



## **A future for ALMOs – within local communities**

A précis of the report by the National Federation of ALMOs

## ALMOs: the story so far

Arms length management organisations have been a great success story. There are now 69 ALMOs across England, managing more than one million homes.

Since the first were set up in 2002, ALMOs have:

- Invested more than £4.6 billion to bring more than 250,000 council homes up to scratch
- Driven up performance – 21 ALMOs of the 61 inspected so far have won three stars at inspection, with another 37 achieving two stars
- Delivered higher levels of tenant satisfaction than either housing associations or traditional council housing
- Given tenants a real say in shaping services
- Developed a wide range of excellent community programmes, tackling unemployment, providing debt advice, fighting fuel poverty and promoting community cohesion and positive behaviour
- Achieved significant efficiencies
- Started to build new homes for the tenants of the future.

## Doing more for the community

ALMOs are now at a crossroads. Many have now completed their ‘decent homes’ repairs programmes and are keen to do more for the communities they serve. But they have been dogged by uncertainty over their financial future. As a result, many are now looking again at where they should go from here. Some ALMOs are set to return to council control now that their decent homes work is done. Others are considering stock transfer to a housing association. Others still would like to remain as ALMOs to ensure they retain the tenant and community focus which has proved to be such a success. So are there new ways in which they can build on the ALMO model?

Existing ALMOs are already starting to expand the range of activities they are involved in. Some are moving into providing services, including management, maintenance or consultancy, for other organisations. This could provide a useful opportunity for growth and for creating new revenue. ALMOs would also like to do more to tackle housing need in their communities. In particular, they are looking to build new homes, regenerate neighbourhoods and invest more money in their existing stock.

But although some ALMOs are blazing a trail in building new homes, the current framework means such projects are still relatively small scale. Regeneration projects can also prove difficult. And under the existing financial system for council housing, ALMOs have only limited ability to borrow for further work on their existing stock. On all fronts, then, ALMOs are facing challenges in stretching the existing ALMO model to fit their ambitions.

The many ALMOs which would prefer to retain their ALMO status are now looking to the government to provide a clear financial offer which would allow them to provide the best possible service to their residents into the future. It is hoped that government's review of the council housing finance system, expected to be published imminently, will allow councils and their ALMOs to become self-financing, allowing them to plan for the future. They could then borrow more freely to invest in their homes and neighbourhoods.

## New models

The outcome of the HRA review is crucial. But there are also some other options for ALMOs, beyond the status quo, to return to the council or traditional stock transfer. These further options might allow for new investment to be brought in. Some involve building tenant and community ownership organisations. These could ensure that communities have a strong stake in their future, so building on ALMOs' track record of tenant empowerment, while in some cases keeping legal ownership of the housing stock with the council.

Community ownership might be based on successful existing examples, such as tenant management organisations or housing co-operatives. Alternatively, ALMOs might wish to explore newer models, such as the Community Gateway, where a tenant-led organisation takes on ownership of the housing stock. They might want to look at whether Community Land Trusts, which own and manage land and homes for the benefit of the community, could work in their area. There has also been some attention given to the idea of leasehold transfer, where an ALMO would become a community ownership organisation, leasing the council's homes for, say, 30 to 40 years. This would have the advantage of allowing the homes to revert to local authority ownership in the future. However, given that the government would treat such a proposal to all intents and purposes as a full stock transfer, it is likely that organisations would consider a traditional transfer instead.

So what advantages and disadvantages do the different options have?

<b>Option</b>	<b>Pros</b>	<b>Cons</b>
<b>Return to the council</b>	<p>Fits with some authorities' original plans for the future once decent homes programme had been completed.</p> <p>Return to tried-and-tested council model, controlled by elected councillors.</p> <p>May offer short-term cost savings in, for example, staff costs</p>	<p>Risks losing quality and performance gains made under ALMO model. Risks losing increased empowerment of tenants under ALMO governance model.</p> <p>May not deliver long-term efficiencies</p>
<b>Stock transfer to a housing association</b>	<p>Access to private finance to fund regeneration and new homes programmes.</p> <p>Opportunities for growth and new business.</p>	<p>Needs a positive ballot result and switch of homes out of council ownership.</p> <p>Risks losing community focus of ALMO.</p>
<b>Staying as an ALMO</b>	<p>Retains strong performance culture created by ALMO.</p> <p>Maintains community focus.</p> <p>Offers opportunity to build on strong tenant-centred ethos.</p>	<p>Requires fit-for-purpose financial settlement from government to ensure ALMOs are able to invest in their homes and communities in the future.</p>
<b>Tenant management organisation</b>	<p>As a management company owned by tenants, easier access to private finance.</p> <p>Ownership of the stock remains with the local authority.</p> <p>Strong community and tenant focus and high satisfaction levels.</p>	<p>Needs to be set up under right-to-manage regulations to ensure exemption from EU procurement rules for management agreements.</p>
<b>Housing co-operatives</b>	<p>Greater opportunities for tenant involvement and control.</p>	<p>Needs strong arrangements for effective resident-led governance.</p> <p>Ownership co-ops require transfer of stock.</p>

Option	Pros	Cons
<b>Community Gateway model</b>	Allows for a range of options from management to stock transfer. Big role for tenants in leading the organisation. Potentially allows access to private finance under Community Gateway transfer.	Requires process for community decision-making with uncertain outcome. Needs strong arrangements for effective resident-led governance.
<b>Community Land Trusts</b>	Strong focus on retaining land and assets for the benefit of the community. ALMOs could work with CLTs to develop and manage new housing.	May prove more expensive than other models as means of developing new homes. ALMO would need to develop new ways of working with CLTs.
<b>Development trusts</b>	Community-owned and led	Becoming a development trust brings support and advice but no significant financial benefits.

## The way forward

ALMOs are now looking to the future. They recognise that to improve their homes and neighbourhoods further and to respond adequately to housing need, they and their tenants will have to take some important decisions. They will need to consider how they can best build on the high performance levels and strong tenant empowerment which have been the hallmark of the ALMO sector. Government and policy-makers will have to play their part too in giving ALMOs the opportunity to have a long-term sustainable future.

Further information on ALMOs and the options for their future is available from:

*A future for ALMOs – within local communities*, National Federation of ALMOs, 2009

*ALMOs – a new future for council housing*, National Federation of ALMOs, Chartered Institute of Housing, HouseMark, 2005

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