

## **Written evidence submitted by the National Federation of ALMOs [RSH 068]**

### **Introduction**

The National Federation of ALMOs (NFA) ([www.almos.org.uk](http://www.almos.org.uk)) is the trade body which represents housing Arms' Length Management Organisations (ALMOs) across England. ALMOs manage 326,600 council homes across England. The NFA represents the interests of ALMOs at the national level and provides advice and support for members. ALMOs were first established in April 2002 to provide housing services on behalf of local authorities as part of a commitment to bring all council housing up to the Decent Homes Standard and improve services to tenants. They are not-for-profit council owned companies, used to manage housing stock and in some cases build new council homes and provide other services.

### **Background**

ALMOs were originally regulated and inspected by the Housing Inspectorate, which was part of the Audit Commission. ALMOs had to obtain at least a 2-star rating for their services to tenants before being allocated resources to bring properties up to a decent standard. This regime created a performance related and tenant focused culture which delivered a real improvement in both services and the quality of homes to council tenants.

The Housing Inspectorate was dismantled in 2011 and the Regulator of Social Housing (RSH) now regulates the social housing sector including councils. ALMOs are regulated through their council by the RSH. ALMOs are also subject to the Housing Ombudsman service for tenant complaints and are either registered in their own right or through their local authority parent.

### **1. How widespread and serious are the concerns about the quality of social housing?**

Although there have been serious concerns raised by the media recently which we agree need addressing we do not believe that the evidence points to this being a widespread issue across social housing.

The most recent English Housing Survey reports that "There remains a lower proportion of non-decent homes in the social sector than in the private rented and owner-occupied sectors". The survey estimates that in 2020, 13% of dwellings in the social rented sector failed to meet the Decent Homes Standard which is lower than the proportion of private rented (21%) and owner occupied (16%) homes.

The survey also reports that in 2020, 12% of the private rented sector, 10% of owner-occupied housing stock (10%) and only 5% of the social rented sector had a HHSRS Category 1 hazard and that only 4% of social rented homes had problems with damp.

The survey confirmed that social sector remains more energy efficient than the private sector. In the social rented sector, the majority of dwellings (66%) were in EER bands A to C, compared to private rented and owner-occupied dwellings (both 42%).

The responses from members to the Housing Ombudsman's recent call for evidence for its investigation into damp and mould highlighted that although there have been some terrible cases recently in the media, this is not representative of the services and quality of homes experienced by most tenants in our sector. We do not profess that our sector is by any means perfect but that our members are committed to responding to any such issues swiftly and to residents' satisfaction as far as possible.

The investigation has highlighted that in some cases of damp and mould, difficult-to-remedy, ongoing problems for both tenant and landlord are caused by historic poor building design and quality in the sector combined with the social conditions of many tenants who are unable to afford to properly heat and ventilate their homes and who sometimes live in overcrowded conditions.

The EHS shows that nearly three quarters (73%) of the local authority housing stock was built between 1945 and 1980 and there are more purpose-built flats in the social sector (43%, compared to 14% in the private sector) which has left councils with some of the most difficult to maintain stock in the country.

As a result of decent homes investment in our sector we do believe that cases of damp and mould have reduced since the early 2000s and where there is available investment within the HRA Business Plan many members are looking to include improvements like ventilation and recovery units (MVHR) as standard practice now.

However, the Decent Homes Standard is a minimum standard. It is now 20 years old, and some homes still require further energy efficiency work to improve conditions. Additional government funding is required in many places to deal with these harder-to-heat homes which will need substantial refurbishment to improve thermal warmth, damp, and condensation. Some may require demolition and rebuilding as part of wider regeneration schemes. This brings its own problems and delays in dense and unaffordable areas like London where temporarily re-housing whole communities is very difficult and funding regimes reliant on private sales, which are very risky and unpopular with existing residents.

**2. What is the impact on social housing providers' resources, and therefore their ability to maintain and improve their housing stock, of the need to remediate building safety risks and retrofit their homes to make them more energy efficient?**

Councils and ALMOs across the country manage very different stock in different conditions and each will have a different need for investment and work over the next 30 years. The HRA self-financing settlement introduced in 2012, was intended to free local authorities from dependence on a government grant and subsidy system and allow them to plan long-term for investment in their stock, and, if resources permitted, to build new homes. We believe that had that settlement been left alone by subsequent governments that the system may well have been sufficient to meet the emerging needs of the stock. However, one of the most significant assumptions on which the settlement was based; the rent settlement, has now been altered twice by government, both of which have taken much needed money for investment out of the Housing Revenue Account.

Initially the rent increase guideline was RPI plus 0.5% plus £2 (to help bring very low council rents into line with housing association rents for similar properties). From 2015/16 that was changed to CPI plus 1% with an end to the £2 allowance for convergence. This was a 10-year rent settlement but a mere year later, in 2016, the government made all social landlords reduce their rents by 1% every year for 4 years. We are now back to social landlords being allowed to raise average rents by up to CPI plus 1% via the Rent Standard, overseen by the RSH but those 4 years of rent reductions rather than planned increases have taken significant sums of money out of council's Housing Revenue Accounts.

The settlement was also designed to enable local authorities to bring and maintain all their homes to the Decent Homes Standard; it made no provision for improvements beyond the Standard. The Government has now begun a review of the Decent Homes Standard, and, while there has not yet been any formal decision to amend or update it, other Government policies in relation to housing standards such as meeting net-zero carbon targets already require substantial investment in council housing going well beyond the requirements of the existing Decent Homes Standard.

On top of those policy changes we had the Grenfell fire tragedy which has resulted in additional work being required on high rise blocks to undertake intrusive fire risk assessments and if necessary, remediation work to ensure all homes meet safety standards as well as preparing for a new building safety regime with additional staff and work required for all higher-risk buildings.

All of these policy changes have major financial implications that need to be factored into local authority long-term financial planning. We outlined the issues relating to meeting net-zero carbon targets in a previous [submission to this committee](#).

The NFA has welcomed the introduction of the Building Safety Bill and the Fire Safety Act and we know that some of our members have accessed government funding to remediate dangerous cladding on buildings over 18 metres. However, those councils with large numbers of high-rise buildings have faced significant additional financial burdens. As this work is about safety and is non-negotiable this work has been carried out but sometimes at the expense of other planned capital work being postponed or scaled back and new build plans being cancelled.

The on-going costs to landlords covered within the Building Safety Bill will be covered by the Building Safety Charge to be paid by leaseholders but where the residents are [tenants of social housing providers](#) these costs will fall on the Housing Revenue Account and cannot be met by any increases in rent or service charges for tenants. Furthermore, the Building Safety Charge will not cover the costs imposed on landlords by the regulations laid under the Fire Safety Act that deliver the recommendations of the Grenfell Tower Inquiry.

### **3. Is the current regime for regulating social housing fit for purpose?**

We do not believe that the current regime is fit for purpose, and we have welcomed the planned changes to the system. Our view is that a proactive, robust Regulator should help drive up the quality of the whole sector and provide assurance to government and tenants that social housing meets the required standards.

The current regime puts far too much faith in organisations doing the right thing. While many social housing providers are well managed and deliver high quality services, this is clearly not true for all. The reactive nature of consumer regulation means that problems are only picked up when something goes wrong, and they can only be regulated when there is a risk of 'serious detriment' or has been 'serious detriment'. For organisations where things have gone wrong, the Regulator frequently picks up issues of systematic and governance failure or culture, which are more likely to have been picked up in a proactive risk-based regime.

The voice of the tenant is also lacking in the current regulatory regime. While there is a Tenant Involvement and Empowerment Standard, failing against this has rarely been a reason for a regulatory judgement, mainly because it is less likely to lead to serious detriment in comparison with health and safety failings. Tenants' voices are also not really heard in the Regulator's work, which is clearly a significant gap.

#### **4. How clearly defined are the roles of the Regulator of Social Housing and the Housing Ombudsman?**

The Housing Ombudsman has a very clearly defined role. Its remit has expanded significantly since the Grenfell Tower Fire, and it sets out this remit very clearly in publications and on its website. Social housing landlords should have self-assessed against the Housing Ombudsman Complaints Handling Code, which provides a very clear steer on the approach that the Ombudsman expects.

In terms of the Regulator, the question isn't really whether the role of the Regulator is well-defined. The issue is that until the government tables the necessary legislation to move the Regulator to its new remit, the Regulator can only do what it is currently legally allowed to. However, this is not what is promised in the Social Housing White Paper nor what many stakeholders and tenants believe it should be doing. This is clearly creating some frustration and confusion and we urge Government to pass the legislation required as quickly as possible.

#### **5. Does the current regime allow tenants to effectively resolve issues?**

No, not currently as it is only if there is risk of serious detriment, that tenants are able to effectively resolve issues by recourse to the Regulator.

We would like to see regulatory reform drive a cultural and systemic change within landlords where this is not already the case. For example, embedding the requirement to involve tenants in all aspects of the running of the organisation, making sure there are effective processes for hearing and responding to tenant feedback, having evidence that organisations learn from complaints. This continuous improvement side of Regulation is not strong enough under the current regulatory regime.

In terms of the Housing Ombudsman, the strengthened Housing Ombudsman role does allow tenants to resolve issues; and again, much of the work of the Housing Ombudsman is to drive change in organisational culture and systems. However, without the planned reforms to the Regulator, the Housing Ombudsman's role is not as effective as it could be.

#### **6. Do the Regulator and Housing Ombudsman have sufficient powers to take action against providers?**

As with previous responses, the Regulator does not currently have sufficient powers to take action against providers where there are issues that fall below those of

serious detriment. It is anticipated that the new regime will give the Regulator these powers, but the timeline for introducing this is drifting further into the future.

The Housing Ombudsman's powers are in line with what we would anticipate from an Ombudsman.

### **7. Will the reforms proposed in the Social Housing White Paper improve the regime and what progress has been made on implementing those reforms?**

The reforms proposed in the Social Housing White Paper should improve the regime. The document published by the Regulator, *Reshaping consumer regulation: our principles and approach*, set out principles and a direction of travel which the NFA and members have been expecting and which we support.

Work on Tenant Satisfaction Measures is further along than other aspects of the regulatory reform because this does not require legislation. We have been working with the Regulator on these through its TSM stakeholder group. Other parts of the reforms are being held up by the lack of legislative time to make the changes.

The NFA, along with other sector representative bodies, has taken the Regulator's advice to not wait for the change, but get organisations in shape now, and have published a report in partnership with the Councils with ALMOs Group (CWAG), [Excellence in Management and Partnership](#), which outlines what the main changes are likely to be and supports local authorities with ALMOs, and ALMOs, to prepare for the coming changes.<sup>1</sup>

### **8. What changes, if any, should the Government make to the Decent Homes Standard?**

The NFA has been a core participant in the Government's recent review of the Decent Homes Standard. We have made a series of submissions to that review with our colleagues at ARCH. Please find a summary of our points below:

- We believe the Decent Homes Standard should include a statutory minimum standard for housing, but we are not convinced that the HHSRS which is currently used is the most appropriate way of doing this. We have urged the government to review alternatives which could provide greater clarity to

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<sup>1</sup> <https://www.almos.org.uk/publications/sector-publications/excellence-in-management-and-partnership-how-councils-can-put-the-almo-advantage-to-work-in-the-new-regulatory-environment/>

tenants and to look at a definition based on the fitness standard as defined in the 2018 Act instead.

- We believe that the list of components should now be widened to include common areas such as lifts and lobby areas as this immediately impacts on a tenant's quality of life in their block. There is also a need to update the language to include new technology and additional components.
- We also believe it is time to raise the standard to require both the kitchen and bathroom to be in a good state of repair, whether or not the distinction between 'key' and other components is retained as a very strict interpretation of the standard could lead to homes being classed as decent when either the kitchen or bathroom is in need of major repairs indefinitely.
- We are supportive of the Government setting out minimum electrical safety standards and legislation in social homes using the EHS list of modern safety features and including them in the Decent Homes Standard. However, we urge government to give all landlords reasonable time to put the new framework into place.

#### **9. Should the Decent Homes Standard be amended to include energy efficiency and other means of mitigating climate change, and if so how?**

In terms of energy efficiency, the DHS is clearly out of date and landlords are now working to higher levels of insulation than those currently deemed 'appropriate', in line with current Building Regulations when they carry out refurbishment. But, more fundamentally, the current requirements of the DHS are superseded by the Government's commitment to net zero by 2050, and the associated ambition to raise all social housing to EPC Band C or better by 2030. It is arguable that a DHS no longer needs to list 'efficient' heating systems or appropriate levels of insulation but should focus on outcomes as measured by thermal efficiency and carbon emissions.

The NFA suggests that the criteria of providing "a reasonable degree of thermal comfort" should be changed to ensure existing social homes contribute to the meeting of the wider government targets on cutting carbon emissions by 78% by 2035 and net zero carbon emission by 2050. However, this would also necessitate an increase in longer-term grant funding as well as the ability to capture some of the savings on fuel costs to make this an achievable standard for social landlords to meet.

**10. Should all providers of social housing, not just councils, be required to register with the regulator?**

Yes. Tenants of social housing have no market choice to wield and so need the external power of the Ombudsman and Regulator to ensure their voice is heard.

**11. What challenges does the diversification of social housing providers pose for the regulatory system?**

The Regulator of Social Housing has had very little to do with local authorities with or without ALMOs in the recent past. They have had a reactive role in regulating them but all their proactive engagement to date has been with Housing Associations on Governance and Viability. We therefore expect that staff at the RSH will need to learn a lot more about how councils and their ALMOs operate and the political and legal environment they work in. We welcome the fact that they have already stated to engage with our sector and are listening and learning at the moment. We are also aware that they are recruiting staff with specific council experience which will also help.

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