NFA

Championing better homes and communities

26 September 2022

Rt Hon Simon Clarke MP
Secretary of State
Department for Levelling Up, Housing and Communities
2 Marsham Street
London
SW1P 4DF

Dear Secretary of State,

On behalf of the National Federation of ALMOs (NFA), I want to congratulate you on your appointment as Levelling Up, Housing and Communities Secretary. As the national body representing arms-length management organisations (ALMOs), we look forward to working constructively with you.

The NFA represents all social housing ALMOs across England, which collectively manage around 300,000 council homes. ALMOs were first established twenty years ago to improve housing services to council tenants, deliver the Decent Homes Programme and put the focus back onto core day-to-day housing management.

One of the unique features of ALMOs is the board level involvement of tenants in their management. This helps to ensure responsive services, a strong emphasis on providing community facilities and assisting tenants with skills, financial management and other aspects of personal development. The ALMO model aligns perfectly with the reforms sought by the Government to the way that social housing operates and how social housing tenants are heard by their landlords. I want to emphasise that we wholeheartedly support these reforms as enshrined in the Social Housing (Regulation) Bill.

Alongside new requirements being placed on social housing providers to rightfully ensure tenants are listened to, there are several other increasing demands being placed on social landlords, including meeting new fire and building safety requirements, a possible new Decent Homes Standard, building new homes and the significant challenge of meeting the Government's net-zero targets for the sector by 2050. Again, I want to emphasise that the NFA wholeheartedly supports these aims, however we are concerned about the ability of social housing providers to achieve these at the present time without additional support and investment. These are being asked of us against a repairs backlog built up during the pandemic, rising costs and inflation and a proposed cap on social rent increases.

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In particular we are concerned about the future viability of Housing Revenue Accounts (HRAs). The self-financing settlement for the HRA which local government made with central government back in 2012 was a significant success at the time and provided local authorities with the right tools and incentives to plan and manage their finances in relation to council housing over a 30-year business plan.

However, it was made on the basis of a number of assumptions and circumstances which have since changed. Our members are being faced with increased demands at the same time as having less resources to meet these. We have commissioned research with the Local Government Association and the Association of Retained Council Housing into the cost pressures faced by council housing providers and would be glad to share these with you once published.

In the meantime, we would like to direct you to research published last year research, which stresses that more council house building would also target public money at less prosperous local economies and hold it, in the form of new homes and the income they generate, in the national infrastructure – a clear, concrete gain for the levelling up agenda. Building for post pandemic prosperity sets out the clear cost benefits of pushing public money into construction supply chains for social housing. The report details how a programme of building 100,000 council homes a year would create jobs, much needed affordable housing and a positive return on public sector investment of £24.5bn over a 30-year period.

However, this approach would also demand further reform to the current Right to Buy rules to prevent good quality new homes being sold at a price that does not yield a sufficient receipt to fund a replacement home of equivalent type and quality. This problem arises because despite wide variation in local house prices the same maximum discount rules apply in all areas. As research by Savills for the LGA has shown, this means that in low house price areas the discounted price available to Right to Buy purchasers is lower than it needs to be to ensure take-up, while the receipt to the local authority is insufficient to finance replacement. This, we believe, creates a strong argument for a return to regional discount maxima, and lower maxima in some regions, to make RTB compatible with sustainability of council housing as a major public asset.

We believe that both through investment in insulating and decarbonising existing council homes as well as building much needed new council homes the Government can help drive growth in some of the most deprived communities across the country, helping to create new job opportunities and wealth in exactly the places that need it most.

I look forward to hearing from you and to working with you closely in the future.

Yours sincerely,

Mike Ainsley
Chair, National Federation of ALMOs