National Federation of ALMOs

championing better homes and communities

The Shape of the Sector

NFA Annual Survey Results 2018

The NFA would like to thank all the ALMOs who responded to the Annual Survey. Further information about the ALMO sector can be found on the NFA website.

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Introduction

It is nearly 20 years since ALMOs were first proposed as a vehicle for delivering Decent Homes and effective housing management services. In this time, the ALMO model has proved to be – and continues to be - an effective way to manage council housing. It has been shaped to meet the local needs of councils, delivering a range of housing related services which are designed around the needs and wishes of tenants.

ALMOs are housing companies which are 100% owned by their parent local authority. ALMOs put tenants at the heart of what they do, with around a third of boards represented by tenant board members.

They deliver core housing services alongside a range of other services which meet their social objectives and objectives of their parent local authority.

As at 31st December 2018, the NFA membership consisted of **31 ALMOs** managing a total of **417,913 homes**. The annual survey report provides a picture of the shape of the ALMO sector, including the stock size, board make-up and services delivered, build and acquisition figures over the last year, and build plans for the next 12 months and 5 years. We have also gathered information on homelessness initiatives and domestic abuse work.

This year has been one of considerable stabilisation in the wider policy environment. The Social Housing Green Paper saw the Government's recognition of the value of the social housing sector and commitment to support and expand it. The removal of the HRA borrowing cap and threat of the High Value Assets Levy, along with certainty around the rent increases of CPI +1% for 5 years from 2020, have considerably improved local authority and ALMOs' ability to build a new generation of council housing. The work around stigma of social housing tenants has also progressed through the See the Person (formerly Benefit to Society) campaign[1].

However, there are still ongoing challenges to the sector which the Government will need to address to enable local authorities and ALMOs to meet their potential and deliver on the Government's ambitious targets. We are still awaiting the results of the Right to Buy consultation, and look forward to the Government implementing more flexibilities and regional variations to ensure that local authorities can replace the stock which is sold. Without this, the council housing sector will continue to lose more properties than it replaces. Our survey also shows the outstanding issues around build programmes, including land availability and affordability, which will impact on local authorities' ability to build genuinely affordable homes.

ALMOs deliver a range of services on behalf of their parent local authorities, such as care and support services, homelessness services, employability schemes and financial advice. They are often the linchpin in communities, bringing together local partners to support tenants to maintain their tenancies and improve their life chances.

Most importantly, ALMOs continue to ensure that the voices of tenants are at the heart of what they do, with well-established tenant engagement programmes and a clear commitment to tenant representation at the highest levels of their organisations.

[1] Further information about the campaign can be found here: http://benefittosociety.co.uk/see-the-person/

Summary

- At 31st December 2018, the NFA membership consisted of 31 ALMOs managing 417,913 homes:
  - 414,069 Council/ ALMO owned stock
  - 1,969 homes managed on behalf of another social landlord or housing association
  - 1,875 homes managed in the private rented sector
- Around half of ALMOs or their local authorities have housing companies with a total of 21 companies.
- 30% of ALMO Board members are Tenant Board members, with 36% Independent and 29% Council nominees.
- The majority of ALMOs deliver services on behalf of the Local Authority outside the core housing management services. The most delivered services are lettings, allocations or housing advice (80%) and money or financial inclusion services (73%). Half of ALMOs provide management or maintenance services for other non-domestic properties.
- Half of ALMOs provide services in the private rented sector, while half of ALMOs deliver care and support services.
- The sector employs a total of 352 apprentices as part of their wider programmes to support employability and life chances.
- 16 ALMOs are directly involved in the provision of homelessness services, including delegation of statutory duties, provision of emergency beds and temporary accommodation, and running 'Housing First' initiatives.
- In the last 5 years, the sector has contributed around 7,000 new build and acquisition properties.
- The sector acquired or built a total of 1,949 homes in 2018. This is an increase of 38% on last year. The majority of these (66%) are for Affordable Rent:
  - 1,280 new build homes
  - 669 acquisitions
- However, the sector sold over 2,813 homes under Right to Buy, which means a net loss of at least 864 properties.
- Less than half (46%) of the Right to Buy sales were replaced with new build. If you include acquisitions, 69% of the Right to Buy stock has been replaced in 2018.
- Over the next 12 months, the sector plans to build 1,801 new build homes and acquire 713 homes, a total of 2,514.
- Over the next 5 years, the sector has plans to build at least 7,265 homes, although plans are being reviewed in the light of the lifting of the borrowing cap.

We have welcomed both the Social Housing Green Paper and the recent changes the government has made to council housing finance, in particular, the lifting of the borrowing caps in the Housing Revenue Account and the confirmation of a new rent settlement post 2020.

We completely support the Government's aim to create a sector that "we could all be proud of whether we lived in it or not" which chimes with our members' core values to:

- aspire to provide excellent value for money and customer-led services for residents in partnership with local councils

and

- develop innovation and continuous improvement in providing, managing and maintaining affordable homes in sustainable neighbourhoods

Our members have the experience, skills and appetite to assist their councils to both manage properties and support communities through providing excellent housing management, additional neighbourhood services and building more new council homes and we call upon both national and local government to support their efforts over the coming years.

Part One: Stock Management

In December 2018, the ALMO sector consisted of **31 ALMOs** which managed a total of **417, 913** homes across **34** local authority areas; of these, **414,069** were Council/ALMO owned stock[2].

Since we last reported, one ALMO has disbanded, A1 Housing. City West Homes left the NFA in December 2018 and will cease to exist in April 2019.

1. Number of homes managed by region

Region	Number of ALMOs	Total Stock Managed
North	10	168,142
Midlands	8	107,242
South West	4	25,438
London & Southern	9	117,091
TOTAL	**31**	**417,913**

Whilst the majority of the above stock is Council or ALMO owned, nine ALMOs also managed a total of 1,969 properties on behalf of another social landlord or housing association; while 11 ALMOs managed 1,875 properties in the private rented sector. The majority of these private rented homes (62%) are managed by two London ALMOs. There has been little change since last year in these figures, with two ALMOs moving into delivering services to the private rented sector, and one moving away from it.

Housing Revenue Accounts

The HRA is managed in 16 cases by the Local Authority, in eight cases by the ALMO, and six cases in joint arrangement. This is broadly unchanged from last year[3].

2. Council property nature and ownership

Property Type	Number of properties
Council owned general needs (inc. age designated stock)	346,192
Council owned Supported Housing	18,503
Council owned leasehold	43,537
Council owned shared ownership	343
ALMO owned general needs (inc. age designated stock)	1193
ALMO owned supported housing	40
ALMO owned leasehold	1
ALMO owned shared ownership	152
OTHER[4]	4108
Total stock	**414,069**

[2] Data based on returns from 30 ALMOs. We have used the headline figures from one ALMO from the 2017 data return. The report does not include data from City West Homes.
[3] Based on data from 30 ALMOs
[4] Includes gypsy and traveller sites, private lets, temporary and homeless accommodation, dwellings leased under the empty homes initiative, freehold properties, TMO properties. Does not include garages or sheds.

Eight ALMOs have Registered Provider status

20 ALMOs have a Direct Labour Organisation (DLO)

Three ALMOs have a separate repairs subsidiary

15 ALMOs or their local authorities have other housing companies for development or housing needs. In total, they have 21 companies. The majority are concentrated on increasing housing supply in the local area.

3. Decent Homes

The Social Housing Green Paper consultation asked questions about whether there should be a review of the Decent Homes Standard (DHS). Within our response to the consultation, we noted that the DHS has been seen very much as a minimum standard for ALMOs since 2002, and many have put in place a ‘Decent Homes + Standard’. Whilst we are fully supportive of expanding the DHS, we also noted in our response that this has to be sufficiently funded, not least due to the impact of the 1% rent cut on stock investment programmes since 2016. The NFA would also like to see improved energy efficiency and increased use of renewable energy set as part of the DHS and an element of looking to the longer term 2050 goal of low to zero-carbon. As we have long argued we also think that wider elements of the overall estate environment should be included and the link to ‘decent neighbourhoods’ made.

Within our survey, 17% of ALMOs reported that they had seen a lot or significant impact on their ability to maintain the DHS due to the 1% rent decrease, while 17% had seen some impact. This has not stopped them working to maintain the DHS in properties, but it has meant that many ALMOs have prioritised work, including recent fire safety related works, and reassessed their improvement programmes and new build programmes over the period.

It is worth noting that the DHS programme – and indeed stock investment more generally - is cyclical, and it is likely that there will be increasing levels of homes at risk of becoming non-decent in the coming years, which will require a gearing up of investment programmes.

Part Two: Staffing and Governance

1. Supporting communities with employability

The NFA pledged its support to the Give Us A Chance Campaign[5], Communities that Work, this year. The campaign seeks to highlight the excellent work that the social housing sector undertakes to support tenants with employability. It also seeks to ensure that the Government recognises the value of these initiatives and properly funds them.

In our survey this year, 53% of ALMOs reported that they deliver services on behalf of their local authority to tackle worklessness, while 73% deliver the related services around money or financial inclusion.

Case Study - Homes for Haringey Project 2020

In 2012, Homes for Haringey (HfH) launched the Project 2020 Hub in Northumberland Park estate in Tottenham. The Hub was set up in response to summer disturbances that took place in 2011. The initial target group were young people aged 16-24 who were not in employment, education or training. Project 2020 aimed to engage and support these people into career pathways by offering a bespoke training option, popular activities such as a pool table and music recording studio alongside a weekly job club. This helped to teach new skills, and for some has meant potentially moving away from a life of crime and gang culture.

As residents faced the challenges of the welfare reforms, Project 2020 widened its offering to help all residents (not just young people) to receive access to employment, training, volunteering and work experience opportunities.

The model that HfH has adopted aligns itself with Haringey Council's long term regeneration plans and strategy for Tottenham to help unlock potential opportunities for residents.

Achievements to date include:

- 705 residents provided with one to one information, advice and guidance (IAG) and action plans
- 213 residents supported back into paid work, including two who are self-employed
- 206 residents supported into training and apprenticeships
- Successful half term programmes for young people, teaching bike maintenance, healthy eating, drama, first aid skills
- Radio 20x20 scheme where 20 young people learnt radio/interview skills, podcast production and DJ skills in partnership with Community Music
- Ran an Edible Education programme where young people received entry level qualifications, learnt about healthy eating, ran a market stall and made a short film about the scheme
- Young people took part in a community voting day (Northumberland Park version of Dragon's Den) and secured £2,600

[5] Further details of the campaign can be found here: https://www.giveusachance.co.uk/communitiesthatwork/

2. Apprentices

The ALMO sector has always supported the development of the workforce through apprenticeship programmes. This year, 27 out of 30 ALMOs (90%) of ALMOs reported that they employed apprentices.

In total, the ALMO sector employs **352 apprentices** in a range of roles. Just over half of apprentices are employed in **trade roles (57%)**, **11% in Housing Management**, **12% in office administration** (including HR, IT and finance), with the remaining **20% in a variety of other roles**.

Case Study - Six Town Housing Steps to Success Programme

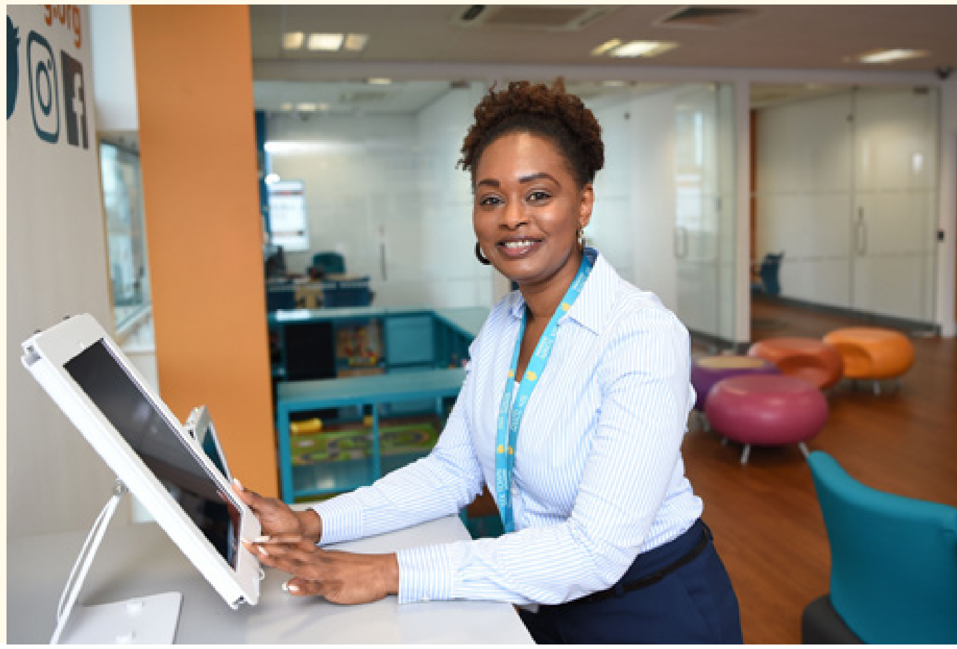
Steps To Success (S2S) is an employment programme run by Six Town Housing, exclusively for people living in the homes it manages on behalf of Bury Council. Applicants are able to access training and work opportunities within local employers (including Six Town Housing itself), including vacancies, apprenticeships and placements. Applicants can also access a programme of support run by a life coach, which provides them with a bespoke development plan to tackle any personal barriers that might be affecting their employability.

S2S is increasingly becoming recognised as a quality employment broker within Bury. A firm partnership has also been forged between DWP, Bury College and S2S to identify potential gaps in the skills market and develop training programmes.

Over 6,400 people have engaged with S2S since the programme was launched in 2014. This has led to over £7,600m of social value being secured (using the HACT measurement tool).

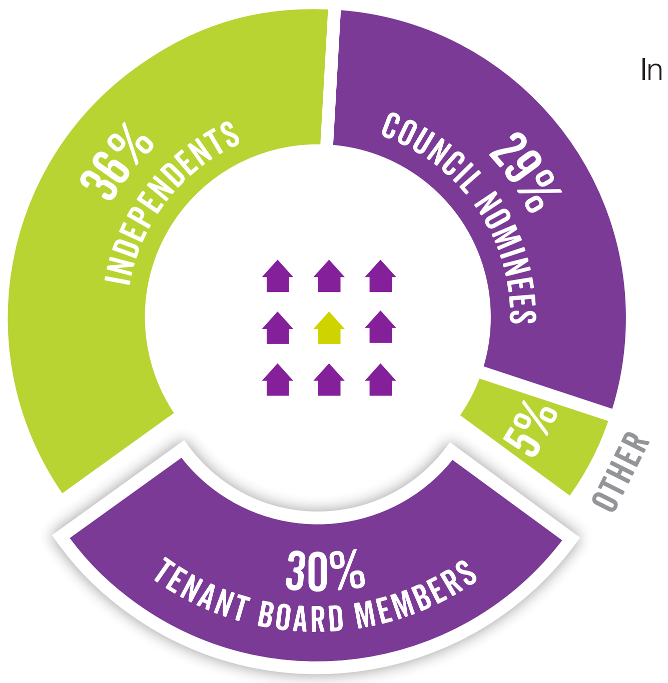
Since launch, 242 people have accessed employment, 136 have accessed work placements, 41 have accessed apprenticeships and 1713 have accessed learning opportunities (including higher education) through the programme.

In 2017/2018 the S2S Team completed a rent analysis of candidates currently working within Six Town Housing. This exercise demonstrated that there has been a decrease of 43.7% in rent arrears for those members of staff.



3. ALMO board composition

Tenant engagement and involvement has become a key issue to the social housing sector since the fire at Grenfell Tower in 2017, and the subsequent Social Housing Green Paper and Call for Evidence on regulation of the sector. ALMOs have a proud record of involving tenants in scrutiny and decision making at the highest levels of their organisations. It has been embedded in their structures and ways of working since their formation, with the drive to ensure that services continue to meet the needs of tenants.



In our survey this year, members report that **30% of ALMO Board members are Tenant Board members. 36% of Board members are Independents, and 29% Council nominees, with 5% other.** The higher number of independent members in the split possibly reflects the diversity of the work that ALMOs are now undertaking, with a desire to include specialist skillsets on boards. However, as with previous years, the commitment to tenant representation is unchanged.

The majority of ALMO Chairs are Independent (77%); 13% are Councillors, and 6% are tenants, with one Council nominee. The average size of an ALMO Board is 11.

Of the 28 ALMOs who provided the data, 14 ALMOs pay their Chair and some/ all of the Board members (50%); six pay just the Chair (21%), and two are considering payment (7%).

The ALMO sector has a clear commitment to ensuring that their Boards are fit for purpose. Nearly half of ALMOs (47%) have done a review of how their Board operates in the last 12 months; 10% have a review ongoing, and 13% are planning a review in the next 12 months.

Part Three: Services

Alongside the core housing management services, ALMOs have continued to deliver a range of services on behalf of their parent local authority. Within this section, we look at services delivered on behalf of the local authority and services provided as a market product.

1. Services delivered

28 out of 30 ALMOs (93%) deliver other services on behalf of their Local Authority. These include:

Lettings, allocations or housing advice	80%
Money or financial inclusion services	73%
Emergency out of hours services	53%
Tackling worklessness	53%
Homelessness services	53%
Private rented services	50%
Call Centre	37%
Cross-tenure ASB management	33%
Family support services	30%
Adult support services	23%
Project management consultancy	17%
HR/ back office services	17%
Writing/ developing housing strategy	10%
Responses	**30**

Half of our respondents (15 out of 30 ALMOs) provide **management or maintenance services for other non-domestic properties.** This includes:

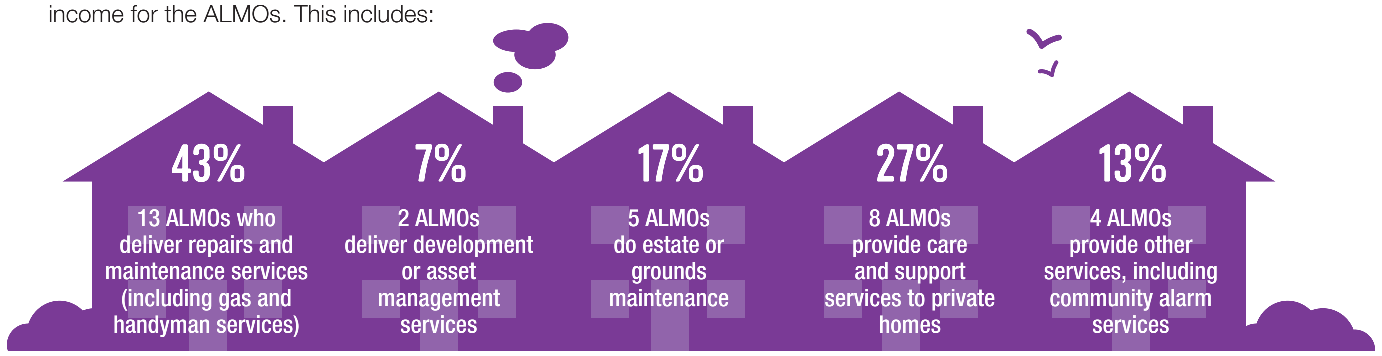
- Educational Establishments: 10 ALMOs (33%)
- Commercial & Retail Services: eight ALMOs (27%)
- Other (including a range of council-owned/ public buildings): seven ALMOs (23%)

For those 15 ALMOs which deliver services in the private rented sector, the services delivered include:

- Housing management services: 12 ALMOs (40%)
- Repairs and maintenance services (including gas services): nine ALMOs (30%)
- Lettings and allocations: nine ALMOs (30%)

Half of ALMOs deliver **care and support services**, the majority on behalf of their own local authority (13 ALMOs), with three delivering for other local authorities, and 5 delivering as a market product. ALMOs provide a range of services, including provision of community alarms, floating support, telecare, support in sheltered housing and extra care housing, and Independent Living support.

63% of ALMOs utilise their expertise to deliver services in the **wider market place** as a means of generating additional income for the ALMOs. This includes:

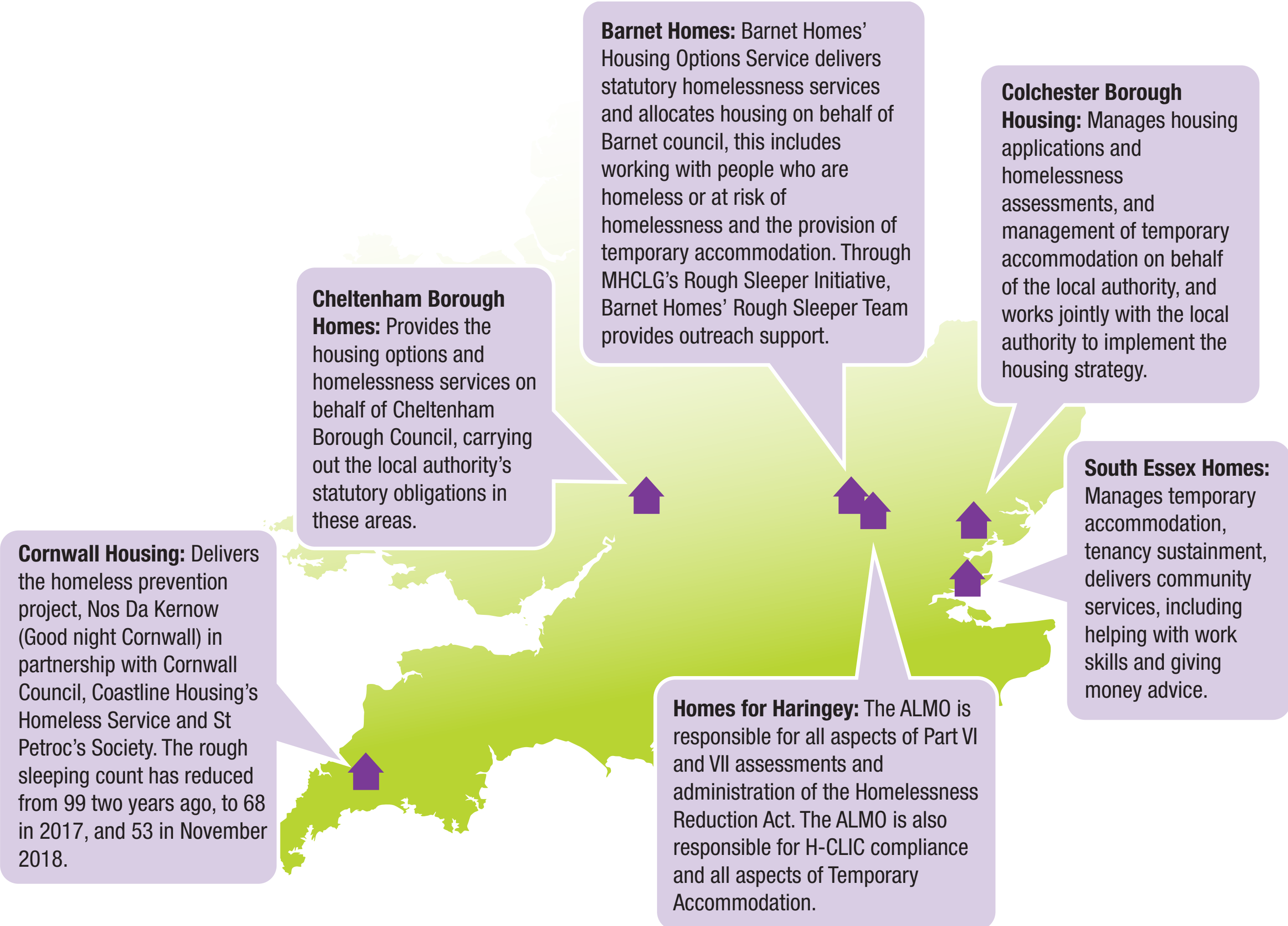


4 ALMOS (13%) ARE CONSIDERING DEVELOPING SERVICES IN THE WIDER MARKET PLACE IN THE NEXT 12 MONTHS

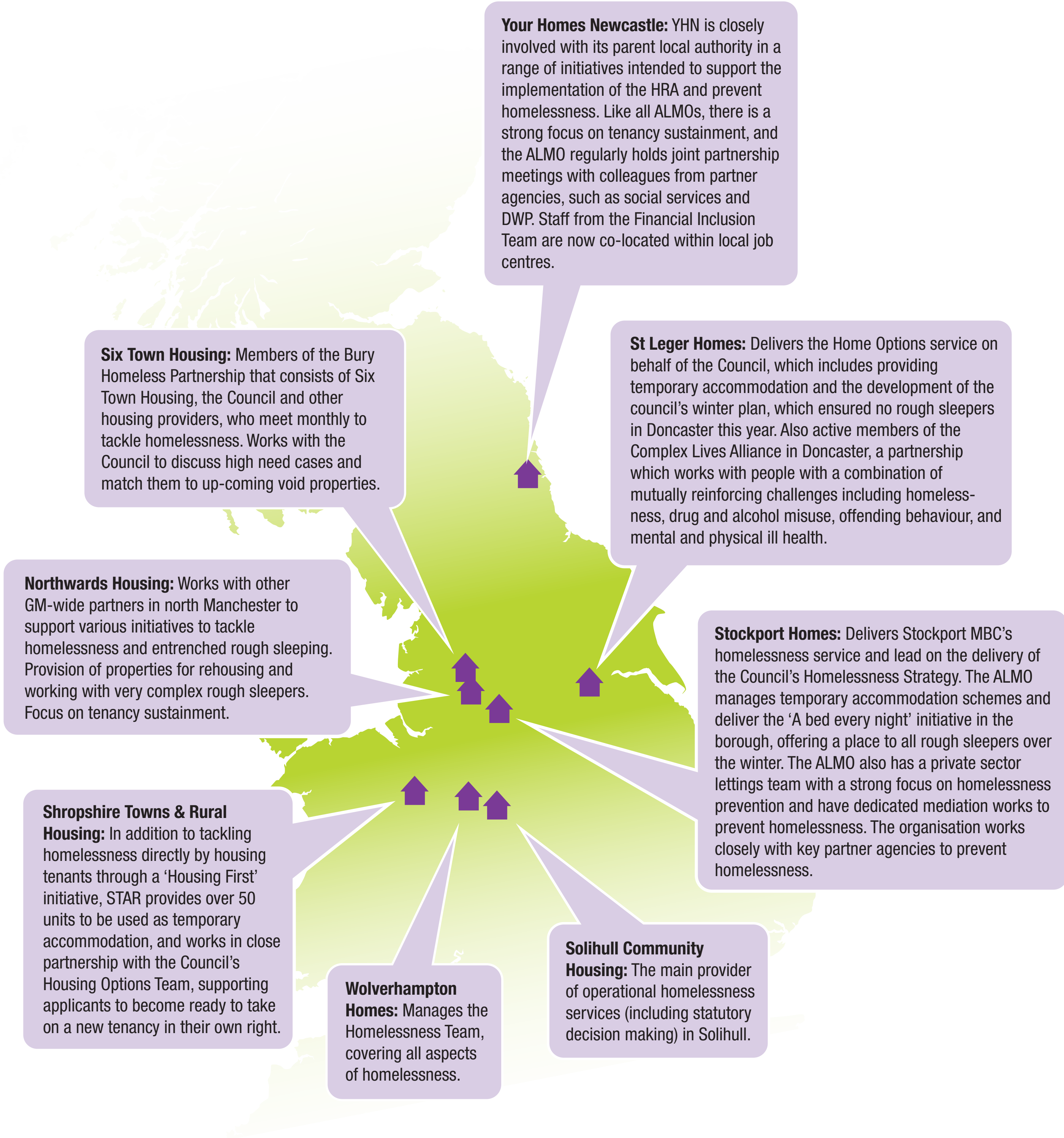
2. A focus on homelessness

The Homelessness Reduction Act came into force on the 3rd April 2018. It imposes onto local authorities the statutory duties to prevent homelessness and to relieve homelessness. Whilst all ALMOs are excellently placed to support their council to tackle homelessness indirectly through their housing services, 16 ALMOs (53%) are more directly involved in the provision of homelessness services. This includes, in different places, the delegation of the statutory duties, provision of emergency beds and temporary accommodation, leading on the homelessness strategy, running 'Housing First' initiatives, and managing homelessness assessments. Below is a selection of the work that ALMOs are undertaking.

LONDON & SOUTH



NORTH & CENTRAL



3. A focus on domestic abuse

Whilst domestic abuse has always been an issue for housing providers, the Chartered Institute of Housing's presidential campaign[6] over the last year and a half on domestic abuse has galvanised the social housing sector to 'make a stand' and look at what housing providers can do to both prevent it and better support victims of domestic abuse.

Many of our ALMOs have already been working in this area for a long time and all work in multi-agency partnerships. A number of ALMOs also deliver sanctuary schemes.

However, many ALMOs have taken the opportunity that the CIH campaign has given to review their processes. The majority of ALMOs have signed the CIH 'Make a Stand' pledge, and linked to this, six have achieved or are working towards the Domestic Abuse Housing Alliance (DAHA) Accreditation[7].

The social housing sector has traditionally included domestic abuse within its ASB frameworks and policies and procedures, something which the CIH and DAHA has challenged, since domestic abuse is not ASB and should be managed separately. 19 ALMOs already operate a separate domestic abuse policy and procedure, and four have a separate domestic abuse strategy. A few ALMOs have also adopted or are adopting a staff domestic abuse policy.

The National Federation of ALMOs is a member of the National Housing and Domestic Abuse forum, and we will continue to work closely with organisations across the housing, domestic abuse and women's sectors to bring together learning and best practice to share with our partners and members.

Case Study

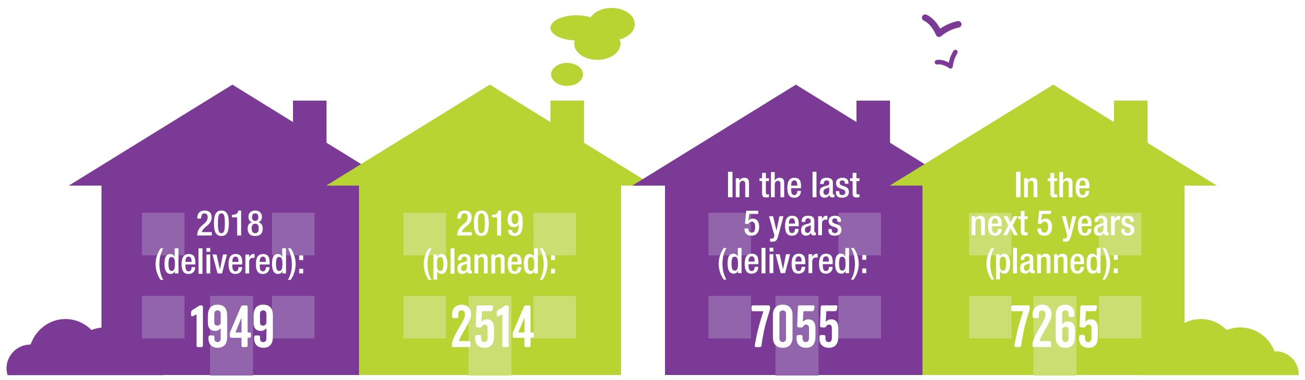
Barnet Homes' weekly Domestic Abuse One Stop Shop is a multi-agency approach to tackle domestic abuse that includes representatives from housing, advocacy, solicitors, Solace Women's Aid, Victim Support and Police amongst others, to provide a range of support under one roof for those who require it in the borough and for those who attend from other boroughs. Solace Women's Aid run two women's refuges in the borough, and a third refuge is operated in partnership between Barnet Homes and Solace Women's Aid.

Barnet Sanctuary Scheme enables survivors to remain in their homes by providing extra security measures to make homes safe and secure. The scheme involves partnership working between Barnet Homes, the police, fire brigade and Solace Women's Aid. The Council also has other work streams, including an Independent Domestic Abuse Advisory service; Identification & Referral to Improve Safety (IRIS), a service that delivers in-house specialist domestic abuse sessions to 25 GP surgeries in Barnet; a DVA perpetrator programme for perpetrators and victims of DA.

[6] The Chartered Institute of Housing campaign can be found here: http://www.cih.org/makeastand
[7] For more information on DAHA, please see here: https://www.dahalliance.org.uk/accreditation

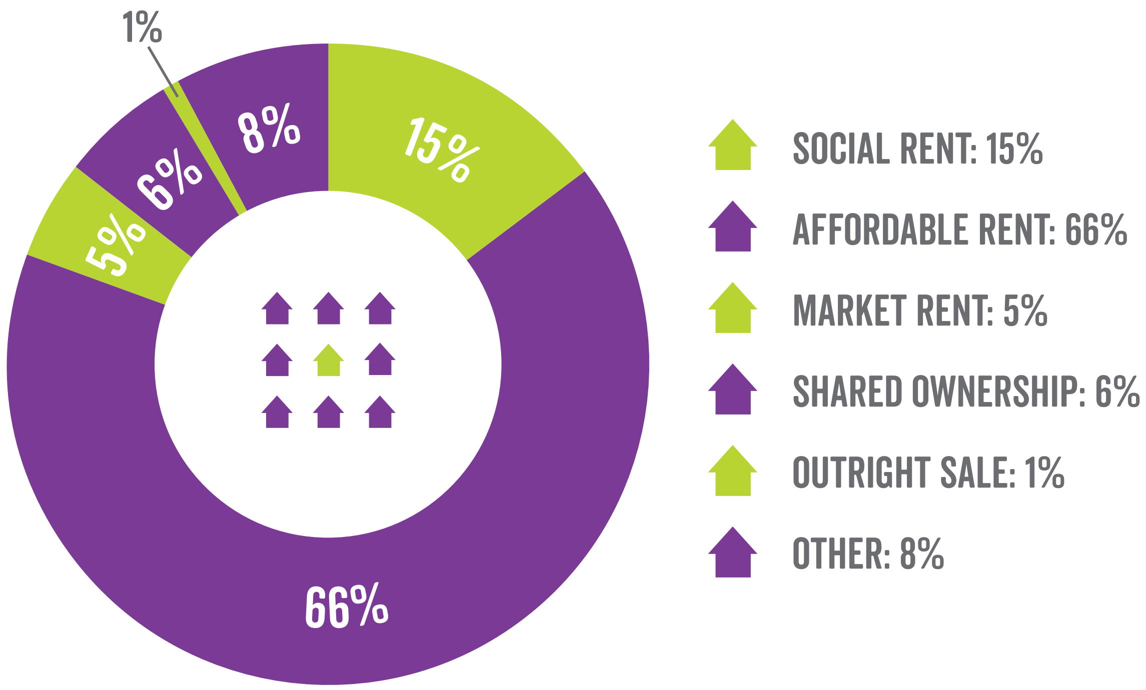
Part Four: New Stock

New Build and Acquisitions:



1. New build and acquisitions

The ALMO sector built or acquired 1,949 properties in 2018. This compares with 1,417 in 2017 (an increase of 38%). The majority of these properties have been built for Affordable Rent, although as that is mainly in the North and the Midlands the difference between an affordable rent and a social rent isn't that great:



Region	New Build	Acquisitions	Total
North	573	108	681
Midlands	649	246	895
South (Inc London)	58	315	373
Total	**1,280**	**669**	**1,949**

The geographic breakdown shows that ALMOs in the North and Midlands are providing a much higher level of new build than in the South. However, ALMOs in the South and London are off-setting some of this with their acquisition programmes. It is hard to draw generalisations from these numbers as just over half of the new build has been completed by three ALMOs (Nottingham City Homes, 327 homes, Stockport Homes, 216 homes and Newark and Sherwood Homes, 147 homes); while three quarters of the new build has been completed by just six ALMOs (the three others being St Leger Homes of Doncaster, Six Town Housing and Blackpool Coastal Housing).

However this does show that where there is a political and organisational will to build new homes, the flexibility to use whichever vehicle is most appropriate at the time and the land and money to deliver, Councils and ALMOs are able to gear up and deliver the new homes their communities need.

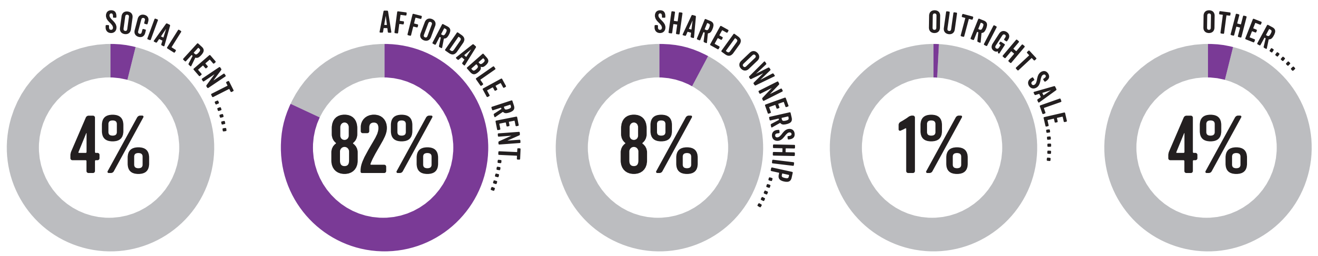
Breakdown of new build and acquisitions - 2018

New build (1,280 properties)

In 2018, 18 ALMOs built **1,215** properties.

This is an increase of 321 properties on last year (36%). Whilst the majority of ALMOs have undertaken small scale developments, three quarters of the new build was delivered by six ALMOs.

The majority of new homes (68%) are HRA owned and ALMO managed, but a significant proportion (26%) are ALMO owned and managed. The vast majority of new build was developed for Affordable Rent (82%), which reflects the new-build programmes of the largest developers.



For those ALMOs which developed properties, 15 ALMOs developed inside the HRA, 3 used funding through the General Fund; 11 used HCA grant.

One ALMO also developed **65** properties in partnership with another organisation.

Case Study - Nottingham City Homes

Nottingham City Homes has 647 homes built or under construction as part of Building a Better Nottingham, and let its 500th new home in November 2018 at Strelley Court independent living scheme. All Nottingham City Homes new build properties are built to The Code for Sustainable Homes Level 4 standards, to ensure high levels of energy efficiency, lower carbon emissions and warm, secure homes that cost less to run.

Building a Better Nottingham includes a number of developments across the city that are being built on unused garage sites that were formerly attracting anti-social behaviour. These new homes are being built by members of Nottingham City Homes own in-house teams, ensuring both experienced tradespeople and apprentices have the chance to work on these homes. All craftspeople working on site are local to Nottingham, and all apprentices come from within the city boundary, with almost 100% of materials sourced on-site from local suppliers, supporting local businesses and driving the local economy.

Case Study - Stockport Homes Group

Viaduct Housing partnership, the development partnership between Stockport Homes Group and Stockport Council developed 216 new build properties in 2018, including the St Thomas development of 28 homes for affordable rent, and 31 homes for shared ownership in Shaw Heath, Stockport.

The development was part funded by Homes England, which contributed £1.3m in capital grant. The properties have been built to the latest design and energy efficiency standards. The new layout has been designed thoughtfully to highlight the remaining historic buildings in the vicinity, while the overall development complements the street-scene in terms of scale and footprint, and incorporates level access and security principles.

Acquisitions (669 properties)

In 2018, ALMOs acquired 669 properties, an increase of 146 on last year (28%), with 23 ALMOs contributing to this total. Of these, 56% were acquired by the HRA (ALMO managed), 17% were acquired by the ALMO, and 12% acquired by the General Fund.

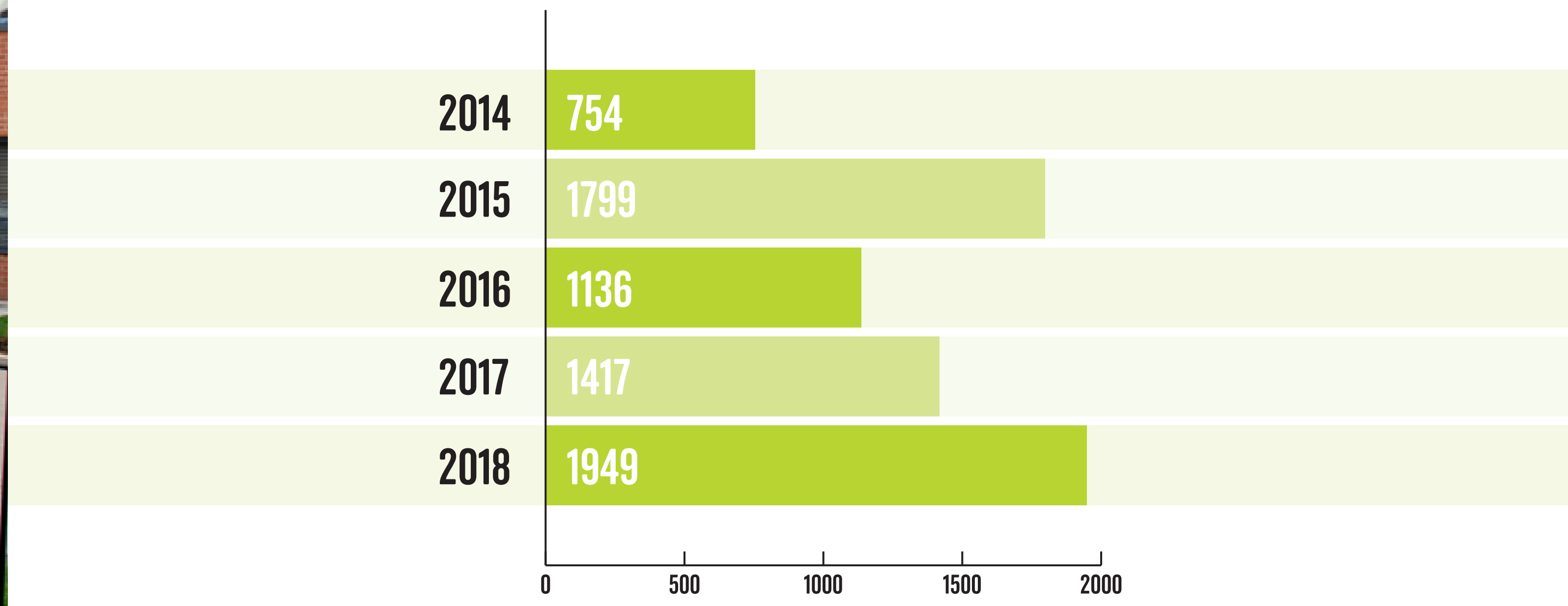
A larger percentage of acquisitions than new build are at social rent (40%), with 27% at Affordable Rent, 15% at market rent (from one ALMO), and 3% at shared ownership. We believe this is reflective of the regional breakdown of acquisitions, with a larger share being acquired by London ALMOs where acquisition is a cheaper and quicker solution to providing homes to homeless families in temporary accommodation. It is also used in areas where acquiring ex Right to Buy or empty homes helps regenerate neighbourhoods and deal with other housing market issues. Our evidence shows that acquisitions are used very differently in different areas and are a flexible option for all ALMOs and councils to be able to add to their stock, help shape local housing markets and provide much needed accommodation for different sections of the community.

Last 5 years

ALMOs have continued to build and acquire properties over the last five years, when conditions have proved difficult due to a number of adverse housing and welfare policies and political and financial uncertainty.

From the **revitalisation of the Right to Buy** in 2012 with an increase in eligibility and discounts across the country, the **Housing and Planning Act of 2016** which introduced the forced sale of High Value Assets, Pay to Stay and the ending of lifetime tenancies, the **Welfare and Work Act 2016** which reduced social housing rents by 1% a year for 5 years as well as cutting some benefits and freezing others, to **the switching of government subsidy** for housing away from social rented homes towards low cost home ownership products such as Help to Buy and shared ownership, and **the rollout of Universal Credit** with the high levels of rent arrears that it has brought, it is quite an achievement that many of our members continued to build any new homes at all!

In total, ALMOs have reported just over 7,000 new build and acquisitions over the last 5 years, even with a declining membership. Rates of build and acquisition are at a higher level than 2015 when there were 40 ALMOs.



TOTAL 7,055

Whilst the majority of ALMOs do not have large scale building projects, they excel at bringing back into use smaller, more challenging sites such as infill and former garages. Considering the increasing difficulties around sourcing affordable land for development, this expertise is something which will become more valuable for the sector.

Case Study - Wolverhampton Homes – Offsite construction

This year, Wolverhampton Homes and Wolverhampton City Council completed four new council modular houses as part of a £600,000 pilot scheme in Fallings Park. The modular houses were manufactured in Dublin by Extraspace Solutions, transported, and then lifted into place as completed properties. Tenants moved in just three months after the first sections arrived on site, and it took less than half of the time of a traditional build to complete. Small scale development which makes use of existing sites is important for increasing housing supply.

2. New stock versus properties sold under Right to Buy

As detailed above in 2018, ALMOs built **1,280** new properties and acquired **669** homes, totalling **1,949** new homes in the council sector. However, within those ALMOs at least **2,813** properties[8] were sold under the Right to Buy across the sector, which gives a net loss of at least **864** properties.

Less than half **(46%)** of the Right to Buy sales were replaced with new build. If you include acquisitions, **69%** of the Right to Buy stock has been replaced in 2018. But this is a year on year problem with properties not being replaced fully from previous year's sales.

For example in 2017, our current 31 ALMOs built **892** properties and acquired **470**. However, they sold **3,123** homes under the Right to Buy, giving a net loss of **1,761 homes to rent.** Only **29%** of the Right to Buy properties were replaced with new build.

In addition the new build activity within the ALMO sector recently has been located in a small number of areas. As noted above. in 2018 three quarters of the new build was delivered by six ALMOs and last year 59% was completed by just three ALMOs.

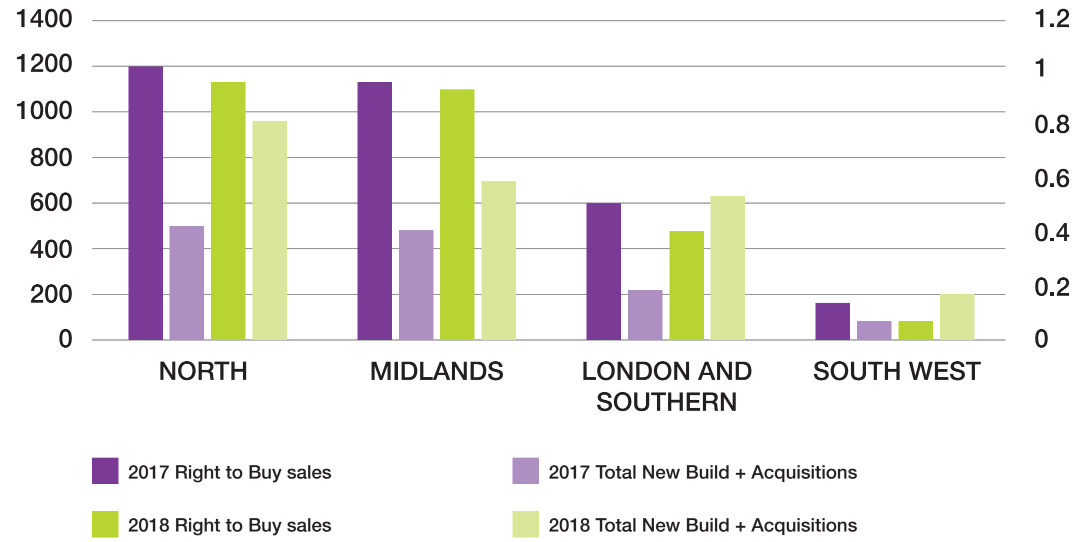
Right to Buy Sales 2017 & 2018

[8] Not all ALMOs provided full RTB data

Looking at the Right to Buy sales within our membership you can see that they are highest in the Midlands and show no sign of slowing down at the moment whereas other regions, particularly London, the South East and South West have started to decline.

At an individual ALMO level most high house price areas have lower numbers of Right to Buy sales including most London ALMOs but also high value areas in the south west and south east. However, there are also a few outliers in the north where we think that the housing market is depressed or incomes are particularly low where they also have relatively low numbers of sales.

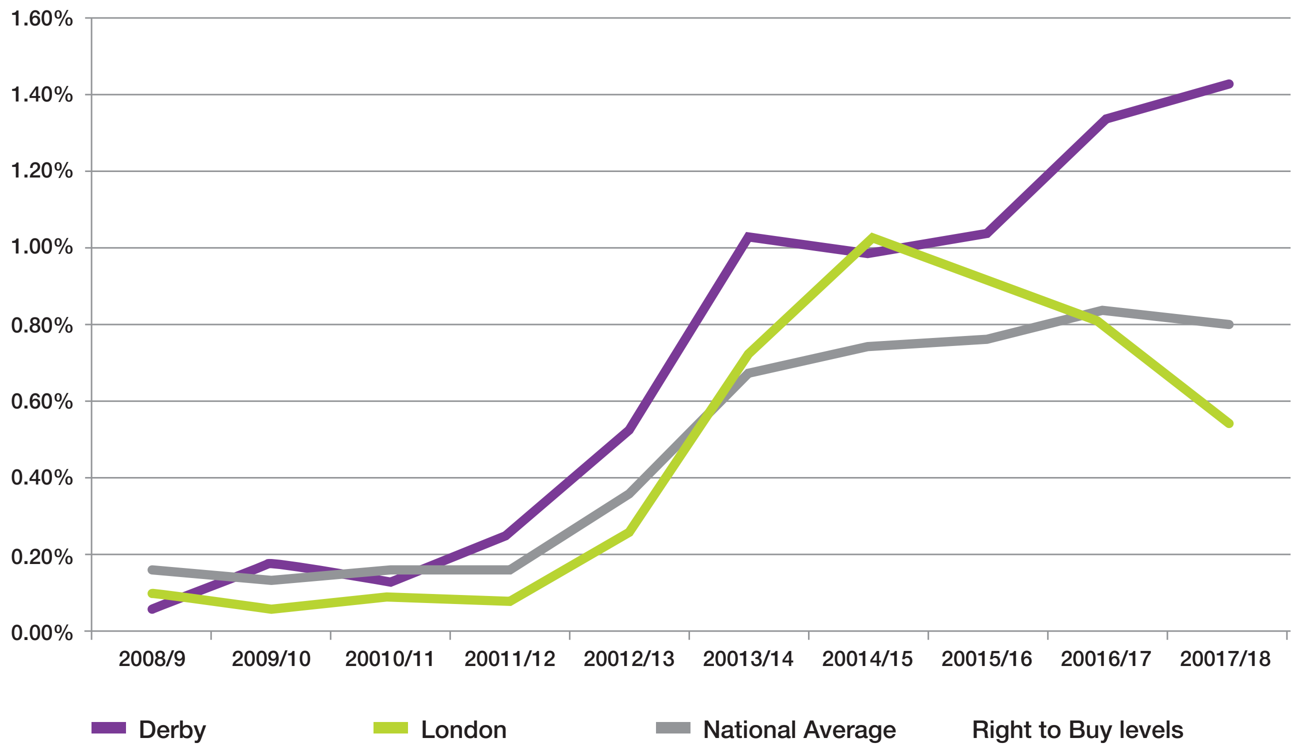
As numbers of new build vary from year to year, quite significantly in some places, we looked at a two-year average per 1000 properties over 2017 and 2018 for the average replacement percentage. The chart below shows that replacement rates have picked up in all areas in 2018 compared to 2017 but that overall Right to Buy sales are still outstripping replacements. Given their relatively low numbers of Right to Buy sales, two ALMOs in the North have been able to match new build and acquisitions with the rate of Right to Buy sales and in some years surpass them. However, that is the exception rather than the rule and in most places they have been unable to keep place with the loss of stock through the Right to Buy, and the rate of Right to Buy sales is a particular problem in the Midlands.



Case Study - Derby Homes

Right to Buy levels have increased significantly locally and Derby Homes are trying to replace as many as possible and have a good track record of building new homes. However, they have been unable to for a number of reasons. Fundamentally since the "re-vitalisation of the Right to Buy" in 2012 the level of discount available to tenants is much too high to allow for any kind of replacement.

Although the cost floor mechanism works it isn't long enough and needs to be extended from 15 to 30 years. Right to Buy is still a risk even on replacements and they have recently lost a new build property three years after it was built at a loss to the council. The graph below shows that since 2012, Right to Buy levels have increased substantially – particularly where values are lower such as Derby. This means that the amount they need to spend after three years has increased substantially from about £7m a year to about £14m a year now. So, despite their best efforts they have moved from being ahead of target of spending all of the cash to on the edge / falling behind. However, that is only about spending the receipts available and not replacing all of the homes lost as this is impossible in lower value areas as shown by the calculations provided below.



Flat example (Derby: November 2018)

Valuation (market)	£52,000
Discount	70%
Sale proceeds =	£15,600
Admin allowance	(£1,300)
Debt	(£17,252)
Net amount for replacement home	(£2,952)

House example (Derby: May 2018)

Valuation	£110,000
Discount	70%
Sale proceeds	£33,000
Admin allowance	(£1,300)
Debt	(£24,996)
Amount for replacement home	£6,704

We are still waiting on the outcome of the consultation on the use of Right to Buy receipts and would urge government to extend all of the proposed flexibilities to all councils across the country as soon as possible and go further.

In particular we call on the government to implement the proposal to allow councils to pass Right to Buy receipts to their ALMOs and believe it would significantly help to increase the delivery of new homes across the country. As this survey shows ALMOs are ambitious to build many more truly affordable homes for their communities and already plan to build nearly 8,000 more over the next five years. This flexibility would enable them to deliver even more and would give councils with ALMOs the flexibility to mix and match delivery vehicles as appropriate within larger delivery programmes mixing Right to Buy replacements with building for outright sale, affordable rent and shared ownership, all helping to meet the government's housebuilding targets for the country.

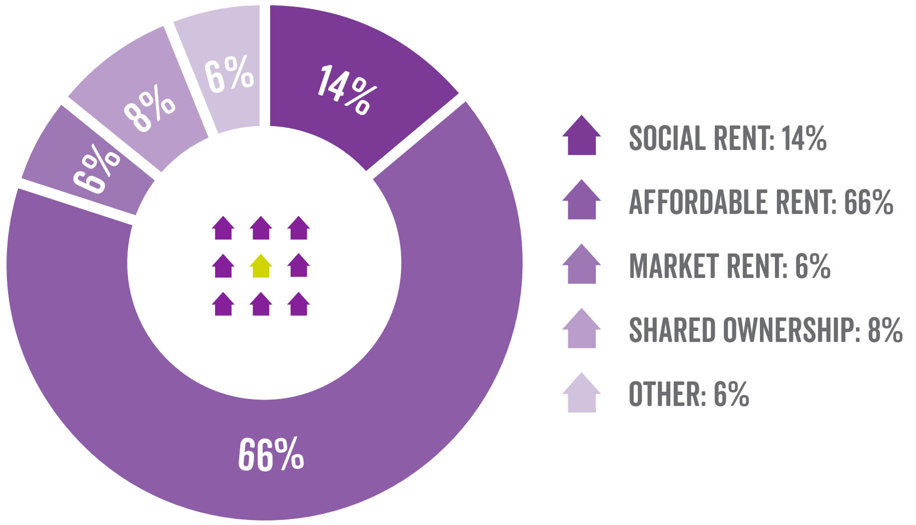
Savills have also done some work on the impact of discount levels in different areas for the Local Government Association[9] which suggests that by varying the discount levels locally and regionally government could greatly help the ability to replace lost homes whilst not reducing the overall numbers of sales. The NFA wholeheartedly recommends this approach to Government.

[9] https://local.gov.uk/sites/default/files/documents/lga%20right%20to%20buy%20sustainability%20analysis%20-%20apr18%20-%20FINAL.pdf

Part Five: Future Development Plans

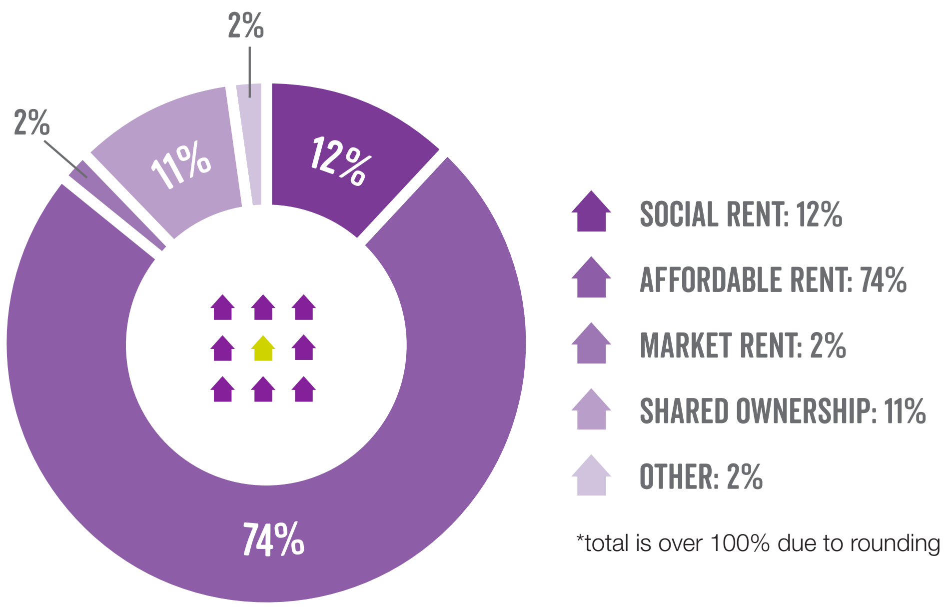
1. Over the next 12 months

Over the next 12 months, ALMOs plan to build or acquire **2,514 properties**. The breakdown of tenure is largely in line with the 2018 development programme:



New Build (1,801 properties)

23 out of 30 ALMOs (77%) have plans to develop a total of **1, 801** new properties over the next 12 months. 74% of these will be HRA owned and 20% ALMO owned. The breakdown of new properties is broadly in line with this year's new build:



*total is over 100% due to rounding

20 will be developing in the HRA, 14 with HCA grant, 6 in the General Fund. 2 ALMOs will be developing in partnership with another social landlord while 1 will be utilising private investment.

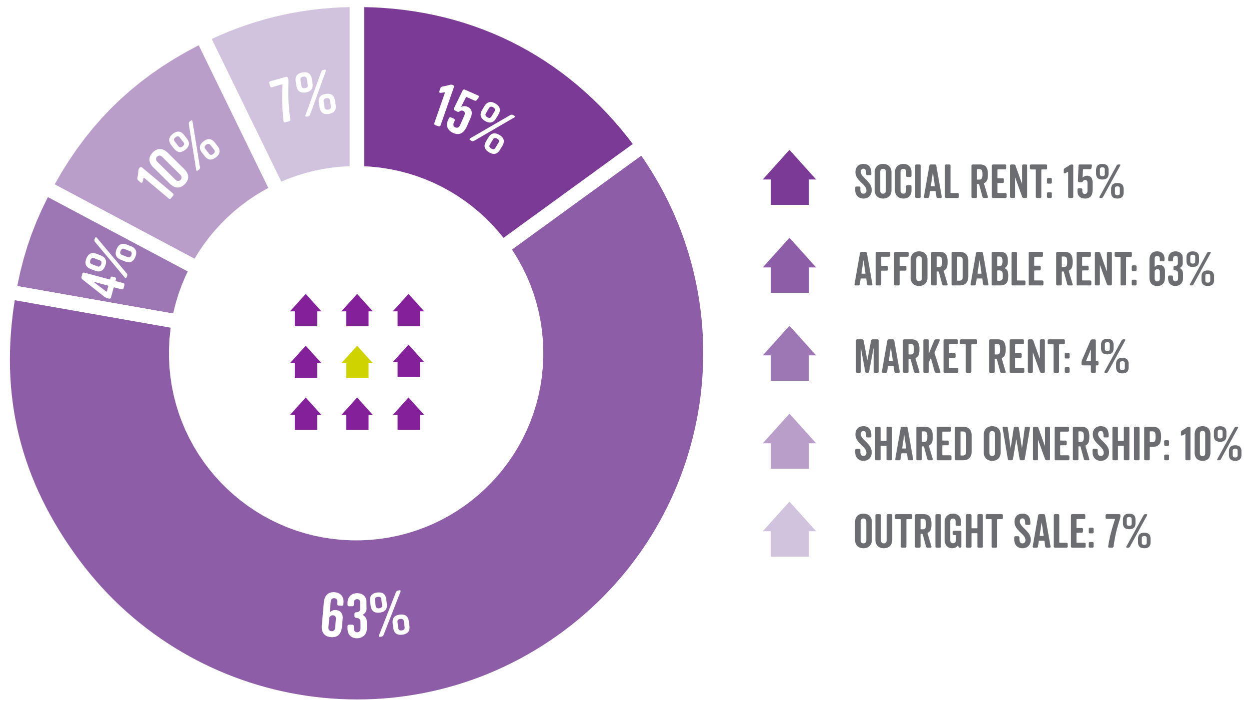
Acquisitions (713 properties)

21 out of 30 ALMOs (70%) have plans to acquire **713** properties over the next 12 months. 21% will be ALMO owned, 38% HRA owned, 21% General Fund owned, and 19% housing company owned.

21% of these will be at social rent, 49% Affordable Rent, 15% Market Rent, with 15% other.

2. Over the next 5 years

The ALMO sector had plans in December 2018 to build approximately **7,265 properties** over the next 5 years. The breakdown of anticipated new build is as follows:



There have been a number of recent policy announcements which have made the environment for development more favourable, including the removal of the HRA debt cap and the threat of the forced sale of high value assets, and the return to CPI +1% for social rents from 2020. As a result of this, 17 ALMOs out of the 27 who responded have revised, or are in the process of reviewing, their new build plans (63%), which suggests the 7,265 figure is likely to be an underestimate. However, we are still awaiting the results of the Right to Buy consultation, which is providing continuing uncertainty for many of our members.

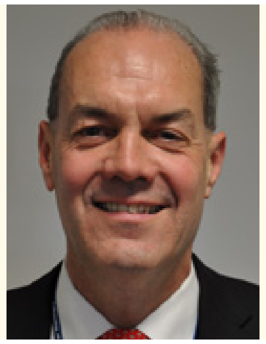
Whilst we are pleased that the Government has acted to create a more stable policy environment, there are still a number of outstanding barriers to building new homes which our members have identified, and which are likely to negatively impact on new build figures.

By far the largest barrier for building new homes is around the availability of land and sites for development. Other barriers mentioned by our members include:

- The funding of new schemes and making them viable (which is linked, in large part, to the issue of affordable land)
- Development and construction costs
- Lack of long-term certainty around rents
- Issues around planning consent and planning restrictions
- Right to Buy – excessive discounts on sales of new homes, and a general lack of flexibilities
- Difficulties in some parts of the country of attracting skilled staff
- General uncertainty, in part linked to Brexit.

The NFA Team

Further details can be found at **www.almos.org.uk/nfa_team**



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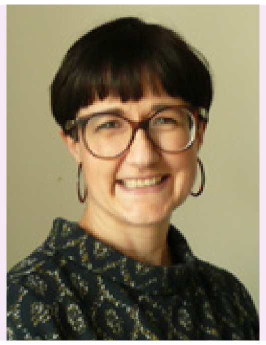

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