

The Economic Impact of Housing Organisations on the North: *Stockport Homes*

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The Economic Impact of Housing Organisations on the North

Draft Case Study Report

Stockport Homes Ltd

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Introduction: 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 Economy¹.

The study provides an estimate of the economic impact of housing organisations on the northern economy based on evidence from a survey of members and detailed case study work in seven organisations. It measures the economic activity stimulated directly by the day-to-day activities of housing organisations as well as the additional activity through the intermediate supply chain.

The findings will support the NHC and housing organisations 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 the multiple challenges facing housing organisations, such as those arising from Welfare Reform.

This case study report for Stockport Homes forms one of a suite of outputs from the study². It provides an overview of Stockport Homes, including its vision, values and objectives and key facts relating to its day-to-day activities, before providing examples of its community investment work³. The report concludes by providing estimates of Stockport Home's economic impact.

¹ Comprising England's three Northern regions: the North East, the North West and Yorkshire and the Humber.

² The main report being available at: Dayson, C. Lawless, P. and Wilson, I. (2013) The Economic Impact of Housing Organisations on the North. Sheffield: CRESR, Sheffield Hallam University.
http://www.shu.ac.uk/assets/pdf/cresr-Economic_Impact_Housing_Organsiations_Main.pdf

³ 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.

Stockport Homes: An overview

2.1. Background

Stockport Homes is an Arms Length Management Organisation (ALMO) established in 2005. Its principal activity is to manage and maintain the 11,000 plus stock of houses (11,467 as at 31 March 2012) owned by Stockport Metropolitan Borough Council (SMBC). This includes the management of the Council's capital programme for the modernisation of the properties. Stockport Homes also manages the allocation of homes and works on behalf of SMBC to fulfil its statutory responsibilities around preventing homelessness.

Under a Management Agreement with SMBC, Stockport Homes receives a management fee. In 2011/12 this was £22.601m. Turnover for the year was £31.022m, with income from other sources of £8.421m. The Management Agreement allows Stockport Homes to employ building contractors to undertake the capital investment programme, for which there was a budget of £20.858 million in 2011/12. This included £10 million investment in installing photovoltaic solar panels.

Stockport Homes has a culture of innovating to explore new business opportunities, including a contract to collect water charges from tenants on behalf of United Utilities. This provides additional income of £719 thousand which covers the costs of collection and enables Stockport Homes to invest in new services supporting social and financial inclusion. The social and economic impact of these services is discussed later in this report.

As the largest social landlord in the Borough, Stockport Homes is a major employer of local people. It had 436.5 full time equivalent posts at 31 March 2012 and has a very positive reputation as an employer. This is evidenced by its top 50 placing for the third successive year in the Sunday Times Best Public and Third Sector Employer rankings. The impact of this employment on the local and regional economy is outlined later in this report.

2.2. Vision and strategy

Vision, Mission and Aims

Stockport Homes' Vision, Mission and Aims were updated during 2011/12 to reflect a more flexible and outcome-focused approach that will both allow it to evolve and also expand its role to meet the changing demands of its customers, the Council and other stakeholders.

Vision: To deliver the best services possible by being a great place to work

Mission: Transforming lives

Aims: Exceed customer expectations and always do the right thing;

Support customers in all aspects of their lives through effective partnership working;

Create greener places to live and work and continually minimise our impact on the environment;

Expand our thriving, safe and sustainable neighbourhoods, maximising our contribution to meeting housing need;

Involve customers, staff and the Board in decision making and create opportunities for them to fulfil their potential;

Grow by making the best use of our resources and diversifying into new businesses that compliment what we already do.

Capital Investment Strategy

Following completion of Decent Homes in 2010/11, Stockport Homes' capital investment programme has focussed on maintaining all existing properties at the decent homes standard whilst channelling investment into long term sustainable energy efficiency projects. These projects are discussed in more detail later in this report. Stockport Homes has also made significant investment in new housing stock. During 2011/12 this included 30 new family homes across four new build schemes, including completion of its first shared ownership scheme comprising eight properties in Brinnington.

Stockport Homes Community Investment Work

3.1. Support for social and financial inclusion

Stockport Homes earns more than £700 thousand per year through the collection of water charges on behalf of United Utilities. This additional income provides the resources necessary to deliver a Financial Inclusion and Working Communities Strategy. This is done through a range of partnerships and by an additional 13.5 full time equivalent posts (2011/12). The Strategy aims to:

- increase the employability of, and employment opportunities for, Stockport Homes' customers
- strengthen the financial capacity of Stockport Homes' customers
- use customer insight data to target financial inclusion resources at those customers most in need.

The strategy was adopted in December 2011 by the Stockport Homes Board and is delivered through a number of separate projects. As well as being used to support Stockport Homes' tenants, this funding also supports a range of financial inclusion and worklessness initiatives that benefit the wider Stockport community. This section provides an overview of these projects and highlights some of the outputs, outcomes and impacts they have achieved.

A summary of activities and outputs delivered in support of the Financial Inclusion and Working Communities Strategy is provided in the table 3.1 overleaf.

Table 3.1: Financial inclusion and working communities strategy - activities and outputs (2011-12)

Activity Name	Description	Outputs	
		Indicator	Number (2011/12)
Rent deposit scheme	Run with participating private sector landlords to guarantee one month's rent instead of a cash deposit. This enables people who are in priority need and who are homeless or threatened with homelessness and who have no other means of securing a deposit to be able to move into the private sector.	No of applications accepted	265
		No of Deposit Scheme Agreements signed	90
		No of bond claims made	10
Pre-tenancy support	Specialist pre-tenancy support to new customers, including delivering workshops	No of tenants receiving support	212
Stockport Act Family Team	Part of a multi-agency team of specialists working with families living in priority areas that present with complex and deeply-entrenched issues.	No of households supported	45 (31 with SH tenancy)
		No of households supported with improved rent accounts	20
		No of households moving into rent account credit	8
		No of ASB cases closed	4
		No of evictions prevented	3
Energy Advice	Responsible for promoting and delivering initiatives to help Stockport Homes' customers save on their energy bills. Offer advice on understanding energy bills, fuel debt, energy saving tips, switching supplier etc.	No of Warm Homes Discount Grants applied for	68
Debt Advice	Debt advice to tenants struggling to manage their finances	No of advice cases dealt with	210
Water Metering Project	Support for customers to apply for water meters or assessed charges where meters are not practically possible	No of tenants receiving support	435
Housing Benefit Team	Funds a role within Stockport Council's Housing Benefit Team, responsible for promptly processing all Housing Benefit claims for Stockport Homes' customers upon referral from the Customer Finance Team. Point of liaison for the Customer Finance Team, providing guidance on Housing Benefit matters as and when required.	No of cases processed	1,947

Activity Name	Description	Outputs	
		Indicator	Number (2011/12)
Housing Offender Service	Specialist support for offenders upon release from custody	No of referrals	420
		No of offenders supported into accommodation	102
		Proportion of offenders under Probation supervision living in settled and suitable accommodation at the end of their order or licence	93% (target=89%)
Employment and Volunteering Support	Support for customers to access employment/ employability support and volunteering opportunities	No of tenants supported into apprenticeships	3
		No of tenants supported into education/training	24
		No of tenants supported into employment	16
		No of tenants supported into volunteering	64
		Additional volunteering hours undertaken	1,169
Mortgage Repossession Advice	Supports both owner-occupiers and private tenants who are facing repossession or eviction through referrals to debt support and/or negotiation with lenders and landlords	No of people supported (Housing Options interviews)	170
		No of people prevented from becoming homeless (repossessions prevented)	51
Welfare Rights and Debt Outreach	Advice for tenants provided through a subcontract with Stockport Advice Team	No of tenants supported	2,715
Education	A range of courses are provided for young people to explore themes around community	No of children attending courses	310
Community Development and Funding Advice	Support for community groups, local people and other partners to apply for external funding to support community activity	No of tenants benefiting from community activity	6,940

As a result of this Financial Inclusion and Working Communities Strategy activity, economic benefits accrue to a range of different stakeholders and in different ways. Although not all of these benefits can be monetised the following examples of economic benefits during 2011/12 have been identified:

- **Stockport Homes** and other **social landlords** have benefited from a greater proportion of clients meeting their rent obligations. For example, of the 45 families supported by the Act Family team, 33 had rent arrears when they started with the project. Of these families 13 were supported to be in credit on their accounts and 12 to reduce their arrears. This resulted in an overall reduction in arrears of £2,633
- **Stockport Homes' tenants** have benefited in a number of ways. For example:
 - tenants in receipt of water meter and energy advice received an estimated £6,000 in Warm Homes Discount grants, reduced water charges of £31,801 and United Utilities Trust grants of £4,185
 - tenants have experienced gains in benefit entitlements and household debt reduction as a result of various funded advice projects: the cumulative economic value of this was £4.3m
- local **voluntary and community organisations** and members of the **wider community** have also benefited in a number of ways. For example:
 - community development and funding advice delivered by Stockport Homes led to £357,373 in external funding being secured and enabled an additional £751,537 of match funding to be levered into the area
 - tenants who went on to volunteer provided a reported 1,169 hours of volunteering worth an estimated £7,108 (minimum) during 2011/12⁴.

There are also a number of **wider exchequer benefits** to this work. For example, research for Central Government⁵ estimates that the average quantifiable cost to the exchequer of a mortgage repossession in a vulnerable household is £16,000. This suggests that mortgage repossession advice funded partly through the scheme may have saved the exchequer up to £832,000 in the longer term as a result of support provided during 2011/12. Another example of Stockport Home's work that might lead to exchequer savings is its support for offenders on release from custody. Housing is one of nine key factors recognised by government as influencing reoffending and it is estimated that reoffending rates can be reduced by up to 20 per cent if stable accommodation is provided upon release⁶. Home Office estimates indicate that reoffending costs the Exchequer £11 billion per year. Although re-offending rates amongst offenders in receipt of support from Stockport Homes have not been captured, it seems likely that these tenants will be less likely to reoffend than if this support had not been provided.

Overall, these benefits represent a significant return on investment for Stockport Homes and its stakeholders. Although a figure for net economic benefits has not been estimated, the likely exchequer savings alone far exceed the cost of delivering

⁴ Based on 2011/12 national minimum hourly wage (£6.08).

⁵ [Communities and Local Government \(2008\). Homeowner Support Package Impact Assessment](#). This cost largely consists of the housing benefit payments associated with re-housing this household in temporary accommodation and the social rented sector. The figure is also regionally weighted in line with data from the Ministry of Justice on court actions. These costs are measured over the 'lifetime' of the repossessed family and assume an average duration of SRS tenancy of eight years (the median duration).

⁶ This is reported in the Government publication 'Reducing Re-offending by ex-prisoners' (Social Exclusion Unit, July 2002) which itself draws on a range of criminological and social research.

the activities and indicate a **high degree of value for money** for the strategy as a whole.

3.2. Energy efficiency improvements

Stockport Homes has channelled significant investment into energy efficiency programmes that will benefit the business, tenants and the environment over a number of years. During 2011/12:

- £9.975 million was spent on installing photovoltaic panels to Council homes. A total of 1,931 panels were installed with 1,688 of these attracting the higher feed-in-tariff (FIT) rate. Income from these panels will be reinvested in the housing stock whilst tenants living in properties where panels have been installed will benefit from average electricity savings of £130 per annum, reducing their risk of fuel poverty
- over £1.5 million was spent installing a biomass-fuelled district heating scheme at Lancashire Hill that provides an efficient and sustainable heating source to tenants. In the longer term this will lead to lower fuel bills whilst also generating funding through the Renewable Heating Incentive which will be reinvested in capital improvements
- Stockport Homes has entered into a Community Energy Saving Programme (CESP) contract with British Gas to deliver a £13million renewable heating programme, of which £9.5million will be funded by British Gas. This is the largest CESP deal in the UK for renewable heating schemes and will involve the installation of four biomass boilers and external wall insulation for a number of high rise properties. In addition, a further £5million has been set aside to fund a window replacement programme alongside works to generate efficiencies on the preliminary costs.

Economic Impact of Stockport Homes

4.1. Introduction

This section provides estimates of the economic impact of Stockport Homes. Economic Impact for 2011/12 has been assessed for three key economic measures:

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

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

- direct impact: the value to the economy directly attributable to the activities of Stockport Homes: 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 Stockport Homes and of organisations in the immediate supply chain.

Before summarising the economic impact of Stockport Homes on the Northern economy three preceding sections look at factors affecting economic impact: income, procurement and expenditure.

4.2. Income

The amount of income which Stockport Homes received is important in assessing economic impact as it affects the level of gross expenditure. In the financial year 2011/12 Stockport Homes' income was £32.05 million:

- £22.84 million (71 per cent) from management fees and rent
- £2.20 million (7 per cent) from grants (including Supporting People income)
- £6.86 million (21 per cent) from other sources.

4.3. Procurement

Procurement is important in determining leakage of expenditure out of the local economy. How, where and with whom Stockport Homes spends its money is driven by a comprehensive Procurement Strategy. This enables the organisation to achieve optimum allocation of its resources by obtaining the best possible value for money in the goods and services it needs to carry out its activities. Stockport Homes' approach to procurement also reflects a commitment to promote and stimulate the local economy and encourage the development of local suppliers, including voluntary and community sector organisations. This is underpinned by a commitment to economic regeneration and recognition of the benefits of working with small businesses in order to develop and stimulate a marketplace which helps to sustain the local community.

4.4. Expenditure

The value of gross expenditure⁷, the percentage of expenditure going to local suppliers (net expenditure), and the composition of expenditure (i.e. how money has been spent) are all relevant to economic impact calculations.

In 2011/12 Stockport Homes had a gross expenditure of £28.94 million. Of this £24.10 million (83 per cent) went to suppliers based in England's three Northern regions.

How this money was spent affects economic impact calculations through the magnitude of the indirect effect. Certain types of expenditure, such as that on construction, are associated with a larger 'multiplier effect', that is they stimulate a greater ripple effect through the supply chain than do other types of expenditure. Analysis of how Stockport Homes spent its money reveals:

- the largest component of gross expenditure, 27 per cent (£7.84 million), was spent on direct staff costs, of which 98 per cent (£7.78 million) went to employees residing in the North
- routine and planned maintenance made up the second largest component of gross expenditure (26 per cent; £7.50 million), of which 90 per cent (£6.76 million) went to suppliers based in the North
- expenditure on construction, refurbishment and purchase of housing properties (£3.87 million) accounted for more than 10 per cent of gross expenditure with 68 per cent (£2.65 million) of this going to suppliers based in the North.

4.5. Economic Impact summary measures

Table 4.1 summarises Stockport Homes' economic impact on the Northern Economy. This study estimates that in 2011/12 Stockport Homes:

- supported £45.197 million worth of expenditure (output); £24.109 million directly and £21.088 million indirectly through the intermediate supply chain
- created an estimated GVA of £24.237 million; £15.794 million directly and £8.443 million indirectly through the intermediate supply chain

⁷ 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.

- supported 743 FTE jobs; 413 directly and a further 329 indirectly within the intermediate supply chain.

Table 4.1: Summary of economic impact on the Northern economy, 2011/12

	Direct Impact	Indirect Impact	Total Impact
Output:			
£thousands	24,109	21,088	45,197
Gross Value Added:			
£thousands	15,794	8,443	24,237
Employment:			
(FTEs)	413	329	743

Source: CRESR survey (2012)

Table 4.2 summarises the economic impact of Stockport Homes on both the North West and Stockport local authority area. Here it is estimated that in 2011/12 Stockport Homes supported:

- supported £41.055 million worth of expenditure (output) both directly and indirectly in North west
- created an estimated £19.656 million worth of GVA both directly and indirectly in North West
- supported 521 FTE jobs both directly and indirectly in North West
- supported £15.866 million worth of expenditure (output) directly in the Stockport economy
- created £8.864 million worth of GVA directly for the Stockport economy
- supported 232 FTE jobs based within the Stockport local authority area.

Table 4.2: Summary of economic impact on the North West and Stockport economies, 2011/12

	Direct Impact	Indirect Impact	Total Impact
North West			
Output:			
£thousands	23,853	17,203	41,055
Gross Value Added:			
£thousands	15,794	3,862	19,656
Employment:			
(FTEs)	413	108	521
Stockport			
Output:			
£thousands	15,866		
Gross Value Added:			
£thousands	8,864		
Employment:			
(FTEs)	232		

Source: CRESR survey (2012)

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