



## ALMO Review NFA briefing paper

On 7 June 2006 the outcome of the government's review of the long-term future of ALMOs was published along with a number of other related documents. This briefing note summarises the key issues announced by the Secretary of State and considers the implications for ALMO and aspirant ALMOs.

The Department for Communities and Local Government (DCLG) published four documents that are of particular relevance to ALMOs. These are:

- Review of Arms Length Housing Management Organisations
- From Decent Homes to Sustainable Communities – a discussion paper
- Supplement to the Guidance on Arms Length Management
- A Decent Home: Definition and guidance for implementation – Update.

These are all available on the NFA website ([www.almos.org.uk](http://www.almos.org.uk) under guidance and briefings) and the DCLG website ([www.communities.gov.uk](http://www.communities.gov.uk) under Housing – Making Homes Decent).

In addition DCLG is writing to all ALMOs in rounds 3, 4 and 5.

Briefly, the key points arising out of the various publications are as follows:

- Round 6 bidding timetable announced
- 2010 target date will be relaxed on an individual basis
- Rounds 3, 4 and 5 will be asked to consider reprofiling their spend
- ALMOs will continue to have a role as a service provider after decent homes has been achieved
- Local authorities considering significant changes to ALMO managed stock will be required to carry out an option appraisal and test of opinion
- Tenants should be fully involved and consulted on any proposal to transfer, wind up, not renew or substantially change the ALMO service
- Case studies with a small number of 3\* ALMOs and excellent local authorities will explore the costs and benefits of the financial freedoms proposed in the NFA/CIH/HouseMark report
- Innovative ways to allow high performing local authorities and ALMOs to build new homes will be explored
- Local Area Agreements, community ownership and greater tenant involvement are highlighted as future policy priorities.

### **Policy overview**

The announcements are set within the context of a clear shift in government policy that aims to build upon the success of the decent homes programme to the creation of decent neighbourhoods. After round 6 there will be no further specific decent homes funding



programmes. Future investment decisions will be based on the delivery of sustainable mixed communities.

The Secretary of State reiterated that there would be no 'fourth way' for councils to access additional housing investment but that the government wished to explore how councils can lever in more investment using their own assets. It also wants to see local authorities taking an increasingly powerful strategic role on housing across all tenures, putting housing at the heart of economic, social and environmental objectives and making decisions along with residents and local partners, including ALMOs and housing associations. Local Area Agreements are proposed as the best way to ensure cross-agency working and will be explored as part of the comprehensive spending review (CSR) due to report in the summer of 2007.

The government's aspirations for greater community engagement and devolution of decision-making are reiterated. Local authorities pursuing stock transfer are asked to consider a tenant owned model and housing associations are expected to promote greater tenant involvement on their boards.

## Round 6

Round 6 will be the last ALMO funding round. The deadline for bids is 31 July with decisions expected in October. Supplementary ALMO bidding guidance and Decent Homes implementation guidance has been issued and bids should include:

- Proposals for implementing choice based lettings
- Proposals for delivering a step change in efficiency and comparison of performance with similar organisations
- Applicants should also consider collective procurement arrangements through sub-regional or other consortia.<sup>1</sup>

Due to the CSR in 2007 applicants will only be awarded conditional funding for 2007/08 instead of the usual two-year tranche. However, in order to ensure proposals are based on a realistic timetable DCLG will consider allowing more than two years between the S27 consent and achieving a successful 2\* inspection rating, provided a robust improvement strategy is in place.

## 2010 deadline

DCLG expects 95% of social housing to meet the decent homes standard by 2010 and the remainder to be improved as fast as possible after that date. ALMOs that have not yet started their programme will not necessarily be required to meet 2010 and will be able to negotiate their timetable at an individual level. All ALMOs with expenditure profiles beyond 2006/07, particularly those with major programmes, are also being asked to review their

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<sup>1</sup> ALMO procurement networks include the London ALMO procurement network (LAPN) and the Central England Procurement Partners (CEPP)

target dates and consider reprofiling their spend beyond 2010 to avoid peaks in expenditure. The department will consider each case on its merits.

For ALMOs that have not yet achieved a 2\* rating or are involved in regeneration projects this additional flexibility may be welcome. It may also help offset some of the problems arising from skills shortages and building cost inflation in some areas. However, changes to the programme could cause problems for some ALMOs where promises have been made to residents or significant contracts entered into.

The revised Decent Homes guidance also asks local authorities, ALMOs and RSLs to adopt a mixed communities approach and consider the need for new build alongside decent homes.

## **Review of ALMOs**

The publication of the outcome of the review of the long-term future of ALMOs summarises the government's position on the non-financial issues, since the issue of financial freedoms is incorporated in the separate discussion paper. The paper recognises ALMOs' success in achieving decent homes, improving services, increasing tenant involvement and achieving other community objectives.

It sets out a range of options for ALMOs once decent homes is achieved and makes it clear that tenants must have a say in any major change. The department believes that existing arrangements should remain in place unless an alternative can be shown to have demonstrable benefits to tenants.

The Department wants ALMOs and their local authorities to revisit the governance arrangements when reviewing contracts to maximise tenant and community ownership of the decision making process. It is supportive of the trend towards ALMO Boards that have more than one-third representation.

The government proposes to allow local authorities to contract out all or some of their ASBO functions to ALMOs and intends, jointly with the Department of Constitutional Affairs, to write to the Court Managers Group explaining the role and status of ALMOs when local authorities have delegated legal functions to their ALMO.

However, the government does not intend to increase ALMO powers to deal directly with littering, dog fouling or removal of abandoned vehicles. Nor does it intend to change the s95 Local Government Act 2003 power which prevents a high performing ALMO in a local authority with a poor or weak CPA rating from being able to trade.

ALMOs are able to apply for social housing grant, either by themselves or in partnership, subject to demonstrating their ability to manage the risk and maintain the quality of their core business. However, only 3\* ALMOs will be able to own grant-funded homes. 2\* ALMOs will be able to manage stock on behalf of another landlord. New build homes funded through other mechanisms would not be subject to these restrictions.

The main regulatory tool for ALMOs is the management agreement with the local authority, which has significant powers of intervention in the event of a decline in performance. ALMOs are also subject to Part one of the Companies Act 1989. Once ALMOs have achieved decent homes they will not be subject to further housing inspections (except by request) but the local authority will, as part of the CPA, be assessed on its management of the contract with the ALMO and the services delivered. In the event of serious failures the government has the same broad powers of intervention as for a local authority although this would be a last resort. Other options could include interim appointments to the ALMO Board and support from other high performing ALMOs.

### **From Decent Homes to Sustainable Communities – discussion paper**

The discussion paper looks at some of the emerging ideas around social and affordable housing which may be fed into the CSR. In particular it seeks to find innovative ideas for improving the quality of social housing and improving supply and:

- Get the most out of existing public sector investment and assets
- Improve planning for affordable housing at the local level, including a stronger role for local authorities
- Find ways to lever in additional resources and assets to support social and affordable housing, in particular from the private sector
- Ways to strengthen tenants' role in decisions on social housing.

From the ALMO perspective the key part of the paper relates to more flexibility for local councils, ALMOs and housing associations. In particular the department has agreed to establish case studies to develop the ideas put forward in the NFA/CIH/HouseMark publication *ALMOs – a new future for council housing*. Six case studies involving a mixture of 3\* ALMOs and excellent local authorities without ALMOs will look at the costs and benefits, and probable impact, of moving outside the HRA subsidy system. The outcome from this work will feed into the CSR. The paper states:

*“This is a major change which could potentially deliver long term investment in the local housing stock, so we see it as vital to explore the impacts first to ensure we get it right”.*

The paper also indicates the government is setting a way forward which would allow ALMOs to continue to play an effective role in driving up the quality of housing services:

*“We believe that successful ALMOs should be able to continue with their work and we are interested in views on more flexible arrangements to maximise the service and support for local communities”.*

Comments on the paper are invited by 15 September.

**Gwyneth Taylor**  
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