

Review of Arms Length Housing Management Organisations

Introduction

1. A local authority can set up an Arms Length Management Organisation (ALMO) as a company to manage and improve all or part of its housing stock. The company is wholly owned by the local authority and operates under the terms of a management agreement set out by the authority. It is managed by a board of directors which includes tenants, local authority nominees and independent members. The local authority retains ownership of the housing and tenants remain secure tenants of the local authority.
2. ALMO's primary objective has been to deliver decent homes within the local authority stock. At 1 May 2006 there are 52 ALMOs managing more than 800,000 homes. For the five years 2003-04 to 2007-08 provision for ALMOs categorised as Excellent or Good by the Audit Commission's Housing Inspectorate is £3.7 billion.
3. ALMOs have been very successful in meeting the housing objectives of the Government and the expectations of local people, in particular in achieving the Decent Homes standard, improving services and increasing tenant involvement in decisions. The separation of a local authority's housing management function from its strategic role can enable tenants to benefit from a better housing service, while the local authority concentrates on its wider strategic function. ALMOs have also used the opportunity presented by the availability of additional resources and new organisational structure to support the creation of local jobs; help develop local businesses and secure greater tenant involvement in decision making about investment in their homes and services delivered.
4. In October 2004, the Department set up a review group to consider the longer term future of ALMOs once they had delivered decent homes. The terms of reference of this review are attached at Appendix A. Independently of Government, the National Federation of ALMOs, the Chartered Institute of Housing and House Mark published a report in November 2005 which put the case for significant financial freedoms for high performing ALMOs.

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5. The first purpose of the ALMO programme is to deliver decent homes. The additional resources for decent homes is one incentive for authorities to improve performance and ensure high quality services are provided. This route to ensure quality of service will cease on completion of decent homes funding. Therefore we want to ensure that there will be sufficient levers available to tenants to ensure the quality is not lost in the future.
6. By the end of 2006, the majority of Round One ALMOs are expected to have brought all of their homes up to the Decent Homes standard, one of their primary aims. Local authorities with their ALMOs are therefore beginning to consider how best they can maintain the momentum of improvement delivered through these partnerships.
7. This document was informed by the Review process and sets out the Department's views on options for the management of council homes in local authorities with ALMOs after the Decent Homes programme has been completed. ALMOs currently have a fixed lifespan, limited to the length of the current agreement with their local authority. When this ends there are a range of possible ways forward, including:
 - ALMOs carrying on as they are through extending the current agreement;
 - ALMOs taking on a greater range of responsibilities on behalf of the council;
 - ALMOs using trading powers to offer a range of services to other organisations;
 - mergers or consortia arrangements between ALMOs;
 - changing the management arrangements;
 - integrating the ALMO with other local authority work, changing ownership arrangements.
8. The Department also wishes to secure clarity about when and how tenants and other service users should be consulted in respect of future management arrangements of the local authority stock currently managed by ALMOs. The Department expects any consultation on a significant change to the local authority's management arrangements with the ALMO to be as comprehensive as that undertaken before the setting up of the ALMO. The paper sets out a number of scenarios under which we would expect to see tenants consulted and a number where it may be considered good practice to consult.
9. This paper also addresses issues of operational capacity of ALMOs which were considered by the Review group including:
 - applying for Anti-social Behaviour Orders (ASBOs);
 - representing the authority in court on matters relating to tenants and leaseholders;
 - consulting with leaseholders on behalf of the council;
 - power in respect of a number of environmental issues;
 - seeking exemption from requirements of the Financial Services Authority (FSA) regulation.
10. The Department also wishes to see ALMOs and their authorities revisit the Governance arrangements when reviewing contracts to ensure that they maximise the opportunity for tenant and community ownership of the decision making processes.

11. This document is published along with the invitation to establish and bid for funding under the sixth ALMO Round and a statement, *From Decent Homes to Sustainable Communities*. The statement sets out in the broader social housing context the route that is proposed for examining the costs and viability of self financing ALMOs and the ALMO procuring and owning new social housing.

Comments

12. Any comments on this document should be addressed to Roy Williams at Department for Communities and Local Government: roy.williams@communities.gsi.gov.uk

A future for successful ALMOs

Key achievements

13. Analysis of Round One and Two ALMOs' recent benchmarking data (HouseMark ALMO Bulletin – November 2004) indicates that ALMO performance has improved year on year since their inception. This applies to the majority of key performance indicators including rent collection and responsive repairs. The report, *Improvement Drivers in Local Authority Housing* (Audit Commission – March 2004), provides further case study evidence of how ALMOs have secured service improvement. Of the 46 established ALMOs which had full inspections published by May 2006, 10 have been rated three star and only six have yet to achieve two-stars. This is a considerable achievement and one many ALMOs are building on when being re-inspected.
14. ALMOs are also popular with residents. The methods undertaken to gauge support for the establishment of ALMOs, whether by ballot, survey or other means, show significant tenant support for the ALMO route. The Departmental model for ALMOs has ensured continued tenant involvement in the management of their homes, with a minimum of one third of the board of management comprising tenants. We are pleased that in several cases there are a greater proportion of tenants on boards, including one tenant-managed ALMO.
15. The Department is keen to ensure that those features that led local authorities to improve performance through ALMOs are retained into the future. To help ensure this and to promote continuous improvement there is a re-inspection regime for all ALMOs which are in receipt of funding from the Department. ALMOs or their local authorities are also free at any time to commission an inspection for their own development purposes. When decent homes have been delivered by the ALMO and specific ALMO funding has ceased then inspection will be considered as part of the authority's CPA arrangements.
16. ALMOs are also successfully achieving against the primary objective for which local authorities established them – that of achieving the Decent Homes standard for their stock. By the end of 2006 the majority of Round One ALMOs will have completed their programmes.
17. In support of decent homes and as an important part of delivering sustainable communities ALMOs are also assisting local authorities in delivering their wider role by working in the wider neighbourhood both to secure management of the built environment and better opportunities and quality of life for those who live in and around ALMO managed homes.

Options for ALMOs on completion of Decent Homes Investment

18. The Department believes that it is for local authorities and their ALMOs, in consultation with tenants, to determine the ALMO's future role and structure. There will be no single or prescribed model. We do however wish to ensure that any decisions on an ALMO's future take account of the views of all stakeholders, but most importantly those whose homes are managed by the ALMO.

Where ALMOs are shown to be popular and working well, there are a range of options for sustaining their role beyond delivery of decent homes and the current agreement which local partners could adopt.

19. ALMOs are focused on the delivery of their decent homes programme. When this has been achieved and the ALMO management agreements are due for renewal all parties will need to agree how the housing management function is taken forward. We believe that ALMOs have contributed greatly to the delivery of improved homes and services to tenants. They have also afforded tenants greater opportunities for engaging in the decisions impacting on their lives. In considering future arrangements for the management of the housing we would not expect there to be an increase in uncertainty for tenants and therefore the Department believes the existing ALMO arrangements should remain in place unless an alternative can be shown to have demonstrable benefits for tenants.
20. Any option for the future structure of an ALMO would need to be considered with regard to its financial sustainability, the long-term viability of the Housing Revenue Account, and the strategic direction of the local authority.
21. Set out below are six scenarios which could be explored for taking forward the work of ALMOs:
 - (a) **Retention of the ALMO with No change**

ALMOs continue to deliver the current range of housing improvement and management services to tenants, maintaining and further raising their standards, agreeing their annual funding with the authority and where they wish making use of any increased operational freedoms.
 - (b) **Undertake a review of how housing management is to be delivered**

The local authority remains statutorily responsible for the provision and management of social housing. Therefore towards the end of its initial management agreement with the ALMO the authority may, with its tenants, decide to review whether it wishes to continue with the ALMO arrangements, seek another provider, take management back 'in house' or explore the possibilities of housing transfer, including to tenant-owned organisations.
 - (c) **Expansion of services for the local authority**

Given ALMOs' experience of delivering services to tenants, local authorities may wish to consider expanding the range of services delivered by ALMOs, either within social housing or more widely. ALMOs' skills in managing major improvement projects and in developing good relationships with tenants could make them well placed to take on wider physical and social regeneration initiatives on behalf of their local authorities or other agencies.
 - (d) **Trading**

ALMOs may wish to market their expertise to deliver services for other landlords or clients (for example, leaseholders or owner occupiers). This is already happening in certain cases, but is not widespread and there are limitations to ALMOs' ability to trade. Some ALMOs are already considering formal arrangements for making their expertise available to others on a consultancy basis.
 - (e) **Joint working/Consortium/Merger**

Given the close geographical location of many ALMOs a greater degree of joint working is an option. This could be taken further with either a joining together in a consortium or a merger of two or more ALMOs. All these options offer the possibility of economies of scale. However there would also need to be detailed consideration of constitutional, competition and legal implications.
 - (f) **Changing ALMO Ownership arrangements**

Tenants or other community groups may wish to negotiate to either take over or become a majority stakeholder in an ALMO. The Department accepts that this may be desirable in some

areas but believes it should only be pursued where broad tenant representation and commitment is evidenced.

22. We would expect any work looking at the future direction of an ALMO to, as a minimum; engage with those stakeholder groups who were involved in the original option appraisal process that selected the ALMO option. Any change in the arrangements should also be the subject of a test of opinion that is no less rigorous than the test undertaken to support the establishment of the ALMO.
23. As we continue the drive for sustainable and mixed communities ALMOs continue to have a role as a housing management services provider. We do not envisage the transfer of ownership of significant parts of an authority's housing stock to an ALMO. If tenants and the authority want a different owner to the authority then there is the option to transfer to a housing association. However we want the ALMO to play a role where it can to help the local authority increase supply and support models where this can happen as set out in *From Decent Homes to Sustainable Communities*.
24. In considering any changes in arrangements, both ALMOs and their authorities will need to be mindful of European legislation. More information in relation to this is contained in the ALMO Supplementary Guidance 2006.

Consulting Tenants

25. Under s105 of the Housing Act 1985 local authorities are required to consult with their tenants on any significant change in management arrangements. Tenants will have been fully involved in the decision to set up an ALMO, both as part of the options appraisal process and the consultation on the ALMO option itself. Although there may not have been a full ballot, local authorities are obliged to demonstrate clear support for the ALMO option.
26. The Department believes that tenants should be similarly involved in any future decision to change their management arrangements. In some circumstances, for example if the council was considering a stock transfer, then the policy pertaining to that initiative would apply. However, for other proposals, rather than stipulating when ballots should be held, we believe that it would be good practice for authorities to set out the circumstances under which future ballots or tests of opinion might be held.
27. We would expect any such consultation to be as comprehensive as that undertaken to set up the ALMO. Ballots and other tests of opinion should not however be seen as a "be all and end all" solution, but as part of an ongoing, meaningful process of engagement with tenants, using a range of methods.
28. There are a number of scenarios under which the Department believes that tenants should always be consulted and these include:
 - transferring management of some or all of the ALMO managed stock;
 - winding up an ALMO during its existing contract;
 - not renewing an ALMO's contract;
 - making substantial changes to the services provided by the ALMO.
29. The Department also believes that there are occasions when it would be good practice to consult with tenants, but that such decisions should be made having considered local circumstances. Such occasions might include:

- extending an ALMO's contract;
- extending or making changes to an ALMO's remit (i.e. the range of services it delivers and locations covered).

Consultation mechanisms

30. Although the ballot tends to be the preferred mechanism for the majority of authorities in testing their tenants' opinions in respect of changes to management arrangements, it is not a legal requirement. There are a variety of consultation mechanisms available to councils considering issues relating to the management of the housing services. These include questionnaire surveys, telephone surveys and votes at meetings. A combination of options, rather than one single option, may be the most comprehensive way of ascertaining residents' views. We believe that the process undertaken should be a local decision on the most appropriate method.

Growing tenant involvement

31. As part of arrangements after decent home delivery, the Department will expect that the involvement of tenants remains central to an organisation. One of the aims of the ALMO initiative was to increase the influence of tenants in the decision-making process. Rather than setting a framework for local authorities and their ALMOs for involving tenants, the Department is of the view that a framework should reflect local decisions about good practice. Such decisions should take into account the need for involvement beyond membership of the Board.
32. To date there has been a minimum requirement that one third of an ALMO's board comprises tenants. Some ALMOs have gone further and established boards with greater than a third being tenants. The Department is supportive of this trend and encourages authorities and their ALMOs to challenge themselves on whether their board structures could offer greater opportunities for tenants to participate. Therefore the Department will continue to take into consideration local preferences when agreeing section 27 applications or proposed changes to board composition of existing ALMOs where the Department's agreement is sought. Again ALMOs and local authorities will need to have regard to European legislation.

Improving ALMO operational capability

33. We believe that the functions that any ALMO carries out should be dependent on agreement with its local authority, taking account of local circumstances and the relevant statutory framework. This would include decisions on whether the ALMO's services can be provided: across the whole of the local authority area; to other bodies in the local authority area; and/or to other local authorities and other bodies in other areas. Local authorities need as part of this to ensure that they do not weaken their strategic housing role. In fact, they should be aiming to strengthen that role.

Tackling anti-social behaviour

34. The Department received positive feedback from the recent consultation exercise "Enabling local authorities to contract their Anti-Social Behaviour Order functions to organisations managing their housing stock". A summary of the responses was published on the DCLG website and the Department is looking to take forward the proposals which will enable local authorities to contract out some or all of their ASBO functions to housing management organisations managing their housing under section 27 of the Housing Act 1985.

Representation in court

35. Local authorities are able to represent themselves in court proceedings. This has allowed housing officers to use the Right of Audience in court to present routine housing cases without the need for professional legal services. The delegation of housing management functions under s.27 of the Housing Act 1985 cannot legally include the right to conduct litigation or to present cases in court on behalf of the local authority, even where they relate to housing management. In some cases, courts and judges have refused to accept representations from officers or solicitors employed by the ALMO and have insisted on a local authority representative being present, adding to bureaucracy and costs.
36. It might be sensible for local authorities to be able to ask ALMOs to appear on their behalf in court where cases relate to functions they are carrying out on the local authority's behalf. This could be subject to delegation from, and local agreement with, councils. However we think that all such cases should be brought in the council's name or clearly on behalf of the council. Therefore the Department does not believe that it would be appropriate for ALMOs to have any separate, direct ability to undertake court actions in relation to the housing management functions that they exercise on behalf of their partner authority.
37. To help address the inconsistency in the ability of ALMOs to act for local authorities the DCLG has agreed with the Department of Constitutional Affairs to write to the Court Managers' Group explaining the role and status of ALMOs. The objective is to ensure the Group is fully aware of the arrangements when deciding whether to accept ALMO staff presenting on behalf of the authority.

Leasehold issues

38. The management of council leasehold properties is a core part of the housing management functions delegated to ALMOs. The Commonhold and Leasehold Reform Act 2002 made amendments to the requirements for the statutory consultation of leaseholders. The Department considers that these functions may be appropriately delegated to an ALMO by a local authority using s27 of the Housing Act 1985. In addition, the principles set out above about representation in court could also be extended to court action brought relating to leaseholders.
39. The Commonhold and Leasehold Reform Act 2002 contains a new obligation on landlords to provide each leaseholder with a regular, written statement of account setting out the service charges and relevant costs they have incurred. While it has not been possible to introduce the obligation as it stands, and the Department is developing proposals to enable it to work as intended, the intention is that any obligation that applies to local authorities would also apply to ALMO's. The Department considers that this function may be appropriately delegated to an ALMO by a local authority by s.27 of the Housing Act 1985.

Environment and liveability

40. The Department is leading the delivery of the cross-government *Cleaner, Safer, Greener Communities* programme for improving liveability in every community. ALMOs currently make, and should continue to make, an important contribution to this. Feedback from ALMOs and local authorities suggests that the extent to which environmental functions are split between local authority and ALMO officers depends on local circumstances. This is in line with our general principle.
41. An option could be to increase the range of powers open to ALMOs to deal with these issues, for example the imposition of fines for littering and dog fouling offences; and instructing the removal of abandoned vehicles should be increased. However, the Department believes it would be preferable for local authorities to establish sensible and effective arrangements with their ALMOs to ensure that the authority fulfils its obligations in an effective and timely manner.

Financial services

42. Some ALMOs, on behalf of their partner authorities, administer or plan to administer home contents insurance schemes for tenants. While local authorities are exempt from the requirement to register with the Financial Services Authority (FSA), this exemption does not apply to ALMOs and we do not intend to seek to extend it to ALMOs.
43. The Department believes it important that tenants continue to have access to home contents insurance schemes; the FSA is also keen to encourage access to financial products for those who may not normally be in a position to take them up. Whilst interpretation of the relevant legislation and FSA rules is ultimately a matter for the courts, local authorities and their ALMOs can consider the scope for limiting ALMOs' role to activities for which registration is not necessary. A key test is likely to be whether an ALMO is carrying out regulated activities by way of business, i.e. whether these activities provide a direct financial benefit to the ALMO's business. The FSA's fact sheet 8 provides further guidance on the regulation of insurance selling and administration. Copies are available via the FSA's website: www.fsa.gov.uk

Power to trade

44. The power to trade is a way in which ALMOs can secure more control over their own finances and raise revenue. In this context, trading means doing something with the main purpose of making a profit; this extends to the provision of services, the supply of goods and carrying out works. The Department believes that ALMOs should only undertake such trading activities where a clear business case exists; where it can be seen to be beneficial to current tenants; and where the local authority is in agreement.
45. Where an ALMO is eligible, it may trade in any activities related to the well-being function. This could include taking on management responsibility for stock owned by landlords other than the local authority; provision of new services to existing customers; or the provision of advice and consultancy services. However ALMOs may only engage in trading where the primary purpose is to make profit if their local authority qualifies to do so under s95 of the Local Government Act 2003. The Department considers that where a local authority has a "poor" or "weak" CPA rating it should be focusing on its own improvement and is less likely to be in a strong position to trade. As an ALMO is a local authority controlled company we do believe this principle applies and that an ALMO should not have any exemption from the general provisions covering trading. Therefore an ALMO will remain ineligible to trade if the local authority has a "poor" or "weak" CPA rating while this is the Department policy on local authority trading.

ALMOs and Social Housing Grant

46. Like other unregistered bodies, ALMOs are able to take part in the Housing Corporation's National Affordable Housing Programme, either bidding for social housing grant themselves or in partnership with others. We will however expect ALMOs to demonstrate the capacity to manage the risks related to acquiring or managing new stock and to maintaining the quality of their core business in delivering housing management services to the council.
47. We expect that ALMOs proposing to own grant-funded housing will need three stars and those proposing only to manage stock on behalf of another landlord will need two stars.
48. ALMOs considering a bid should engage early with the Housing Corporation, to ensure their schemes are eligible for grant. Grant-funded homes owned or run by ALMOs will be subject to contractual conditions, as is the case for other unregistered bodies.

The regulatory framework for ALMOs

49. Regulation in the housing sector seeks to ensure that organisations are viable, properly governed and managed, deliver the Government's housing policies, and meet tenants' and other users' needs and reasonable expectations. Regulation includes registration, compliance and performance monitoring, inspection of service delivery, intervention and the enforcement of remedial measures. The regulatory framework varies for housing associations, local authorities and ALMOs, although many of the regulatory principles apply to all three organisational types.
50. ALMOs are subject to regulation in a number of areas:
 - the partner local authority has extensive powers under the management agreement with the ALMO;
 - the Secretary of State has powers of intervention that pertain to local authorities as a whole;
 - ALMOs are subject to a degree of regulation via Companies Act legislation;
 - the Audit Commission has powers to approve local authority accounts and check on local authority performance under the Local Government Act 1999.
51. The management agreement between the ALMO and its partner authority is the main tool in maintaining and managing performance. The management agreement stipulates the contract between the local authority and the ALMO and the levels of service that are expected. The Department's template for agreements between ALMOs and their partner authorities contains a number of powers, which should provide for effective management of the ALMO, including:
 - the requirement to draw up an annual delivery plan;
 - the provision of regular meetings to monitor performance against the performance plan;
 - the ability of the council to issue instructions pertaining to the delivery plan;
 - the ability to require provision of any relevant information to enable the authority to satisfy itself that services are being delivered appropriately;
 - the ability to carry out a review of the ALMO's services;
 - the ability to carry out audits of the ALMO's services.
52. Where there is a serious decline in performance, the authority has significant powers of intervention, either to deliver discrete or whole services itself for a period of time or to collapse part or the whole of the agreement.
53. ALMOs are required to comply with the provisions of Part I of the Companies Act 1989 (which amended Part VII of the 1985 Act) in respect of:
 - the keeping and auditing of accounting records;
 - the production of annual accounts and annual reports of the directors and auditors; and
 - in making an annual return to the registrar.

54. The auditors also have extensive powers and responsibilities in respect of the annual accounts.
55. As well as issuing an opinion on a local authority's accounts, the Audit Commission undertakes reviews of organisational corporate governance arrangements and performance management systems. These roles and responsibilities are set out in the Audit Commission Act 1998. The Commission also has a wide range of inspection powers under the Local Government Act 1999 and the Local Government Act 2003.
56. Local authorities (and by extension ALMOs) are also regulated by central government and its agents. This is covered, in part, by the Local Government Act 1999.

Inspection

57. Inspection plays a key role in the current regulatory framework for local authorities. Under Comprehensive Performance Assessments (CPA), the inspection of service areas (including housing) is from 2005/2006 concentrated on those single tier authorities of one star or below and district councils where performance is 'fair' or worse and where performance in the relevant service area is also relatively weak. This is in line with the Audit Commission's approach of Strategic Regulation, which seeks to concentrate inspection resources on helping inspected bodies to improve their performance, and the Government's principles of risk-based inspection.
58. Under proposals to develop the CPA model of inspection, the local authority will remain the subject of assessment and this will include consideration of how it manages its contract with the ALMO and the services delivered by the ALMO. It is not proposed that the ALMO should receive a separate inspection or performance score once the Decent Homes target has been achieved. However we believe that it should be open to an ALMO, with the agreement of its local authority, to request an ad hoc inspection. This may be to contribute to the ongoing improvement of the ALMO or to secure an improved rating where this may make them eligible for any freedoms and flexibilities that may in future be tied to performance.

Intervention

59. In the case of serious failures in the delivery of local government services, the government has powers to intervene, which extend to ALMOs. The 'best value' legislation gives the relevant Secretary of State a range of intervention powers. There are three broad sets of circumstances where the Audit Commission may refer a failing local authority service to the Secretary of State:
 - serious service failures that could result in danger or harm to the public;
 - persistent failure by an organisation to address recommendations made by inspectors; and
 - serious failures in a number of services in an organisation, which reveal fundamental weaknesses in an organisation's corporate capacity to manage services and make improvements.
60. Action that can be taken by the Secretary of State includes the following:
 - direct that a local inquiry be held into the exercise by the authority of specified functions;
 - direct the authority to take any action which he/she considers necessary or expedient to secure its compliance with the exercise of those functions;
 - direct that a specified function of the authority shall be exercised by the Secretary of State or a person nominated by him/her for a period specified in the direction or for so long as the Secretary of State considers appropriate.

61. Intervention will always be the last resort. There are a variety of ways that an ALMO's performance can be turned round to ensure that intervention is not required. A key instrument is the support framework established by DCLG and managed by the National Federation of ALMOs and GOs.
62. The Department is keen to ensure that intervention is very much a last resort. There may be occasions when an ALMO or its partner authority recognises that it is not performing to an acceptable level and that it needs assistance from outside in order to achieve improved levels of service. Alternatively, it might be something that is agreed with the partner authority.
63. A number of suggestions of such forms of assistance have been put forward, including the following:
 - continuous assessment as opposed to re-inspection;
 - Voluntary Improvement Work by the Audit commission;
 - mentoring by high performers (from within and outside of the ALMO sector);
 - peer group review;
 - interim appointments to the ALMO board as happens with RSLs.
64. The Audit Commission can undertake voluntary improvement work for local authorities that request such assistance under Section 35 of the Audit Commission Act 1998. ALMOs cannot ask for such help themselves but their partner authorities can request this assistance on their behalf. The Commission has experience of offering such services to a wide range of local housing authorities that are looking at ways to improve their performance.
65. The assistance of high performing two and three star ALMOs could be crucial to the success of a number of these ideas. Other high performing organisations could also assist in such initiatives.
66. We believe that the current regulatory framework provides a strong and effective set of powers, fit for purpose for the current range of activities undertaken by ALMOs. And that where ALMOs remain broadly similar to their current nature, they do not require any change to this framework. We also think that ALMOs should not be subject to a separate inspection as a matter of course, but that there may be certain scenarios under which an inspection is appropriate. Therefore there are no proposals to change current arrangements.

With effect of 5 May 2006 the responsibilities of the ODPM were passed to the Department for Communities and Local Government (DCLG). References in the extract below are historical and therefore remain ODPM.

Appendix A: Terms of reference for the ALMO review (extract)

Introduction

ALMOs were introduced in 2001 as one of the options for local authorities to secure additional resources to deliver the decent homes target. ALMOs are companies set up by local authorities to manage and improve their housing stock, and qualify for funding from ODPM if they are assessed as “good” or “excellent” by the Housing Inspectorate of the Audit Commission. Tenants must support the setting up of ALMOs and play a major role in their operation, notably by having one third of the places on ALMO Boards, alongside Council representatives and independent members.

The first ALMOs have been up and running since 2002 and there are currently 20 in receipt of funding. Proposals for a further 29 have been accepted onto the programme, and more are expected to join in 2005 and 2006.

ALMOs are effective delivery vehicles of decent homes and wider services to tenants. As with any new type of organisation their early operation has identified a number of possible barriers that reduce effective operation. Some ALMOs will soon have completed their programme of works to deliver decent homes and need to put plans in place that will ensure they continue an effective service to tenants and maintain the stock in good condition.

ODPM and the National Federation of ALMOs have concluded that it would be appropriate to take stock of what ALMOs are delivering, to resolve barriers to effective operation and consider their role in the long term future of social housing. ODPM is therefore setting up a Review Group to consider these issues and provide recommendation for consultation by the end of the year.

Terms of Reference

The Review Group will draw up proposals for consultation on:

- how ALMOs can maintain their services to tenants in the long term;
- a regulatory framework for ALMOs.

Under these headings the following issues will be considered:

Maintaining a service to tenants, leaseholders and other service users

- how to ensure the sustainability of the improvements carried out by the ALMO, the continued provision of a high quality service to tenants and on-going tenant involvement;
- options for increased freedoms and flexibilities for ALMOs including financial freedoms and operational functions, looking at the legal, financial and policy implications whilst having regard to public expenditure considerations;
- the future options for ALMOs, ranging from ALMOs taking on ownership of the stock to management reverting back to the local authority;

- how the provision in the Housing Bill that would enable ALMOs to receive funding from the Housing Corporation could work in practice;
- the financial framework for ALMOs when ODPM additional funding has ended;
- the effect of Right to Buy on ALMO stock profile and future income.

Regulatory framework

- whether the long term existence of an ALMO is predicated on sustaining high performance;
- the appropriate framework for dealing with ALMOs whose performance falls below 2* rating;
- the role of the local authority and the inspection regime in performance assessment;
- measures to assist failing ALMOs.

Decent Homes Division
ODPM
August 2004