

# The Economic Impact of Housing Organisations *on the North*



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# Executive Summary

## Background and study objectives

In 2012 the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University was commissioned by the Northern Housing Consortium (NHC), to assess the economic impact of housing organisations on the Northern economy, defined here as the three regions of the North East, the North West and Yorkshire and the Humber.

This report measures economic activity stimulated directly by the day-to-day activities of housing organisations, as well as additional activity generated indirectly through the intermediate supply chain.

This evidence should help inform the NHC when engaging with government, funders and other stakeholders and will underpin the case for housing in the North in the run up to the next Comprehensive Spending Review and the next general election. This study also provides a baseline against which to assess the impact of challenges facing housing organisations.

Assessments are based on the financial year 2011/12.

The report uses both quantitative and qualitative evidence much of which is drawn from:

- a survey of housing organisations managing units within the three North regions
- in-depth qualitative work with seven case study housing organisations.

The study encompasses the three main types of social housing organisation operating within England's Northern regions: council, Arms Length Management Organisations (ALMOs) and Housing Associations (HAs).

## Day-to-Day Activities of Housing Organisations: Managing Social Housing

At the end of 2011/12, housing organisations encompassed by the study managed 1,198,000 units within England's Northern regions: 511,900 in the North West, 414,200 in Yorkshire and the Humber, and 272,000 in the North East. This accounts for roughly 18 per cent of all properties in the North and around 93 per cent of all social housing in the three regions.

## Day-to-Day Activities of Housing Organisations: House Building

Housing organisations are involved in house building to meet the increasing need for more social and affordable housing. It is estimated that 8,400 new units were completed across the North in 2011/12, of which:

- 3,900 were in the North West
- 3,200 were in Yorkshire and the Humber

- 1,300 were in the North East
- and 95 per cent were built by HAs.

### **Day-to-day Activities of Housing Organisations: 'Community Investment' Work**

Increasingly, housing organisations have widened their remit to include what are commonly called, 'community investment' activities including apprenticeships, after school clubs, community health clinics, and initiatives to tackle crime and anti-social behaviour.

Assessing responses from organisations responding to the survey reveals total input (where input equals the sum of staff cost, direct financial contributions and contributions from other organisations) for the six categories of community investment activity explored was £121.4 million, of which 45 per cent was staff costs, 42 per cent direct financial contributions and 13 per cent contributions from other organisations.

Around 695,300 people and 567,800 homes were reported to have benefited from community investment work.

### **Key factors influencing economic impact: income, procurement and composition of expenditure**

Income in the year 2011/12 was estimated to be £6,499 million with net rental income and management fees accounting for some 74 per cent of this figure. Affordable Homes Programme funding made up an estimated 5 per cent of income.

Procurement policies are important in determining leakage of expenditure out of the Northern economy. This study estimates that 81 per cent of housing organisation expenditures, excluding bad debt and depreciation, remains within the Northern regions. Within the case-studies, established procurement policies and practices were identified specifically designed to enhance local social and economic impact.

How and where housing organisations spend their money affects economic impact calculations because of the magnitude of the indirect effect. Key points to note include:

- the largest category of expenditure retained within the Northern economy was 'refurbishment and purchase of housing properties': £1,373 million
- 'major repairs and maintenance' comprised the second largest category of net expenditure: £1,227 million
- net expenditure on 'direct staff costs' was £834 million
- about two-thirds of expenditure on construction (£584 million) was retained within the North.

### **Economic Impact on the Northern economy: an overall assessment**

Table E.1 summarises overall economic impact. In 2011/12 it is estimated that housing organisations supported:

- a total output of £10,269 million in the North
- a total worth of £4,646 million Gross Value Added to the Northern economy: 1.8 per cent of the total Northern GVA
- 116,900 FTE jobs in the North; housing organisations indirectly support 1.8 FTE jobs per one directly employed FTE.

**Table E.1: Summary of economic impact on the Northern economy, 2011/12**

|  | Direct Impact | Indirect Impact | Total Impact |
|--|---------------|-----------------|--------------|
| <b>Output:</b><br>£millions            | 5,005         | 5,264           | 10,269       |
| <b>Gross Value Added:</b><br>£millions | 1,699         | 2,948           | 4,646        |
| <b>Employment:</b><br>(FTEs)           | 41,600        | 75,200          | 116,900      |

Source: CRESR survey (2012)

### **Challenges and Opportunities: implications for Economic Impact**

Housing organisations face a number of impending challenges and opportunities with regard to welfare reform, housing finance and the localism agenda. These may well have implications for income, expenditure and procurement, all of which are key components in defining the scale and nature of economic impact flowing from housing organisations.

It seems probable that changes to two of these components will work to diminish impact:

- income, which affects the level of gross expenditure, is likely to decline because of interactions across a range of welfare reform changes
- and the composition of expenditure, which affects the magnitude of indirect impacts, seems likely to change with increased expenditure on rental collection and management costs which create more limited multiplier effects, and correspondingly less work on high multiplier activities such as construction and major repairs.

On the other hand it is possible that changing procurement policies and practices will impact positively on the proportion of goods and services supplied from Northern organisations, thus reducing leakage of benefits from these three regions.



# Introduction

## 1.1. Background and study objectives

In 2012 the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University was commissioned by the Northern Housing Consortium (NHC), to assess the economic impact of housing organisations on the Northern economy<sup>1</sup>.

The NHC is a membership body for housing organisations in the North of England. The Consortium provides a range of services, including a Policy & Public Affairs team which conducts lobbying and helps influence housing policy and activity on behalf of its members.

The **objectives of this report** are:

- to demonstrate the economic and social importance of housing organisations to the North:
  - in promoting economic growth
  - as a major employer
  - in investing in people and communities
  - in building and managing social and affordable housing
- to indicate to Government, funders and other stakeholders the economic impact of housing organisations on the North
- to underpin the case for housing in the North in the run up to the next Comprehensive Spending Review and the next general election
- to enhance the existing evidence base in relation to the impact of housing; previous studies have highlighted, for example, the impact of house building on the national economy<sup>2</sup>, and also relationships between housing and health<sup>3</sup>; this report explores the impact of housing with three relatively deprived regions of England
- to provide a **baseline** against which to assess the impact of the multiple challenges facing housing organisation arising from, for example, welfare reform, economic retrenchment and changes in government spending plans.

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<sup>1</sup> comprising England's three Northern regions: the North East, the North West and Yorkshire and the Humber

<sup>2</sup> L.E.K. Consulting (2009) Construction in the UK Economy: The Benefits of Investment, UK Contractors Group <http://www.nscg.org.uk/documents/UKCGreport-ConstructionintheUKEconomy-October2009.pdf>

<sup>3</sup> NICE (2005) Housing and public health: a review of reviews of interventions for improving health, National Institute for Health and Clinical Excellence [http://www.nice.org.uk/nicemedia/pdf/housing\\_MAIN%20FINAL.pdf](http://www.nice.org.uk/nicemedia/pdf/housing_MAIN%20FINAL.pdf)



## 1.2. Methodology

Key issues in relation to parameters adopted, the evidence base, and estimating economic impact are outlined below.

### *Key parameters to the study*

**Key parameters** to the study include:

- analyses developed in this report explore the three main types of social housing provider: council, Arm's Length Management Organisations (ALMOs) and Housing Associations (HAs); section 2.2 outlines each type of provider
- the study identifies the economic impact of those housing organisations managing 1,000 or more social housing units within the North; this cut off point reflects:
  - the potential capacity of landlords managing small numbers of properties to complete the survey; this may well have had detrimental effects on response rates and the representativeness of results
  - more limited availability of standard publically available financial data for smaller housing organisations
  - the exclusion of housing organisations which mainly operate in non-Northern regions, but which manage a small number of units in one of the three regions
- this report measures economic activity stimulated directly by expenditure associated with day-to-day activities of housing organisations (for example providing routine maintenance, house building and managing rental income), which then flows through the economy to create additional activity in other sectors and industries
- analyses focus on the financial year 2011/12
- assessments reflect impact from all day-to-day activities, including those related to both social and non-social housing whether such impacts occur within, or outwith, the three Northern regions.

### *Evidence base*

The report uses both quantitative and qualitative **evidence** much of which is drawn from:

- a survey of housing organisations managing units within the three North regions
- in-depth qualitative work with seven case study housing organisations<sup>4</sup>

The purpose of the **survey** was to provide a comprehensive evidence base from which to make region-wide estimates of economic impact. It contained questions on:

- stock: numbers of units managed, net additional units provided, new builds completed, and units in development
- employment: numbers of employees and full time equivalents (FTEs), main workplace and residence of employees, and staff costs

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<sup>4</sup> Durham City Homes, Helena Partnerships, Leeds Federated Housing Association, Liverpool Housing Trust, St Leger Homes of Doncaster, Stockport Homes and Wakefield and District Housing

- income: value and source
- expenditure: value, category and regional sourcing
- neighbourhood investment activity: staff costs, financial input, monies levered in and beneficiaries.

The survey was sent out in June 2012 to 121 housing organisations operating in the North: all of the known housing organisations managing 1,000 or more units. Fifty-eight organisations completed the survey, which collectively represent around 52 per cent of total turnover in 2010/11, the latest year for which comprehensive data are available.

Unless stated, estimates presented in this report are representative of the known population of housing organisations managing 1,000 units or more. These estimates have been produced by grossing up survey responses received from these 58 organisations (48 per cent of the total of 121 organisations) using weights which take into account turnover, location of units and landlord type.

The purpose of the **case study work** was to:

- provide more detailed evidence on economic impact and community investment activities undertaken by housing organisations; boxes 1 to 6 provide examples of activity undertaken by case-study housing organisations
- test out key assumptions
- understand key challenges facing housing organisations and to explore how they are reacting to the rapidly changing policy landscape.

### ***Estimating economic impact***

**Impact is assessed** through three key economic measures:

- output expenditure
- Gross Value Added
- employment.

Three separate components are used in determining the economic impact of housing organisations:

- direct impact: the value to the economy directly attributable to the activities of housing organisations operating in England's three Northern regions
- indirect supplier effects: this is the ripple effect through the immediate supply chain created by the purchase of goods and services by housing organisations
- indirect income induced effects: these arise outside the immediate supply chain as a result of expenditure by employees of both housing organisations and also of other organisations in the immediate supply chain.

### **1.3. Structure of the report**

The remaining sections of this report are organised as follows:

- chapter 2 provides an overview of housing organisations and considers their three main day-to-day activities: managing social housing, house building and community investment
- chapter 3 assesses the economic impact of housing organisations on the Northern economy
- chapter 4 gives an overview of some of the impending policy challenges facing, and opportunities available to, housing organisations.

# Day to day activities of Housing Organisations

## 2.1. Introduction

This chapter begins by providing an overview of the three main types of organisation. Further sections then describe their three main categories of activity: managing social housing, house building, and 'community investment'<sup>5</sup> work.

## 2.2. An Overview of Housing Organisations

The study encompasses the three main types of social housing organisation operating within England's Northern regions: council, ALMOs and HAs. The following paragraphs provide a brief overview of each.

In addition to their strategic role, some **local authorities** own and manage their own social housing. However, especially since the early 2000s, many authorities have reduced the numbers of homes which they own or directly manage through delegation to ALMOs via Large Scale Voluntary Transfer (LSVT). Prior to April 2012, council housing was principally funded through a centralised subsidy system: local authority Housing Revenue Accounts. Within this system rents and expenditure needs were assessed and then rents pooled nationally with allowances made on the basis of need. From April 2012, as part of the Coalition Government's Localism Agenda, the redistributive system was replaced by a new system based on self-financing (see section 4.3).

**Arm's Length Management Organisations** (ALMOs) are companies set up by local authorities to manage and improve all or part of their stock. This separates out the day-to-day housing management function of the landlord from the wider strategic housing role of the local authority. Under this arrangement rent paid by tenants goes to the local authority and the ALMO receives a management fee for its role.

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<sup>5</sup> Community investment has been used within this report as a collective term to cover services, facilities and environmental improvements which housing organisations provide for their tenants and the wider communities in which they operate. It encompasses what has previously been termed 'housing plus', 'added value' or regeneration work.

## Box 1: Liverpool Housing Trust - Jigsaw Neighbourhood Solutions

### Overview

Jigsaw is a partnership developed by the Liverpool Housing Trust to support the physical, social and economic regeneration of the area in order to deliver long-term sustainability through:

- delivering enhanced and improved environmental services, such as ground maintenance and landscaping, communal cleaning and gardening, tree management and neighbourhood improvements
- training and employment programmes aimed at the long term unemployed
- diversionary activities for young people, focusing on environmental and citizenship issues



### Inputs

Jigsaw currently:

- procures and manages £2.5 million of environmental related works
- employs 24 staff, including landscape architects, tree officer, wardens, neighbourhood caretakers and community regeneration workers; 16 Jigsaw staff have received training to help fulfil their roles

### Outputs and Outcomes

Jigsaw:

- has 4,571 general needs tenants who are contracted to service charges
- manages two grounds maintenance contracts, maintains 27 green space sites, manages 15-20,000 trees and has completed 125 communal clearances to date
- has been awarded three Keep Britain Tidy Estate Quality Mark Awards
- has attained ISO 9001 accreditation
- has increased community engagement, including:
  - 11 resident volunteers who monitor services on behalf of jigsaw
  - four community ownership projects Mill Street Memorial Garden, Heathcote city zoo, Achilles Court vegetable garden and Alley greening in Liverpool
- has contributed to:
  - diversion of young people away from anti-social behaviour and crime
  - raising attainment for tenants in core subjects
  - increasing the number of young adults with key employability skills
  - creating a 'clean, safe, well managed and inclusive community'
- has seen tenants in Runcorn and Liverpool report increased perceptions of overall satisfaction and value for money in the service it delivers

**Housing Associations** (HAs) are private non-profit making organisations. Although independent, they are regulated by the Homes and Communities Agency (HCA) (and previously the Tenant Services Authority) and commonly receive public funding in order, for example, to build new social housing or to help finance housing improvements. They use trading surpluses to provide services, to maintain existing housing, and to help finance the building of new homes. The number of HAs has grown substantially since the 1980s owing to some councils transferring all, or part, of their social housing stock as a result of:

- changes in the regulatory framework which meant local authorities were no longer able to subsidise their housing from local taxes; this was an important consideration during the early 2000's when councils required additional funds to modernise units and to meet decent homes standards
- an attempt to limit the impact of the right to buy scheme which allowed existing council tenants to buy their home at sub-market prices
- the Housing Benefit scheme being seen as more beneficial to housing associations than to local authorities.

Housing organisations vary with respect to numbers of units they manage, geographical spread, the tenure of housing they provide (from specialist supported housing providers through to those offering a full range of tenures), the communities they serve, and the characteristics of their client base.

However, a number of **consistent themes reflect the aims and objectives of many housing organisations**, including:

- offering choice and high quality homes
- offering responsive services to meet customers' needs
- creating successful and sustainable communities
- promoting social and economic inclusion
- understanding and meeting the diverse needs of customers
- involving tenants in the management of homes and neighbourhoods
- successful partnership working with a range of local stakeholders
- actively managing existing asset bases
- building new social and affordable homes for both rent and sale
- being open and transparent employers
- being accountable and delivering Value for Money: maximising the use of available resources, making use of buying power, and seeking efficiencies
- improving financial performance, including minimising rent arrears
- diversifying into new business areas.

Remaining sections of this chapter explore the three broad day-to-day activities of housing organisations: managing social housing, house building, and community investment work.

## 2.3. Day-to-Day Activities of Housing Organisations: Managing Social Housing

Managing social housing represents a core function of all housing organisations. This role includes providing and allocating homes, delivering repairs and maintenance, and managing rental income. Table 2.1 provides estimates, based on responses to the survey, of numbers of units managed by region, landlord type and tenure.

As of the end of the financial year 2011/12, housing organisations encompassed by the study managed 1,198,000 units within England's Northern regions: 511,900 in the North West, 414,200 in Yorkshire and the Humber, and 272,000 in the North East. This accounts for roughly 18 per cent of all properties in the North.

### Box 2: Helena Partnerships - re:new Four Acre

#### Overview

re:new Four Acre is a neighbourhood management scheme led by Helena which brings together local partners including St Helens Council, Merseyside Police and Merseyside Fire & Rescue Service to improve the long term sustainability of the Four Acre estate. This includes addressing inequalities in health, employment and education and empowering residents to shape local service provision

#### Inputs

- Helena Partnerships: a direct annual financial contribution of £20,500 and annual staffing costs of £74,300 employing 2.3 FTE workers
- St Helens Council: annual staffing costs of £30,000 employing 1 FTE worker
- BIG lottery: a direct annual financial contribution of £21,000 and annual staffing costs of £9,000 employing 0.3 FTE workers
- European Social Fund: a direct annual financial contribution of £21,000 and weekly staffing costs of £50

#### Outputs and outcomes

The following bullets provide a flavour of key outputs and outcomes achieved by the partnership thus far

- re:new has provided:
  - one dedicated police officer, four Police Community Support Officers,
  - one dedicated fire fighter providing 6 hours per week and 12 community fire fighters
  - 2 major green space projects and 2 green street projects have taken place
  - 72 community chest grants have been award; amounting £34,000
  - four environmental clean up days
  - six 'apprenticeship events' have been held, to which approx. 270 people attended
  - opportunities for community engagement, including: 10 resident board members, 12 Junior Wardens and 36 Street Champions
- since 2009 there has been a 85 per cent reduction in nuisance fires, 83 per cent



reduction in calls relating to ASB and a 79 per cent reduction in reported criminal damage

- the number of Troubled Families living in the area has fallen from 54 to 18 since 2010
- 18 apprenticeships have been found; from which 11 apprentices had found work
- resident 'satisfaction with the area' increased from 44 per cent in 2008/09 to 72 per cent in 2010/11

There are both significant financial and social benefits associated with the re:new Four Acre scheme. For instance:

- according to Home Office estimates the reported reduction in criminal damage has associated social and economic cost saving of £177,000 in 2011/12 prices
- DCLG data shows on average £75,000 per family each year is spent on Troubled Families
- being satisfied with the area as a place to live, compared to not being satisfied, has a similar impact on well-being as does an additional £59,600 in household income



In terms of tenure, 96 per cent of units were social housing (85 per cent General Need Housing and 11 per cent Supported Housing or Housing for Older People), 3 per cent were other social housing (with Shared Ownership, Low Cost Home Ownership and other social housing each comprising one per cent of total units managed) and 1 per cent were non-social housing. The social housing properties managed by housing organisations represented in this study make up around 93 per cent of all social housing in the North.

Breaking down units by type of organisation shows:

- HAs managed 777,000 units; of which 94 per cent were social housing, 4 per cent other social housing and 1 per cent non-social housing units
- Councils managed 136,200 units; all but a few of which were social housing
- ALMOs managed 284,800 units; of which 99 per cent were social housing.

**Table 2.1: Number of units managed; end of financial year 2011/12**

|                          | All              | Type of organisation |                |                |
|--------------------------|------------------|----------------------|----------------|----------------|
|                          |                  | Council              | ALMO           | HA             |
| Total                    | 1,437,600        | 136,200              | 284,800        | 1,016,600      |
| North East               | 272,000          | 17,900               | 89,500         | 164,600        |
| North West               | 511,900          | 19,400               | 65,500         | 427,000        |
| Yorkshire and the Humber | 414,200          | 98,900               | 129,800        | 185,500        |
| <b>Northern regions</b>  | <b>1,198,000</b> | <b>136,200</b>       | <b>284,800</b> | <b>777,000</b> |

Source: CRESR survey (2012)

At the end of the financial year 2011/12, housing organisations operating in England's Northern regions **managed 6,000 more net additional units** (the outcome from a range of processes: new builds, demolitions, net conversions, net change of use and net other change) in the North compared with the previous year. These comprised:

- 6,100 net additional units provided by HAs compared with -100 and 0 net additional units provided by ALMOs and Councils respectively
- 80 per cent were net additional social housing units, 11 per cent net additional other social housing units, and 9 per cent net additional non-social housing units.

## **2.4. Day-to-Day Activities of Housing Organisations: House Building**

Housing organisations are involved in house building to meet the increasing need for more social and affordable housing. This work is generally funded through a combination of:

- reinvestment of surpluses
- grant funding, of which the HCA's Affordable Homes Programme is a main source
- and loan borrowings; however, changes in the terms offered by banks has led housing organisations to consider other options such as bond issues.

Based on responses to the survey (Table 2.2), it is estimated that **8,400 new units were completed** across the North in 2011/12, of which:

- 3,900 were in the North West, 3,200 in Yorkshire and the Humber, and 1,300 in the North East
- and 95 per cent were built by HAs.

**Table 2.2: Number of new units completed; 2011/12**

|                          | Type of organisation |              |              |
|--------------------------|----------------------|--------------|--------------|
|                          | All                  | Council/ALMO | HA           |
| Total                    | 12,800               | 400          | 12,400       |
| North East               | 1,300                | 100          | 1,200        |
| North West               | 3,900                | 100          | 3,800        |
| Yorkshire and the Humber | 3,200                | 200          | 3,100        |
| <b>Northern Regions</b>  | <b>8,400</b>         | <b>400</b>   | <b>8,000</b> |

Source: CRESR survey (2012)

Of the 58 organisations responding to the survey, 36 reported completing a least one home in the year to 31 March 2012 including 13 which had completed 100 or more. Together they completed 4,800 units in the North.

In addition, the 58 housing organisations had 3,100 units in development at the end of March 2012: 1,500 in the North West, 1,100 in Yorkshire and the Humber, and 500 in the North East.

### **Box 3: Wakefield and District Housing (WDH) - Health Inequality Workers**

#### **Overview**

Findings from the evaluation of their 'Wakefield Standard' Decent Homes programme, alongside the introduction of the Joint Strategic Needs Assessment (JSNA), suggested that WDH needed to be more pro-active in preventing illness and helping vulnerable people to adopt healthier lifestyles. As a joint approach was required, WDH and the NHS commenced working in partnership to provide a cost effective and workable solution.



#### **Inputs**

The project is managed by WDH which provides training, supervision and management, whilst the NHS (Public Health) commission and pay for the Health Inequality Worker (HIW).

In 2010 WDH and the NHS jointly appointed five HIW to work within WDH's five housing management areas.

#### **Outputs and outcomes**

The following bullets provide a flavour of key outputs and outcomes achieved by the partnership thus far

- five HIW have been appointed to work within WDH's five housing management areas
- HIWs have worked with over 1,500 clients with support and intervention lasting on average 12 weeks per client
- over 500 clients have been assisted in applying for grants or given benefit/rights advice

- over 3,100 referrals have been made to either support services or third sector organisations
- 94 per cent of the client group have reported health and well-being improvements
- clients have also identified improved confidence and understanding and awareness of services available to them
- support and advice has also been provided on:
  - smoking cessation
  - fuel poverty
  - counselling
  - mental health
  - employment

## 2.5. Day-to-day Activities of Housing Organisations: 'Community Investment' Work

Increasingly, housing organisations have widened their remit to include what are commonly called 'community investment' activities including:

- employment training
- apprenticeships
- job brokerage
- after-schools clubs
- budgeting advice
- Information Communication Technology (ICT) training
- gardening clubs
- community health workers
- health clinics
- initiatives to tackle crime and anti-social behaviour
- 'skip days'
- and support services.

This trend towards housing organisations widening their remit reflects:

- a recognition of the business case argument for improving the economic and social circumstances of tenants in order to help increase rental income, and to reduce stock turnover and management costs
- a desire on the part of management and staff to undertake such work to create successful, sustainable and resilient residents and communities
- other stakeholders (such as councils) accepting that housing organisations may be an appropriate and cost-effective vehicle through which to implement this type of locality based work
- terms written into ALMO and LSVT agreements.

## **Box 4: Stockport Homes - Financial Inclusion and Working Communities Strategy**

### **Overview**

Stockport Homes' Financial Inclusion and Working Communities Strategy was adopted in December 2011. The Strategy aims to:

- increase the employability of, and employment opportunities for, tenants
- strengthen the financial capacity of tenants
- target financial inclusion resources at tenants whose need is greatest.

### **Inputs**

Stockport Homes earns more than £700 thousand per year in commission through the collection of water charges on behalf of United Utilities. This additional income provides the resources necessary to deliver the Strategy through a range of partnership activities and an additional 13.5 full time posts (2011/12). It also supports some housing-related initiatives that benefit the wider community, beyond the Stockport Homes' tenant base.

### **Outputs and Outcomes**

Activities delivered through the strategy in 2011/12 include:

- a rent deposit scheme
- pre-tenancy support
- support for families with complex needs
- advice for tenants on issues such as debt, benefits entitlements and energy
- advice for people facing mortgage repossession
- support for offenders on release from custody
- development support for local voluntary organisations and community groups
- support for tenants to access employment support and volunteering opportunities.

These activities resulted in the following economic benefits:

- Benefit gains and debt management support of over £4.3m
- £6,000 in Warm Homes Discount grants, reduced water charges of £31,801 and United Utilities Trust grants of £4,185
- employment with an annual economic value of up to £221,000
- £357,373 in external funding secured, enabling an additional £751,537 of match funding to be levered into the area
- 1,169 hours of volunteering worth an estimated £7,108 during 2011/12.

A number of exchequer savings have also been identified:

- £832,000 as a result of home repossessions prevented
- possible reductions in costs associated with re-offending.

The economic climate and changes in government policy, most notably aspects of Welfare Reform, mean that **demands for community investment work are likely to increase**, a theme considered in more detail in section 4.4.

The survey asked housing organisations to indicate:

- staff costs involved in community investment work
- their financial contribution to community investment work
- additional monies levered in to fund community investment activities
- numbers of people or homes benefiting from community investment.

Although organisations valued being able to provide measures of their community investment work, many especially councils and ALMOs, had difficulty in providing required data. Variations in non-response rates means that adopting grossing factors here may produce misleading results. As a consequence, this section is based on unweighted results. Therefore, when interpreting results outlined immediately below it should be noted that actual figures are likely to be at least double those shown.

Tables 2.3 and 2.4 summarise key measures by broad types of activity. Key points include:

- total input (where input equals the sum of staff cost, direct financial contributions and contributions from other organisations) for the six categories of activity was £121.4 million, of which 45 per cent was staff costs, 42 per cent direct financial contributions, and 13 per cent contributions from other organisations
- the largest input was for 'Environment and liveability' projects, including abandoned vehicle removal, estate caretakers and handyperson schemes: £37.7 million; half of this sum comprised financial contributions by housing organisations and a further third staff costs
- 'wellbeing, health, support and sport' projects had a total input of £31.9 million; of which £13.5 million was staff costs and £12.0 million direct financial contributions
- 'crime and cohesion' projects had a total input of £22.1 million; of which £12.6 million was staff costs and £8.3 million direct financial contributions
- around 695,300 people and 567,800 homes benefited from community investment work, this included:
  - 197,300 people and 176,700 homes benefiting from crime and cohesion projects
  - 184,700 people and 228,100 homes from environment and liveability projects
  - 108,500 people and 60,800 homes from poverty and social inclusion projects.

**Table 2.3: Community Investment work, Inputs**

|                                    | Inputs (£millions) |                  |                     |
|------------------------------------|--------------------|------------------|---------------------|
|                                    | Staff cost         | Direct Financial | Other organisations |
| Environment and liveability        | 13.1               | 18.9             | 5.6                 |
| Wellbeing, health, support & sport | 13.5               | 12.0             | 6.4                 |
| Crime and community                | 12.6               | 8.3              | 1.2                 |
| Poverty and social inclusion       | 8.0                | 6.5              | 0.9                 |
| Employment and enterprise          | 4.8                | 3.5              | 1.2                 |
| Education and skills               | 2.7                | 1.5              | 0.5                 |
| <b>Total</b>                       | <b>54.9</b>        | <b>50.7</b>      | <b>15.8</b>         |

Source: CRESR survey (2012)

**Table 2.4: Community Investment work, beneficiaries**

|                                    | Beneficiaries (number) |                |
|------------------------------------|------------------------|----------------|
|                                    | People                 | Homes          |
| Environment and liveability        | 184,700                | 228,100        |
| Wellbeing, health, support & sport | 98,900                 | 44,600         |
| Crime and community                | 197,300                | 176,700        |
| Poverty and social inclusion       | 108,500                | 60,800         |
| Employment and enterprise          | 35,700                 | 21,700         |
| Education and skills               | 70,300                 | 35,800         |
| <b>Total</b>                       | <b>695,300</b>         | <b>567,800</b> |

Source: CRESR survey (2012)

In order to give more of a flavour of community investment work, Boxes 1 to 6 provide examples of activity undertaken by case-study housing organisations.

This chapter had provided an overview of housing organisations and their key activities. The next section takes the debate forward by identifying the economic impact arising from this activity.



# Economic Impact calculations

## 3.1. Introduction

This chapter identifies the economic impact of housing organisations on the Northern economy and is structured as follows:

- the first section briefly recaps on methods employed
- a second considers key factors which influence economic impact: income, procurement and composition of expenditure
- the third examines key components in defining economic impact:
  - expenditure (output)
  - employment
  - Gross Value Added
  - and indirect effects
- and a final section provides a summary of overall economic impact.

## 3.2. Methods employed: a brief recap

Economic Impact for 2011/12 has been assessed for three key economic measures:

- expenditure
- Gross Value Added (GVA): the value of output produced minus intermediate output
- and employment.

The study incorporates both **direct and indirect impacts**:

- direct impact: the value to the economy directly attributable to the activities of housing organisations operating in the three Northern regions: money flowing into the economy through expenditure on day-to-day activities
- indirect supplier effects: the ripple effect through the immediate supply chain providing goods and services to housing organisations
- indirect income induced effects: arising outside the immediate supply chain as a result of expenditure by employees of both housing organisations and of organisations in the immediate supply chain.

### 3.3. Key factors influencing economic impact: income, procurement and composition of expenditure

This section addresses three key factors which help determine economic impact:

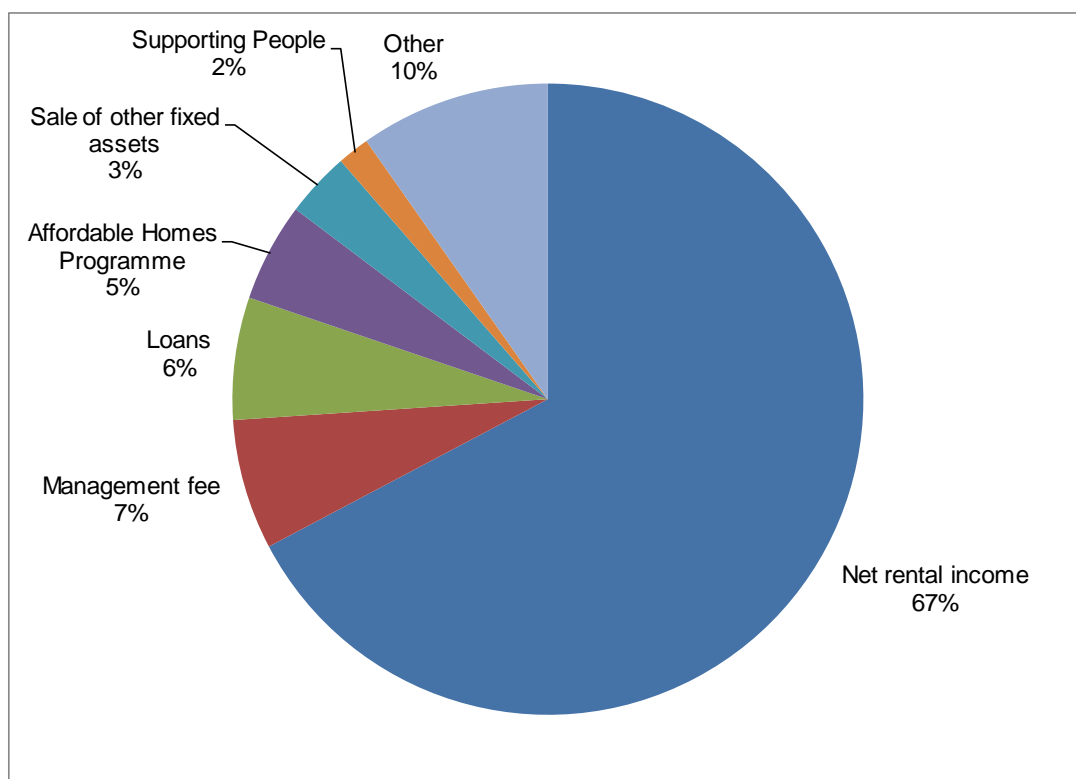
- income which affects gross expenditure
- procurement policies and practices which impact on the proportion of expenditure remaining within the Northern economy
- and the composition of expenditure, which affects the magnitude of indirect impacts.

#### *Income*

Income<sup>6</sup> in the year 2011/12 was estimated to be £6,499 million (£5,874 excluding loan funding). As is outlined in Figure 3.1, net rental income accounts for some 67 per cent of this figure. It is worth pointing out the vulnerability of a proportion of this rental income, as well as additional rental income collected by ALMOs on behalf of local authorities, bearing in mind impending changes to housing benefit. In particular:

- we estimate on average 60-65 per cent of rental income is secured through housing benefit
- and two thirds of housing benefit is claimed by those of working age (16-65) and is therefore especially vulnerable to Welfare Reform changes, most notably 'Direct Payments' (see section 4.2).

**Figure 3.1: Composition of income, 2011/12**



Source: CRESR survey (2012)

<sup>6</sup> This study uses a more inclusive definition of income than that within financial statements. The study includes all 'incoming', including loan funding and income earned from non social housing activities.

## ***Procurement***

Procurement policies are important in determining leakage of expenditure out of the Northern economy. Current rates of leakage, by category of expenditure, are shown in Table 3.2. This study estimates that 81 per cent of housing organisation expenditures, excluding bad debt and depreciation, remains within the Northern regions; including bad debt and depreciation this is 72 per cent.

Within the case-studies, established procurement policies and practices have been adopted specifically designed to enhance local social and economic impact. Examples of such practices, which minimise leakage of expenditure out of the region, include:

- Stockport Homes has assisted local SMEs to get onto procurement panels; for example by helping them achieve certificates so they meet quality assurance thresholds
- Helena Partnerships, through the procurement social enterprise Fusion 21 (a member of Alliance, which is the procurement collaboration between the Northern Housing Consortium, Procurement for Housing, and Fusion 21) has incorporated social contracts within its commissioning which have included, for example, requirements to:
  - take on local apprentices
  - use local suppliers or materials
  - sub-contact work to local SMEs.

## ***Composition of expenditure***

How housing organisations spend their money affects economic impact calculations through the magnitude of the indirect effect. Expenditure on construction and major repairs, refurbishment and purchase of housing properties for example, are associated with a larger multiplier effect. These kinds of activities stimulate a greater ripple effect through the supply chain than does, for instance, spend on staff. The estimated Northern regions output multiplier adopted within this study for construction expenditure is one and a half times greater than that for direct staff cost expenditure.

However, there are limits on the degree to which housing organisations can concentrate activities, and hence expenditure, solely on high tariff categories such as construction. For example:

- some expenditure on rent and energy is essential as these are important in the day to day operation of housing organisations
- neglecting community investment work, funding for which is to a large degree expended on staff, could have a detrimental effect by increasing arrears (reducing income) and enhancing expenditure on managing tenants (which itself would require additional staff costs); there are also significant social benefits and savings to the public purse arising out of these types of activity (as is outlined in boxes 1 to 6).

Composition of expenditures in 2011/12 is shown in Tables 3.1 and 3.2.

### 3.4. Defining Economic Impact

Sections immediately above outline key factors which influence economic impact. This section advances analysis by defining impact through a detailed consideration of expenditure (output), employment, Gross Value Added and indirect effects.

#### *Gross and net expenditure by housing organisations*

**Gross expenditure** is defined here as the total amount of expenditure<sup>7</sup> by housing organisations regardless of from where goods and services purchased were sourced. Grossing up from survey responses, it is estimated that gross expenditure by Northern housing organisations was £6,940 million in 2011/12. Table 3.1, which presents gross expenditure broken down by category, shows that 'refurbishment and purchase of housing properties' (22 per cent), 'major repairs and maintenance' (21 per cent), and 'direct staff costs' (16 per cent), the wages and salaries paid to staff, comprise three-fifths of gross expenditures.

In order to establish **net figures**, gross expenditures have been adjusted by deducting leakages in expenditure which do not create an impact on the Northern economy: expenditure on depreciation and bad debts and also expenditure which goes to businesses not located within the three regions. The last category of leakage has been estimated from regional sourcing questions included in the survey, responses from which were subsequently validated in detailed discussions with case study organisations.

An estimated £5,005 million (72 per cent) of gross expenditure went to suppliers based within the three Northern regions. Table 3.2 provides estimates of how this 'net expenditure' breaks down by category. Key points to note include:

- the largest category of expenditure retained within the Northern economy was 'refurbishment and purchase of housing properties': £1,373 million which represented 89 per cent of gross expenditure in this category
- 'major repairs and maintenance' comprised the second largest category of net expenditure: £1,227 million, 85 per cent of gross expenditure
- net expenditure on 'direct staff costs' was £834 million: three quarters of gross 'direct staff costs' expenditure
- about two-thirds of expenditure on construction (£584 million) was retained within the region.

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<sup>7</sup> This study uses a more inclusive definition of expenditure than that for operational expenditure outlined in financial statements. The study includes expenditure on items such as construction and refurbishment which usually feature as capital, rather than operational, expenditure.

**Table 3.1: Gross expenditure by category, 2011/12**

|  | Gross Expenditure |            |
|--|-------------------|------------|
|  | £millions         | Per cent   |
| Refurbishment & purchase of housing properties | 1,544             | 22         |
| Major repairs and maintenance                  | 1,438             | 21         |
| Direct labour costs                            | 1,116             | 16         |
| Construction of housing properties             | 871               | 13         |
| Finance and business services                  | 114               | 2          |
| Purchase of other fixed assets                 | 106               | 2          |
| Transport/post/telecoms etc.                   | 85                | 1          |
| Energy/water for offices/HQ etc.               | 78                | 1          |
| Community / Neighbourhood Investment           | 66                | 1          |
| Rents and rates                                | 54                | 1          |
| Hotels/distributions                           | 30                | 0          |
| Land acquisition                               | 26                | 0          |
| Consumables paper/office stationery etc.       | 23                | 0          |
| Training services                              | 18                | 0          |
| Other  | 1,373             | 20         |
| <b>Total</b>                                   | <b>6,940</b>      | <b>100</b> |

Source: CRESR survey (2012)

**Table 3.2: Net expenditure by category, 2011/12**

|  | Regional Sourcing | Net expenditure |            |
|--|-------------------|-----------------|------------|
|  | Per cent          | £millions       | Per cent   |
| Refurbishment & purchase of housing properties | 89                | 1,373           | 27         |
| Major repairs and maintenance                  | 85                | 1,227           | 25         |
| Direct labour costs                            | 75                | 834             | 17         |
| Construction of housing properties             | 67                | 584             | 12         |
| Finance and business services                  | 83                | 95              | 2          |
| Purchase of other fixed assets                 | 85                | 90              | 2          |
| Energy/water for offices/HQ etc.               | 80                | 63              | 1          |
| Transport/post/telecoms etc.                   | 68                | 58              | 1          |
| Community / Neighbourhood Investment           | 81                | 54              | 1          |
| Rents and rates                                | 67                | 36              | 1          |
| Hotels/distributions                           | 96                | 28              | 1          |
| Land acquisition                               | 72                | 19              | 0          |
| Consumables paper/office stationery etc.       | 58                | 13              | 0          |
| Training services                              | 70                | 13              | 0          |
| Other  | 38                | 519             | 10         |
| <b>Total</b>                                   | <b>72</b>         | <b>5,005</b>    | <b>100</b> |

Source: CRESR survey (2012)

## Employment

The survey asked housing organisations to report both average monthly numbers of directly employed employees in the financial year 2011/12 and also their full time equivalence (FTE). Follow up questions provided evidence with regard to how these numbers broke down by main workplace and place of residence. Table 3.3 shows housing organisations operating within the three regions employed:

- 46,200 employees whose main place of work was within the three regions: 11,000 in the North East, 18,600 in the North West and 16,600 in Yorkshire and the Humber
- 41,600 FTE employees whose main place of work was within the three regions: 10,200 in the North East, 16,400 in the North West and 15,100 in Yorkshire and the Humber
- 45,800 employees residing within the three regions: 11,000 in the North East, 18,400 in the North West and 16,400 in Yorkshire and the Humber.

Adopting conservative assumptions on the effective income tax which employees of housing organisations pay, it is estimated that the 45,800 employees residing in the Northern regions contributed just over £150 million in income tax receipts to the Treasury in 2011/12.

It is interesting to reflect here on the relative size of this workforce of over 46,000 employees. According to the Business Register and Employment Survey<sup>8</sup> (BRES), **this figure is only slightly less than all of those employed in the manufacture of motor vehicle (17,000) and in the activities of call centres (31,500) throughout the three regions.**

Analysis of employment by type of organisation reveals:

- HAs employed 29,300 FTEs (33,200 people) whose main workplace was within the three Northern regions
- Councils employed 3,600 FTEs (3,900 people) in housing management functions whose main workplace was within the three Northern regions
- ALMOs employed 8,800 FTEs (9,100 people) whose main workplace was within the three Northern regions.

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<sup>8</sup> Source: BRES/ONS (NTC/BRES11-P0329); This data was accessed via NOMIS

**Table 3.3: Employment, 2011/12**

|                                       | Type of organisation |              |              |               |
|---------------------------------------|----------------------|--------------|--------------|---------------|
|                                       | All                  | Council      | ALMO         | HA            |
| <b>Employees</b>                      |                      |              |              |               |
| Total                                 | 64,200               | 3,900        | 9,100        | 51,200        |
| <b>Workplace</b>                      |                      |              |              |               |
| North East                            | 11,000               | 400          | 2,500        | 8,200         |
| North West                            | 18,600               | 500          | 2,300        | 15,900        |
| Yorkshire and the Humber              | 16,600               | 3,100        | 4,400        | 9,200         |
| <b>Northern Regions</b>               | <b>46,200</b>        | <b>3,900</b> | <b>9,100</b> | <b>33,200</b> |
| <b>Residence</b>                      |                      |              |              |               |
| North East                            | 11,000               | 400          | 2,500        | 8,200         |
| North West                            | 18,400               | 500          | 2,300        | 15,700        |
| Yorkshire and the Humber              | 16,400               | 3,100        | 4,400        | 9,000         |
| <b>Northern Regions</b>               | <b>45,800</b>        | <b>3,900</b> | <b>9,100</b> | <b>32,900</b> |
| <b>Full Time Equivalent employees</b> |                      |              |              |               |
| Total                                 | 57,000               | 3,600        | 8,800        | 44,600        |
| <b>Workplace</b>                      |                      |              |              |               |
| North East                            | 10,200               | 300          | 2,400        | 7,500         |
| North West                            | 16,400               | 500          | 2,200        | 13,700        |
| Yorkshire and the Humber              | 15,100               | 2,800        | 4,200        | 8,100         |
| <b>Northern Regions</b>               | <b>41,600</b>        | <b>3,600</b> | <b>8,800</b> | <b>29,300</b> |

Source: CRESR survey (2012)

**Gross Value Added**

Total expenditure is useful in assessing the contribution of the sector to the economy. However, an alternative measure is Gross Value Added (GVA). This is the additional value that housing organisations add to their inputs (the goods and services purchased), which contributes to the Northern economy. Combining estimated gross regional wages and salaries from the survey with evidence from the Office for National Statistics<sup>9</sup> (ONS) it is estimated that housing organisations contributed £1,699 million worth of GVA to the Northern economy: £402 million to the North East, £701 million to the North West and £596 million to Yorkshire and the Humber. The figure for the three regions amounted to 0.7 per cent of total GVA for the Northern economy.

**Indirect impacts**

In addition to those direct impacts outlined immediately above, it is also necessary to capture indirect impact on the Northern economy. This comprises additional output, GVA and employment created by indirect suppliers and also induced income effects

<sup>9</sup> ONS evidence on the ratio between Regional values for 'composition of employees' and GVA.



(described in section 3.2 above). Economic multipliers as to the scale of these effects have been estimated from input-output tables. It is estimated that housing organisations in the three Northern regions indirectly bring about:

- an additional £5,264 million worth of expenditure (output)
- an estimated additional GVA of £2,948 million: additional operating surplus and wages paid
- and an additional 75,200 FTE jobs: housing organisations indirectly support 1.8 FTE jobs per one directly employed FTE.

### 3.5. Summarising Economic Impact: across the North, by organisation type and by region

Table 3.4 summarises overall economic impact. This study estimates that housing organisations operating in the North, in 2011/12 supported:

- a total output of £10,269 million in the North
- a total worth of £4,646 million Gross Value Added to the Northern economy: 1.8 per cent of the total GVA
- 116,900 FTE jobs in the North

**Table 3.4: Summary of economic impact on the Northern economy, 2011/12**

|  | Direct Impact | Indirect Impact | Total Impact |
|--|---------------|-----------------|--------------|
| <b>Output:</b><br>£millions            | 5,005         | 5,264           | 10,269       |
| <b>Gross Value Added:</b><br>£millions | 1,699         | 2,948           | 4,646        |
| <b>Employment:</b><br>(FTEs)           | 41,600        | 75,200          | 116,900      |

Source: CRESR survey (2012)

Table 3.5 and Table 3.6 summarise estimates of overall economic impact by type of organisation and, for reference, by region. The regional estimates of economic impact are based on housing organisations which manage 500 or more units within each of the respective regions.

Work in the Durham City Homes case-study explored differences in economic impact between this council organisation and the average impact for eight HAs each managing similar numbers of dwellings. This analysis revealed:

- total - direct and indirect - economic impact was considerable lower for Durham City Homes:
  - total impact on output expenditure was £29.7 million just over half that for the HAs average
  - total impact on GVA was £12.5 million, half that for the HAs average
  - total FTE jobs supported by Durham City Homes was just over two-fifths the average for the comparator HAs

- differences in income received, and how this money was spent, explained these gaps in economic impact:
  - income received by the council (excluding loans) was 69 per cent of the HA average; if loans are included this percentage falls to 55 per cent
  - Durham City Homes did not spend any money on construction, whereas the average across these eight HAs was £6.2 million.

**Table 3.5: Summary of economic impact on the Northern economy by type of organisation, 2011/12**

|  | Direct Impact | Indirect Impact | Total Impact |
|--|---------------|-----------------|--------------|
| <b>Council</b>                         |               |                 |              |
| <b>Output:</b><br>£millions            | 397           | 397             | 794          |
| <b>Gross Value Added:</b><br>£millions | 119           | 252             | 371          |
| <b>Employment:</b><br>(FTEs)           | 3,600         | 5,600           | 9,200        |
| <b>ALMO</b>                            |               |                 |              |
| <b>Output:</b><br>£millions            | 841           | 853             | 1,694        |
| <b>Gross Value Added:</b><br>£millions | 319           | 472             | 791          |
| <b>Employment:</b><br>(FTEs)           | 8,800         | 11,800          | 20,500       |
| <b>Housing Association</b>             |               |                 |              |
| <b>Output:</b><br>£millions            | 3,767         | 4,014           | 7,781        |
| <b>Gross Value Added:</b><br>£millions | 1,261         | 2,222           | 3,484        |
| <b>Employment:</b><br>(FTEs)           | 29,300        | 57,800          | 87,100       |

Source: CRESR survey (2012)

**Table 3.6: Summary of economic impact on each of the three Northern economies, 2011/12**

|  | Direct Impact | Indirect Impact | Total Impact |
|--|---------------|-----------------|--------------|
| <b>North East</b>                      |               |                 |              |
| <b>Output:</b><br>£millions            | 1,213         | 1,018           | 2,232        |
| <b>Gross Value Added:</b><br>£millions | 394           | 582             | 977          |
| <b>Employment:</b><br>(FTEs)           | 10,000        | 11,900          | 21,900       |
| <b>North West</b>                      |               |                 |              |
| <b>Output:</b><br>£millions            | 2,150         | 2,162           | 4,312        |
| <b>Gross Value Added:</b><br>£millions | 701           | 1,077           | 1,778        |
| <b>Employment:</b><br>(FTEs)           | 16,400        | 22,900          | 39,300       |
| <b>Yorkshire and the Humber</b>        |               |                 |              |
| <b>Output:</b><br>£millions            | 1,602         | 1,487           | 3,090        |
| <b>Gross Value Added:</b><br>£millions | 594           | 698             | 1,292        |
| <b>Employment:</b><br>(FTEs)           | 15,000        | 15,100          | 30,100       |

Source: CRESR survey (2012)

## Future Outlook

### 4.1. Introduction

This final chapter provides a **brief overview** of some of the impending challenges facing, and opportunities available to, housing organisations. This material, which is mainly drawn from qualitative work with the seven case study organisations, should be treated with a degree of caution. In many cases it is not possible at this stage to be precise in relation to the longer term, inter-meshing effects of new policy initiatives. Nevertheless, it is possible to flag up some likely implications arising from impending changes with regard to welfare reform, housing finance, and the localism agenda. And, as is explained at the end of this chapter, such changes may well in time also have implications for the scale and nature of economic impacts flowing from housing organisations.

### 4.2. Impact of Welfare Reform

On 8 March 2012 the Welfare Reform Act received Royal Assent, bringing with it the most fundamental changes to the welfare system for over 60 years. Three changes in particular are likely to create considerable challenges for housing organisations: Size Criteria for people renting in the social housing sector (the so called 'Bedroom Tax'), 'the Benefit Cap', and Direct Payments. These are considered in turn.

#### *Size criteria for people renting in the social housing sector (the Bedroom Tax)*

The Welfare Reform Act introduces new rules for the size of accommodation that Housing Benefit, and then Universal Credit (UC), will cover for working age tenants in the social sector. From April 2013 all current and future working age tenants renting from a local authority, housing association, or other registered social landlords will receive housing benefit allowances based on the need of their household as defined by the 'bedroom standard'<sup>10</sup>. According to Department for Work and Pensions (DWP) statistics<sup>11</sup> it is estimated that approximately 240,000 tenant households will be affected in the North. Multiplying this figure by the regional estimated weekly reduction in housing benefit for affected households, suggests that the size criteria will leave an annual rent shortfall of £168 million for tenants. The choice for these households will be either to make up the shortfall in their rent or to move to a smaller property. However, evidence from the case studies suggests that at current levels of stock turnover it would take between five and ten years for the

<sup>10</sup> <http://www.dwp.gov.uk/docs/factsheet-hbsssc1.pdf>

<sup>11</sup> DWP (2012) Housing Benefit: under occupation of social housing, Department for Work and Pensions Impact Assessment updated June 2012 <http://www.dwp.gov.uk/docs/social-sector-housing-under-occupation-wr2011-ia.pdf>

necessary scale of mobility to occur. A further complication is a mismatch between housing need, as determined by the bedroom standard, and the composition of available housing stock: in general there is not enough one-, and two-, bedroom accommodation.

### ***The Benefit Cap***

From April 2013 a cap will be introduced on the total amount of benefit working age people can receive. This will mean that workless households should no longer receive more in benefits than the average earnings of working households. Crucially in this context, where benefits exceed this level deductions will be made from Housing Benefit payments. It is not clear how many households will be affected, but we estimate it will be at least 5,000 in the North.

### ***Direct Payments***

The Welfare Reform Act includes the introduction from 2013 of UC: a new single payment incorporating a number of benefits, including Housing Benefit. Crucially UC will be paid directly to claimants. This is at odds with the current system where, for social housing tenants, housing benefit payments are paid direct to landlords. Detail on the precise impact of 'direct payment' is not available. In practice claimants will receive equivalent payments to that previously paid to landlords. However, a 2004 pilot study by London and Quadrant Housing Trust suggests that direct payments would lead to:

- an increased rate of arrears from 3 per cent to 7 per cent of total rent roll
- additional transaction costs of £300,000
- and a need to employ 30 additional staff to manage the consequences of the change.

The government is currently monitoring and evaluating 'direct payment' of housing benefit in six demonstration projects. Early findings released by the Department for Work and Pensions, for these projects, suggest that rent arrears for housing benefit tenants have risen to between 3 to 12 per cent<sup>12</sup>.

## **4.3. Housing Finance**

### ***The Affordable Homes Programme***

The Affordable Homes Programme 2011-15 (AHP) aims to increase the supply of new affordable homes in England. Between 2011 and 2015, the government will invest £4.5bn in building 80,000 new housing. Most of these new units will be made available as Affordable Rent with some for affordable home ownership, supported housing, and social rent. A central component to the Programme is the new 'affordable rent funding model', which involves three main changes to the previous National Affordable Homes Programme:

- housing providers can charge higher rents than previously - up to 80 per cent of market rates - both for new homes and for an agreed proportion of re-lets of existing social rent units; however, benefits accruing to housing organisations is likely to be limited since there are only small variations between affordable and social rents in many parts of the North

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<sup>12</sup> <http://www.dwp.gov.uk/newsroom/press-releases/2012/dec-2012/dwp135-12.shtml>

- housing providers will finance a greater proportion of the cost of new homes themselves, through increased borrowing
- DCLG will pay less grant for each new home provided - approximately £20,000 compared with £60,000 in the previous funding round.

### **Box 5: St Leger Homes of Doncaster - High Rise Energy Improvements**

#### ***Overview***

In 2011/12 St Leger Homes undertook major energy improvements in eight high rise tower blocks in central Doncaster

#### ***Inputs***

The project cost £5.3 million. It was primarily funded by Doncaster Metropolitan Borough Council with an additional grant of £656,000 provided by the Department of Energy and Climate Change 'Community Energy Saving Programme' (CESP)



#### ***Outputs and Outcomes***

A number of improvements were made to the properties:

- rendering of the external structure with thermal cladding
- double glazed doors and windows
- upgraded central heating systems.

Since the improvements were completed in June 2012 an number of benefits have been identified:

- reduced fuel bills of up to 50 per cent for tenants
- reductions in carbon emissions: estimated at least 136,000 tons of carbon saved April-Sept 2011/12
- protection of the buildings against corrosion and structural decay, resulting upstream savings in maintenance costs
- aesthetic improvements to the built environment, contributing to the regeneration of central Doncaster.

### ***Self-financing for council housing***

Implemented on 1 April 2012, self-financing for council housing is a key plank in the government's Localism agenda. It is a new system of self-financing based on a one-off adjustment to each council's finances, giving each local authority a level of debt it can support, based on a valuation of its council housing stock. This replaced the housing revenue account subsidy system whereby rent and expenditure needs were assessed then rents pooled nationally and allowances to spend money allocated on the basis of need.

The Local Government Association (LGA) suggests that generally, there will be more money available for investment after the settlement. However the LGA also highlights risks and challenges authorities may face including:

- debt management
- managing rent levels
- the impact of welfare reform
- the reinvigoration of Right to Buy
- some authorities, generally those with backlogs in relation to the decent homes agenda, might find that their business plans do not generate sufficient money to meet the needs of their stock in the short term.

### ***Supporting People funding***

The Supporting People programme was launched in 2003 as a £1.8 billion ring-fenced grant to local authorities intended to fund services to help vulnerable people live independently. In 2009, the ring-fence was removed from the grant thereby allowing all local authorities to spend their Supporting People allocation as they deemed appropriate. The level of grant was also reduced in subsequent years, and in the 2010 Spending Review the Government announced that the Supporting People national funding levels would decrease from £1.64 billion in 2010/11 to £1.59 billion in 2014/15.

Evidence provided within this report shows that Supporting People funding comprises two per cent of housing organisation income and is used to provide services to tenants. A scaling back of funding, combined with the possibility of local authorities diverting these centrally provided monies to other areas, means that it is likely the value of Supporting People money going to housing organisations may diminish.

## **4.4. The Localism Agenda**

### ***Public Services (Social Value) Act 2012***

The introduction of the Public Services (Social Value) Act 2012 puts a responsibility on local government, and hence both councils and ALMO's, to consider social, economic and environmental impacts when commissioning the delivery of public services.

Evidence outlined in this report would suggest that many housing organisations are currently considering local businesses and communities when commissioning work. However this Act may:

- lead to a formalisation of local considerations within procurement policies
- allow housing organisations to place increasing weight on 'local impacts' when assessing tenders
- further encourage housing organisations to support local suppliers in getting onto procurement panels
- encourage housing organisations to use social contracts stipulating the taking on of apprentices, and/or the use of local suppliers and subcontractors.



The Public Services Act 2012 may also place housing organisations in a stronger position to win local government contracts, since, more than most organisations, they are able to demonstrate local social and economic impact.

### ***Increased opportunities to coordinate and lead community investment work***

There are also likely to be increased opportunities to coordinate and lead community investment work, due to factors such as the Localism Act 2012, responses to Welfare Reform, and reductions in local government finance.

#### **Box 6: Leeds Federated Housing Association - Supporting People Projects**

##### ***Overview***

Supporting People is a major Government programme providing funding to local authorities to support services enabling vulnerable people to live independently. In 2011/12 Leeds Federated Housing Association delivered a number of Supporting People funded projects in support of tenants from a range of vulnerable groups.

##### ***Inputs***

Leeds Federated Housing Association received £537,000 of Supporting People Funding in 2011/12. This supported the delivery of four key supported housing projects:

- Leeds Emergency Accommodation Project (LEAP)
- Choices Model
- Floating Support for Disabled People
- Floating Support Mental Health

##### ***Outputs and Outcomes***

In total 234 tenants were supported through these projects in 2011/12. This included:

- 60 older people with support needs
- 53 homeless families with support needs
- 51 single homeless people with support needs
- 29 people with mental health problems
- 27 people with a physical or sensory disability
- 5 people with alcohol misuse problems
- 4 people with generic/complex needs
- 3 people at risk of domestic violence
- 2 people with learning disabilities.

There are significant financial benefits associated with the delivery of Supporting People activity. Research undertaken for Government in 2009 estimated net financial benefits from the Supporting People programme at £3.41bn per annum against an overall investment of £1.61bn: a return on investment of £2.12 for every £1 invested. If this level of return is applied to Leeds Federated Housing Association's Supporting People activity it would suggest net financial benefits of more than £1 million per year.



The government's 'Big Society' initiative and associated Localism Act 2012 set out measures to empower local communities to allow them to deliver public services. Housing organisations can build on their established roles in order to:

- empower groups, such as tenant or resident associations, to take greater control over managing assets and services
- ensure communities become more resilient
- obtain funding within a new contractual culture.

Case study organisations outlined a number of community investment responses to challenges arising from Welfare Reform. These include assisting tenants to:

- get online by providing WIFI internet and ICT training
- set up bank accounts
- obtain budgeting advice
- find employment.

Austerity measures by the Coalition government have led to reductions in local authority budgets and the scale of services they can provide. The nature and size of their client base and their wide-scale geographic spread means that housing organisations are ideally placed to fill gaps in statutory provision and to deliver mainstream services. Housing organisations are also likely to be viewed as providing good social investment opportunities because they are stable, have good cashflows and assets, and are used to producing business plans

#### **4.5. Challenges and Opportunities: implications for Economic Impact**

The kinds of challenges and opportunities raised immediately above may well have implications for income, expenditure and procurement, all key components in defining the scale and nature of economic impact flowing from housing organisations. It seems probable that changes to two of these components will work to **diminish** impact:

- **income** which affects the scale of gross expenditure, is likely to decline because of interactions across the range of welfare reform changes outlined above
- the **composition of expenditure**, which affects the magnitude of indirect impacts, seems likely to change with increased expenditure on rental collection and management costs which create more limited multiplier effects, and correspondingly less work on high multiplier activities such as construction and major repairs.

On the other hand, it is possible that changing **procurement policies and practices will impact positively** on the proportion of goods and services supplied from Northern organisations, thus reducing leakage of benefits from the region.

The reality is that at this stage it is not possible to assess the full implications of policy initiatives on economic impact. There are uncertainties in relation to how new interventions will evolve, and their collective impact on organisations, households and areas. This report can help in documenting the nature of change in that it provides a baseline against which to assess through time the effects of policy interventions on the continuing ability of housing organisations to contribute to the Northern economy.

However, at a time when so many complex policy changes are occurring, it is worth finally re-emphasising the economic impact which can flow from housing investment. It is possible to model the **potential** impact of additional investment. Here we combine evidence from the Affordable Homes Programme and that developed within this report to provide estimates of the impact which an additional £1 million of AHP funding from DCLG, provided to a northern housing organisation, would create. According to current funding criteria (see section 4.3), this resource would need to be topped up with a further £4 million from the housing organisation. On that basis, we estimate the total (direct and indirect) impact on the northern economy from this combined investment of £5 million would be:

- 50 new homes
- £7.7 million in additional output expenditure
- 51 additional FTE jobs throughout the duration of the works
- £2.8 million additional worth of GVA.



*The economic impact of housing organisations on the North*

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