

Arms Length Management Organisations (ALMOs)

A Tenant's Guide



housing



The ALMO Option

The Government's commitment to bringing all council housing up to the Decent Homes Standard by 2010 was set out in *Sustainable communities: building for the future*.

Councils needing additional funding to improve their housing stock can choose between three options: Arms Length Management Organisations (ALMOs), Private Finance Initiative (PFI) and Stock Transfer. All these options involve the local authority separating its strategic housing function from its housing management function. Guidance on PFI and transfer are given in other leaflets in this series, see *Further Information* on page 6 of this leaflet.

This guide aims to give tenants a brief understanding of ALMOs. Full details of ALMO policy and how a local authority can bid for additional funding can be found in *Guidance on Arms Length Management of local authority housing (2004 edition)* and the supplement to the *Guidance on Arms Length Management June 2006*.



What does ALMO stand for?

Arms Length Management Organisation.



What is an ALMO?

An ALMO is a company set up by a local authority to manage and improve all or part of its housing stock. The company is owned by the local authority and operates under the terms of a management agreement between the authority and the ALMO. High performing ALMOs are eligible for additional funding from the Government.



What is the Decent Homes Standard (DHS)?

A 'Decent' home is one in reasonable state of repair with modern facilities and services. The Government is committed to ensuring that all social housing meets the DHS by 2010. Further information on the Decent Homes Standard can be found in *Decent Homes: A Tenant's Guide*.



How does a local authority go about applying to set up an ALMO?

When a local authority is considering which option will enable it to achieve the Decent Homes Standard it must first conduct an option appraisal. This involves investigating all the options for housing investment and working out the costs and benefits of each. Local authorities must involve tenants fully in the option appraisal process and seek their views on the local priorities and outcomes. Tenant participation is essential to the option appraisal procedure, as this will help ensure that any scheme meets the needs of the local community. The completed option appraisal has to be approved by the Government Office. If an ALMO is the preferred option, the local authority can then submit a bid to DCLG. Ministers will only give approval if the local authority satisfies the criteria in the ALMO Guidance. Details of the bidding process can be found in section 9 of the ALMO Guidance.



What happens when a bid has been approved?

When an ALMO bid has been approved by Ministers, the council sets up the ALMO in shadow form and, when ready applies to the DCLG for consent to delegate its management functions to the ALMO under section 27 of the Housing Act 1985. At this stage Ministers look in more detail at how the ALMO will operate. One criterion is the level of tenant and leaseholder support for the ALMO. Tenants'

views can be assessed through a ballot or survey. Further information on section 27 approval can be found in Annex C of the ALMO Guidance.



How does the ALMO qualify for extra funding?

An ALMO has to demonstrate that it is providing a high standard of service before it gets its extra funding. This is done by means of an inspection conducted by the Housing Inspectorate (which is part of the Audit Commission) at least six months after the ALMO is established. In order to qualify for the extra funding the ALMO's services have to be rated as 3 star (excellent) or 2 star (good). If the ALMO does not achieve the necessary rating it may be possible to give it more time to improve its performance. Otherwise the local authority may have to reconsider its options.



Why can't the local authority get the additional funding instead of the ALMO?

The Government considers that in order to make the best use of the resources available, funding should be limited to local authorities who have separated their management and strategic functions. Allocating the funding on this basis will help to ensure that the additional public money available goes to the local authorities and ALMOs that deliver the highest standards of service to their tenants.



What services will an ALMO provide?

- Delivering major repairs and improvement to bring homes up to the Decent Homes Standard
- Rent collection, dealing with arrears and debt counselling
- Maintenance
- Managing lettings, dealing with empty properties.



What functions would remain with the local authority?

- Housing strategy
- Housing benefit/rent rebate administration
- Overall policy on rents.



How would an ALMO affect me as a tenant?

The local authority would still be your landlord and all your rights, such as the Right to Buy, would remain the same. You would remain a secure tenant of the local authority. But an ALMO dedicated to improving the condition of the stock would be able to deliver higher quality services. It would also give tenants the opportunity to have a greater role in the management of their homes by being represented on the ALMO Board.



What changes would an ALMO make to me as a leaseholder?

Leaseholders have the opportunity to become more closely involved in the management of their homes by standing for the ALMO Board. Leaseholders are required to contribute towards the cost of improvement works to their blocks in the normal way.



How are ALMOs managed?

ALMOs are managed by a Board of Directors which includes tenants, local authority nominees and independent members. No one group is normally in a majority.



How are ALMOs monitored?

One of the responsibilities of the Board is to monitor the ALMO's performance. ALMOs have to provide regular returns to the DCLG

to ensure that they are progressing as planned. They are also monitored by the local authority to ensure their obligations as laid out in the management agreement have been complied with. ALMOs also publish Annual Reports and Accounts.



And Finally...

What happens if the ALMO does not work out?

With proper monitoring, any problems should be spotted and solved quickly. But if things go seriously wrong, the local authority can end its agreement with the ALMO.



Further Information

Other leaflets in this series include:

Options Appraisals: A Tenant's Guide (PC: 03HC01706/2)

Housing Private Finance Initiative (PFI): A Tenant's Guide
(PC: 03HC01706/5)

Housing Stock Transfer: A Tenant's Guide (PC: 03HC01706/3)

Decent Homes: A Tenant's Guide (PC: 03HC01706/1)

Further copies of this and the other DCLG publications mentioned in this leaflet are available via the DCLG website:

www.communities.gov.uk/housing or from:

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