This ensures that all sections of the community are involved in the running of each ALMO. Furthermore:
 - 42% of board members – and 30% of board chairs – are women.
 - 11% of board members – and 5% of board chairs – have a disability.
 - 10% of board members – and 5% of board chairs – are from BME backgrounds.

3.0 A Record of Quality New Build

- 3.1 Once the self-financing reforms to the Housing Revenue Account subsidy system were implemented by the Coalition Government in 2012, ALMOs led the sector in delivering both new build and regeneration schemes through their housing revenue accounts. As a result, over the last five years ALMOs have built 3,000 new homes across all tenures. This forms part of a picture which has seen notable increases over the past 10 years in the number of new council houses developed.
- 3.2 New homes built by ALMOs have been developed to the highest standards, meeting the needs of their local communities.

Table 1: Number of permanent dwellings started by local authorities in England¹

Year	Number of Dwellings Started
2007-08	180
2008-09	310
2009-10	320
2010-11	1,670
2011-12	1,450
2012-13	1,610
2013-14	2,200
2014-15	1,890
2015-16	1,490
2016-17	1,730

Case Studies – ALMOs Delivering Quality Housing

A1 Housing, Bassetlaw District Council and contractor Woodhead Living have embarked on the first major building project to deliver social housing properties within Bassetlaw in around 25 years.

The £7.5m project is predominantly being funded by the Local Authority with additional funding from the HCA totalling around £1.7m

The total scheme will replace 43 Airey Homes which have now reached the end of their usable life with 71 new, modern, energy efficient homes. This scheme comprises two, three and four-bedroom detached and semi-detached houses, two-bedroom semi-detached bungalows and flats.



Smith Square development, Bassetlaw – before and after

Through careful and considerate planning and working closely with tenants whose homes had been earmarked for demolition, A1 Housing were able to keep an already close knit community together, even going as far as to allocate properties so that former neighbours can still live next door to each other in their new properties.

In addition to providing greater fuel efficiency and ultimately lower energy bills for tenants, the first 25 properties were tailored for the specific needs of the tenants who have been re-housed.

For example; building homes to accommodate families who were previously living in overcrowded accommodation and providing them with homes that meet their needs; installing wet rooms in properties where tenants have mobility problems; building sheds in the gardens of each property to accommodate for the loss of outbuildings in the previous properties.

¹ Department for Communities and Local Government, Table 208: permanent dwellings started, by tenure and country, available at <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>.

Cornwall Housing has previously demolished a number of disused garage blocks in Bodmin to construct 9 new council homes.



Bodmin development, Cornwall – before and after

The development was able to house some of the neediest local families. The properties are heated by under floor heating from an Air Source Heat Pump offering tenants huge savings in their fuel bills.

Stockport Homes – A development consisting of 11 two and three bedroom new build homes in Cheadle Hulme, available for shared ownership and social rental.

The scheme's success is a result of a unique partnership between Stockport Council, The Scouts Association, Stockport Homes and the Homes and Communities Agency. This led to the development of a valuable community facility and low cost homes in Cheadle Hulme, one of Greater Manchester's most expensive neighbourhoods.

As well as helping create additional affordable housing, the scheme also helps address issues around spatial inequality which are a key concern within the Borough. Social Housing tends to be very focussed in neighbourhoods with these high levels of deprivation and relatively low levels of owner-occupation, and this scheme aims to develop a more mixed tenure approach in an area with an acute shortage of affordable homes.

Stockport Homes and the Councils ambition to provide, affordable homes also aligned with the needs of the Scouts for a new facility and the development replaced two run-down Scout huts a new one.



The completed development of contemporary homes

4.0 Building Sustainable Communities

4.1 ALMOs recognise that far from being just providers and managers of housing, they have a responsibility as well to build sustainable, integrated communities and support tenants. This includes:

- Supporting those tenants needing to gain skills and experiences to enter employment. Some ALMOs have established dedicated tenant academies to achieve this.
- Developing specialist supported housing for those with mobility difficulties or other impairments. In 2016 ALMOs managed over 23,500 Local Authority Supported Housing Properties.
- Supporting tenants to develop their financial management capabilities through advice services, as well as improving their access to the internet and digital services.
- The state of the local environment is a key priority for ALMOs. South Tyneside Homes, for example, provides street cleaning and community services, which includes local shops, shopping centres, a beach and the Great North Run.
- Many ALMOs are also often driving improvements to local communities more broadly such as through regeneration schemes including bringing empty properties back into use and replacing older, dilapidated buildings for new homes.
- 41% of ALMOs provide homelessness services delivering support and advice to vulnerable groups at risk to help sustain tenancies and prevent homelessness and outreach housing support.
- Half of ALMOs provide care and support services either on behalf of their local authority (38%), of for other local authorities (16%) and/or as a market product (19%).
- ALMOs have long had a tradition of bringing communities together. As an example, Berneslai Homes in Barnsley visit local mosques and are part of a borough wide partnership with Barnsley Together which includes a BME and Faith Forum.

5.0 Value for Money

5.1 In conducting all of their activities, ALMOs have long had a tradition of ensuring value for tax and rent payers ensuring that funds are handled prudently and used to maximum effect. This has included:

- Being prepared to alter staff shift patterns to ensure that they are available when tenants return from work in the evening or at the weekends.
- Improving the use of IT to ensure a swifter response for tenants to issues they might want to raise online rather than through traditional call centres.
- Regular impact assessments to ensure that working practices and resources are being used to most effect.
- Some ALMOs sharing staff, such as the Chief Executive, between them and their parent local authority.
- A number of ALMOs deliver services to the wider market as a means of generating additional income. Colchester Borough Homes Responsive and Planned Maintenance Team service, for example, a hundred corporate buildings for which the Technical Team delivers repairs, including Colchester Castle.

6.0 The Case for Council Housing

6.1 We welcome the Government's commitment to the development of new council housing. In particular, developing new local authority owned housing has the following advantages:

- It addresses the stubbornly high local authority housing waiting lists. The most recent data from DCLG show that as of 1st April 2016 there were 1,183,779 households on local authority waiting lists².
- Council Housing is better for a tenant's personal finances as well as those of the state. When housing benefit is taken into account, the English Housing Survey 2015/2016 shows that on average, 29.9% of a household's income goes to pay rent in local authority housing compared to 41.4% in the private rented sector and 31% for housing association tenants.
- Housing benefit claimants in social rented housing receive an average of £81 a week compared to £111 for similar tenants in the private rented sector. Average weekly rents are also substantially less in council housing compared with both housing association and private rented properties.
- In 2015, a report by Capital Economics for the NFA and Shout noted that building 100,000 new social homes a year would create a net surplus for the Exchequer by 2035. Every additional pound of investment in construction is estimated to stimulate an extra £2.84 of economic output in supply chains through the higher spending of employees, and an extra 56p of new tax revenue for the Exchequer. The report suggests that future savings in housing benefit alone would justify the government covering about £37,000 of the £59,000 gap between what genuinely affordable homes would cost to build and how much of the cost could be financed from rents through an increase in the Government's average grant (currently under £20,000).
- An updated analysis by Capital Economics³, suggests that developing 100,000 new social rented homes a year would, over 50 years generate material savings to the Exchequer, ranging from £102 billion to £319 billion (in today's prices) as a result of a reduction in the bill the taxpayer picks up paying the rents of low-income households in the private sector. The same report notes that the upfront cost to the Exchequer of building 100,000 new homes a year would cost no more than two weeks' worth of current spending on the NHS.
- More council homes meet the decent homes standard than owner occupied or private rented homes. The English Housing Survey 2015/16 shows that just 14.8% of council homes do not meet the standard, compared to 18.3% of owner occupied homes and 28.5% of private rented homes.
- Council housing provides a vital stepping stone for many into homeownership. Writing last year for Inside Housing, John Perry, Senior Policy Adviser at the Chartered Institute of Housing, noted that "social renting has been a jumping-off point for first-time buyers even when Right to Buy has been at historic low levels." He noted that this was because tenants in social rented housing are more easily able to save for a deposit for a house of their own than those in private rented housing and that building social housing helps "to constrain rents and potentially make it less attractive to buy-to-let landlords. This would give more opportunities for first-time buyers to acquire lower-priced housing in a slightly less competitive market."⁴

² Department for Communities and Local Government, *Table 600: numbers of households on local authorities' housing waiting lists, by district, England, from 1997*, available at <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies>.

³ Capital Economics, *Building New Social Rent Homes – An Updated Economic Appraisal*, October 2016, available at <http://www.arch-housing.org.uk/media/92986/capitaleconomics-buildingnewsocialrenthomes.pdf>.

⁴ Perry, John, *From Rent to Buy*, October 2016, available at <http://www.insidehousing.co.uk/debate/expert-opinion/from-rent-to-buy/7017050.article?adfesuccess=1>.

7.0 Impact of Recent Reforms

- 7.1 In the Summer 2015 Budget the then Chancellor announced that social sector rents would be cut by 1% every year for the next four years. This came into effect in April 2016, and has caused a number of ALMOs to scale back their new development plans as a result reversing some of the gains of the self-financing reforms introduced in 2012. Plans by ALMOs to deliver a further 12,000 homes for their parent councils over the next five years have been revised downwards by 3,000 homes due to the cut and are likely to undergo further reductions due to the sale of high value voids.
- 7.2 The LGA forecasts a cumulative loss of £2.6bn to housing revenue accounts as a result of the rent reduction and commented that “the cost to councils will rise from £234m in year one, to £508m in year two, £795m in year three, and over £1bn by 2019/20. By that point the annual funding gap will represent 60% of local government’s total housing maintenance budget.”

8.0 Supporting Council Housing Expansion

- 8.1 Given the Government’s welcome commitment to developing new council housing we believe a number of steps could be taken to support this aim, whilst ensuring funds are used prudently.
- 8.2 *Unlock the potential to invest in council housing by re-instating the principles of self-financing and allowing councils to retain all the receipts from selling any of their assets in order to re-invest in building new homes.*
- 8.2.1 Assets are being sold more quickly than anticipated and this impacts on a council’s ability to increase investment. The reinvigorated right to buy has resulted in an increase in sales of council homes which are not being replaced. The Chartered Institute of Housing estimates that the net loss of local authority rented stock from sales and demolitions over the four years from 2012 is approximately 70,000 units, despite increased new build over that period.
- 8.2.2 We welcome the decision not to go ahead with pay-to-stay which could have led to a further rise in council house sales. We are pleased also that prior to the election the government recognised that the enforced sales of higher-value stock would have had a further big effect on council assets and has delayed this policy change until after 2017/18. The continuing threat of high value sales is inhibiting longer-term investment, especially in those local authorities likely to be most affected and we would call for this policy to be abandoned whilst encouraging all councils to make the best use of their assets locally.
- 8.2.3 A joint paper between the NFA, ARCH, the CIH and the Chartered Institute of Public Finance and Accountancy has noted:
- “A 2015 study by CIH and the LGA showed the extent of the problems which LAs have in replacing homes sold through right to buy. The report called for a range of flexibilities to enable more effective replacement, including the ability to apply more than 30% of each receipt towards replacement costs, and flexibility in the requirement for receipts to be reused within three years. Local authorities would like the government to see right to buy receipts primarily as a resource for new house building, and only secondarily as a source of income to the Exchequer, given the potential capacity which councils have, with better access to their capital receipts, to build new ones.*
- 8.3 *Removing the Housing Revenue 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.*
- 8.3.1 One of the most important reservations about the original self-financing settlement, introduced in 2012, was that it involved new borrowing caps on local authorities, which do not apply in any other area of their operations.

- 8.3.2 There are some authorities with capacity to invest who are being held back by artificially low caps, often well below what would be compatible with prudential borrowing rules.
- 8.3.4 We would concur with the view of Lord Hollick, Chair of the House of Lords Economic Affairs Committee who, in publishing his committee's report⁵ on the housing market last year, declared: "it makes no sense that a local authority is free to borrow to build a swimming pool but cannot do the same to build homes." The report continued:
- "The current restrictions the ability of local authorities to borrow to build social housing are arbitrary and anomalous. Local authorities should be able to borrow to build social housing as they can for other purposes. We recommend that the Government allows local authorities to borrow under the prudential regime to build all types of housing."*
- 8.3.6 CIPFA has noted that borrowing caps are not needed since borrowing can be controlled properly under prudential rules which ALMOs and local authorities are signed up to.
- 8.4 *Putting council housing rents on a sustainable footing, recognising that these are some of the lowest rents in the whole social housing sector already.*
- 8.4.1 We welcome the Housing Minister/Previous Housing Minister's comments in February of this year that the 1% annual rent reduction has caused difficulty in terms of future development plans and that certainty over future rent policy is needed. This is vital for ALMOs to be able to make investment decisions. We call for such clarity to be provided early on in the new Parliament, ideally by revoking the 1% cut policy altogether.

9.0 Supporting Improvements to Private Rented Housing Stock

- 9.1 In its Housing White Paper the Government committed itself to boosting the supply of homes for private rent, largely by encouraging institutional investment in the sector. Despite this however, the majority of landlords are, and will continue to be individuals, potentially amateurs, renting out perhaps just a couple of properties at most.
- 9.2 Whilst many landlords look to a letting agent to manage their property, even the Association of Residential Letting Agents has argued that the sector is not properly regulated.
- 9.3 Some ALMOs are already offering their skills and expertise to landlords in the private rented sector and are working to address many of the issues the Government is seeking to tackle, including offering longer term private sector lettings services to landlords.
- 9.4 The NFA believes more could be done to capitalise on the opportunities ALMOs provide to improve the private rental market. It believes this could be achieved by:
- Encouraging private landlords 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.
 - Supporting a nationwide accreditation scheme modelled on best practice in the social housing sector.
 - Facilitating the development of this sector with institutional investors and promoting ALMO management as a route to managing "built to rent" stock in their areas.

⁵ House of Lords Economic Affairs Committee, *Building More Homes*, 1st Report of Session 2016–17, HL Paper 20, available at <https://www.publications.parliament.uk/pa/ld201617/ldselect/ldconaf/20/20.pdf>.