



12 June 2006

Dear Colleague

## **Review of Arms Length Management Organisations**

I am pleased to attach a briefing note on the implications of the various government announcements made on 7 June. These included the outcome of the review of the long-term future of ALMOs, a discussion paper that incorporates proposals for case studies of financial freedoms for ALMOs and local authorities, round 6 bidding guidance and revisions to the decent homes implementation guidance.

The NFA Board and steering group held a special meeting on 23 May to discuss, amongst other things, what might be included in the announcements and I attach a copy of the decisions. This letter sets out the NFAs response to the announcements.

We welcome the announcement of the round 6 bidding round and the relaxation of both the 2010 deadline and the period between S27 and inspection. This will enable new ALMOs to develop sensible and realistic plans, which can be agreed individually with the department, for achieving the 2\* funding requirement and achieving decent homes. I would urge any aspirant ALMO that has not yet taken advantage of the NFA Support Framework to discuss with Gwyneth Taylor, NFA Policy Officer, how we can help twin you with an established ALMO willing to mentor you.

Rounds 3, 4 and 5 are also being asked to reconsider their target dates and reprofile their spend. For those ALMOs that have not yet achieved 2\* or have regeneration activities in their area this may be a welcome flexibility. However, the NFA recognises that in some cases this may cause problems, especially in explaining a longer timetable to tenants. The NFA therefore proposes to hold a meeting for affected ALMOs in order to discuss the implications and further details of this will follow shortly.

We are delighted that the outcome of the review of the long term future of ALMOs has resulted in the government very explicitly stating that it sees a continuing role for ALMOs once decent homes has met. In particular the expectation is that ALMOs would remain in place unless an alternative can be shown to have demonstrable benefits to tenants. Local authorities wanting to make any major change, including failing to renew the contract or reversion to the council, must carry out a proper review and fully consult tenants.

Interestingly, the government wishes local authorities and ALMOs to revisit their governance arrangements when reviewing contracts to maximise tenant ownership of the decision making process and supports the trend towards tenants having more than one third representation on the Board.

The discussion paper on issues that may be fed into the 2007 Comprehensive Spending Review includes proposals to take on board the suggestions for financial freedoms set out in the NFA/CIH/HouseMark publication *ALMOs – a new future for council housing*. We expect six case studies from ALMO and non-ALMO local authorities to work on the costs



and benefits of option 1b (self-sufficient HRA controlled by local authority with sufficient investment to deliver long term sustainability). The work of the case studies will form part of the spending review and, if the outcome is satisfactory, the first authorities and ALMOs could be released from the subsidy system by April 2008.

The extension of the proposed freedoms to local authorities without ALMOs is not unexpected and we welcome the establishment of a level playing field, as this will answer the arguments of those who complain that they are not being given the same treatment. At present we expect the freedoms to be limited to 3\* ALMOs and 4\* authorities with a CPA housing service score of three or four. This will provide a real incentive to further improvement for both ALMOs and councils. Currently ten ALMOs and five local authorities without ALMOs would meet the eligibility criteria.

The Department of Communities and Local Government (DCLG) is not currently intending to pursue option three (the private sector option). Before deciding whether or not to take this issue further the NFA Board would be interested in hearing from members whether, if given the option, you and your authorities would be likely to go down the route of option 3 should 1b be available.

All the published documents were set within the context of a significant shift in government policy away decent homes as a separate programme to an approach that looks at decent neighbourhoods and sustainable communities in the whole. This coincides very much with what the ALMO movement has been promoting. We are gratified that there was a clear recognition by government of ALMOs' success in achieving decent homes, improving services, increasing tenant involvement and helping to deliver a range of other benefits to residents. There was also an explicit recognition of ALMOs' ability to deliver more to their local communities, including new build, and an invitation to look at proposals for increased flexibility to enable ALMOs to achieve this.

We believe that these announcements together mark a major step forward for the ALMO movement but more hard work is yet to come. We can, however, progress the next stage of ensuring a viable future for the sector with greater confidence.

The NFA regional seminars in London on 5 July and Leeds on 11 July will provide an opportunity to discuss these and other issues. However, places are limited so early booking is advisable. You might also like to note that we have changed the date for the 2007 NFA annual conference to 9 –10 May in order to allow it to take place after the local government elections. Please note this in your diary now.

In the meantime I would be grateful to receive any comments and views about the announcements. Please send these via Gwyneth Taylor at the NFA on [gwyneth@hqnetwork.co.uk](mailto:gwyneth@hqnetwork.co.uk).

Best wishes

Dennis Rees  
Chair, NFA

pp Andrew Hurst  
NFA Administrator