



Office of the
Deputy Prime Minister

Creating sustainable communities

Guidance on Arms Length Management of Local Authority Housing

2004 Edition

housing



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Deputy Prime Minister

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*Guidance on Arms Length
Management of Local Authority
Housing*

2004 Edition

October 2004

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MINISTERIAL FOREWORD

Since 1997 great progress has been made in reducing the number of homes that fall below the Decent Homes Standard – the number is down by 1 million. But there is a lot more to do.

Where Local Authorities need additional investment to meet this target they have three options that will deliver this: transferring their housing stock to a Registered Social Landlord (RSL); using housing Private Finance Initiative contracts; establishing high performing Arm's Length Management Organisations (ALMOs) or some combination of these.

These three programmes are proving an effective way to channel billions of pounds of extra investment into social housing. So far there have been 194 successful housing stock transfers, 41 ALMOs are up and running and 10 more schemes are being set up. There are currently 22 schemes on the PFI programme aiming to deliver decent homes, and delivering affordable social housing for rent through new build general needs, sheltered and extra care housing.

This document is one of a set of three that launches the latest bidding rounds for the ALMO, PFI and transfer programmes enabling even more Local Authorities to deliver decent homes. There will be a further bidding round in 2005.

Important changes have been made to the options to shape them to the local needs and circumstances. With PFI there is a renewed emphasis on building new affordable social housing. With immediate effect, the cost of demolition is brought within the scope of ALMO funding to ensure robust decisions between demolition and refurbishment in Decent Homes programmes. Housing stock transfer is now a realistic option for Local Authorities and tenants where there is negative value stock with the introduction of a gap-funding scheme.

Giving people decent homes makes real differences to their lives. However these programmes are about more than delivering Decent Homes – they each bring additional benefits. Perhaps most importantly, they offer tenants the opportunity to become much more involved in making decisions about the management and ownership of their homes, through the Options Appraisal process, through implementation of the chosen option and beyond.

We have made it clear that tenant empowerment and tenant consultation must be at the heart of a successful Options Appraisal. The Community Housing Task Force is continuing to make good progress working with tenants, Local Authorities and the Government Offices for the Regions to deliver robust Options Appraisals. For the first time, this year each Local Authority applying for programmes must have their Options Appraisal signed off by the Regional Government Office **prior** to submitting their bid.

I look forward to continuing to work with Local Authorities and other social landlords in the future to offer their tenants a Decent Home.



Rt Hon Keith Hill MP
Minister of State for housing and planning.

KEY CHANGES

This Guidance is about the Arms Length Management Organisation (ALMO) option for local authorities that wish to improve their housing management services and seeking additional resources to invest in bringing their housing stock up to the decent homes standard. It replaces the guidance on this subject issued by the ODPM in March 2003. It covers the key policy and operational features of ALMOs, and sets out the criteria for bids for additional resources in Rounds 5 and 6 of the programme, which are for additional expenditure expected to start in 2006/07 and 2007/08 respectively.

The main changes from the 2003 Guidance are:

- All bids for places on Rounds 5 and 6 of the ALMO programme must be accompanied by a completed Options Appraisal signed off by the relevant Government Office in support of the ALMO option.
- With immediate effect, the cost of demolishing property for which there is unlikely to be any long-term demand is no longer excluded from the scope of ALMO funding. This applies to existing ALMOs, within their agreed allocations, as well as to future ones and is intended to remove any risk that choices between demolition and improvement may be influenced by the availability of funding.
- With effect from the start of the 2005/06 financial year, it will be open to existing and new ALMOs to decide to offer payment to their Board members under a scheme comparable to that available to Registered Social Landlords.
- Sir Peter Gershon's Review of Public Sector Efficiency, published in July 2004, focuses on how best to target resources on front line services by releasing resources through more efficient working practices. ODPM will be seeking to ensure that all ALMOs contribute to and support the delivery of efficiency gains.

ODPM recently announced a Review of the long term future of ALMOs. As some of the first ALMOs near completion of their programmes to deliver decent homes, this will consider how ALMOs can maintain their services to tenants in the long term. It will also consider the appropriate longer-term regulatory framework for ALMOs. For the first stage of the Review, ODPM has convened a group of key stakeholders to help draw up proposals to be presented for public consultation early in 2005. While Ministers will determine future ALMO policy in the light of responses to this consultation, the terms on which local authorities may apply for places on the ALMO programme remain as set out in this Guidance.

Mike Wilkinson
ALMO Policy Manager

Julia Gristwood
ALMO Programme Manager
October 2004

SECTION 1

Introduction

- 1.1 The outcome of the 2004 Spending Review reaffirmed the Government's commitment to ensuring that all social housing meets the Decent Homes standard by 2010, and to continuing with its policies for local authorities to secure additional investment to help them achieve the target. For ALMOs, the Spending Review provides funds to support ALMOs already accepted onto Rounds 1 to 4 of the programme and to launch two further rounds of the ALMO programme.

Purpose of this Guidance

- 1.2 Authorities which set up ALMOs which deliver high standards may be eligible for a share of the funding available, as a contribution toward the cost of achieving Decent Homes. This document therefore offers guidance on setting up an ALMO and applying for extra funding. It is mainly for authorities developing ALMO proposals, but may also be useful for existing ALMOs and their local authorities.
- 1.3 The Guidance concentrates on policy and procedures. Further guidance on technical issues and notes on good practice are available separately and will be supplemented as the need arises. A list of useful publications is at Annex B.

Options Appraisal

- 1.4 All stock-holding local authorities are now required to complete, with their tenants, formal Options Appraisals and to submit these to their Government Offices for sign-off. In June 2003 the Office published *Decent Homes – Options Appraisal Guidance for Local Authorities* to assist local authorities with taking forward their option appraisals (see Annex B). It sets out in broad terms: what is expected of authorities on options appraisal, including the level of tenant involvement required; the steps that are being taken to strengthen the support provided for authorities in this work; and the process and requirements for ensuring options appraisal sign-off by no later than July 2005. Bids for places on Round 5 or Round 6 of the ALMO programme must be accompanied by a signed-off Options Appraisal supporting this option.

Roles and responsibilities

Office of the Deputy Prime Minister (ODPM)

- 1.5 Within ODPM, the Decent Homes Division is responsible for the policy framework for ALMOs, including links with other relevant Government initiatives, and for overall management of the ALMO programme. DHD's key tasks include assessing bids for ALMO funding, handling applications from local authorities for approval to delegate housing management functions to ALMOs, and monitoring the performance of ALMOs and the achievements of the ALMO programme.

Government Offices

- 1.6 Local authorities will already be in touch with their Government Offices about their plans for delivery of decent homes. The Government Offices will also be responsible for signing off authorities' options appraisals.
- 1.7 In addition, the Community Housing Task Force (CHTF) is a team of experienced housing practitioners based in the Government Offices able to offer advice and support to local authorities throughout the options appraisal process and the development of proposals to implement its conclusions.

Housing Inspectorate

- 1.8 The Inspectorate, which is part of the Audit Commission, assesses the performance of ALMOs. This is most important since ALMOs require a 2* (good) or a 3* (excellent) rating to access additional resources. Authorities should be aware of the Inspectorate's requirements and contact them to agree a realistic timetable for inspections. Further information is on the Inspectorate's website at www.audit-commission.gov.uk.

Other useful contacts

- 1.9 National Federation of ALMOs (NFA): The NFA represents and promotes the interests of ALMOs to ODPM, local authorities and residents. It also offers practical help to those interested in the ALMO option.
- 1.10 Local Government Association (LGA): The LGA is establishing an ALMO client group to consider the interests of local authorities who have delegated or propose to delegate their housing management functions to an ALMO.

A list of contact details is at Annex A.

SECTION 2

What is an ALMO?

Key features

- 2.1 An ALMO is an organisation set up by a local authority to manage and improve all or part of its housing stock.
- 2.2 Key features of the ALMO option are:
- Ownership of the housing stock remains with the local authority.
 - The local authority remains the legal landlord.
 - Tenants remain secure tenants of the authority and there is no change in their rights, such as the right to buy, right to repair and right to manage.
 - As its name implies, an arms length body has a significant degree of independence from its local authority.
- 2.3 Beyond these requirements it is for local authorities to devise arrangements which best suit their circumstances, encouraging a business-like and innovative approach to the management of the housing stock.

Form of Arms Length Body

- 2.4 ALMOs are normally companies which are 100% controlled by the local authority, and they are usually constituted as companies limited by guarantee. It will not be appropriate for ALMOs to trade for profit, issue share capital or pay dividends. Alternative approaches, such as using an Industrial and Provident Society, are not ruled out. ALMOs will not be 'arms length companies' as defined in section 68 of the Local Government and Housing Act 1989 because of their likely composition and financial relationship with the authority.
- 2.5 A Tenant Management Organisation (TMO) may be able to form the basis for an ALMO provided it carries out an appropriate range of functions (see Section 3) and that the arrangements proposed maintain separation between the strategic role of the local authority and the TMO's management role. Adjustments to the financial regime for the TMO may be necessary, and membership of the TMO Board would need to be widened in line with the requirements for ALMOs. Any authority interested in pursuing the option of using a TMO as the basis for arms length management is welcome to contact ODPM for further advice.

The Management Agreement

- 2.6 The relationship between a local authority and an ALMO is defined in an agreement which sets out the obligations of each party. This needs to cover:
- the functions to be delegated to and carried out by the ALMO;
 - the standards to which they are to be carried out;
 - arrangements for reporting on and monitoring performance;
 - requirements for involvement of tenants in decision making;
 - the financial relationship and obligations of each party;
 - arrangements for liaison and consultation between the authority and the ALMO;
 - the ALMO's role in helping to deliver the authority's housing strategy, including means to ensure that the authority, as ALMO shareholder, can achieve its objectives without unduly inhibiting the ALMO's freedom to manage the stock;
 - the length of the agreement: for example an initial period of 5 years, renewable; or 10 years, renewable, with provision for a break after 5 years;
 - actions to be taken where there is non-compliance or failure; and
 - arrangements for termination.
- 2.7 A model constitution for an ALMO, and a model agreement between a local authority and an ALMO, are available from Beverley, Duhaney Decent Homes Division (see contact details at Annex A). These documents are available for local authorities and ALMOs to use and adapt as appropriate to suit local circumstances.

Directors of Arms Length Companies

- 2.8 An ALMO is managed by a Board of Directors. The Board should include tenants, local authority nominees and independent members with relevant experience of social housing, regeneration, social cohesion, finance or other ALMO responsibilities. They may include local business people or other representatives of the community. No one group should be in a majority on the Board. It may help to demonstrate the ALMO's operational independence from the local authority if the Chair is not a local authority nominee. Tenant Board members should be elected by their fellow tenants to ensure that they are genuinely representative.
- 2.9 At present ALMO Board members are not paid but may receive expenses. However, in line with the arrangements that already apply to Board members of Registered Social Landlords (RSLs), Ministers have agreed that ALMOs should have the same opportunities as RSL Boards for deciding whether to pay Board members to help ALMOs address any problems with recruitment, high turnover, retention and Board performance. This will apply from the start of the 2005/06 financial year. ODPM will issue good practice guidance for ALMOs on this issue.

- 2.10 Local authorities should provide initial training for ALMO Board members, and ALMOs themselves will wish to arrange further training to develop Board members' skills. This will help all members, including tenant representatives, play a full part. A period of shadow running is desirable to give Board members experience of working together before an ALMO assumes operational responsibilities. When considering an authority's application to delegate housing management functions to an ALMO, Ministers will usually expect all Board members to have been appointed, to have met as a full Board at least once and to have undertaken some initial training.
- 2.11 ALMO Boards should operate as openly as possible, with meetings and papers accessible to the public, subject to safeguards for personnel and commercially sensitive issues.
- 2.12 Further guidance on the appointment and operation of ALMO boards is contained in the CHTF's ALMO Governance Resource Pack (see Annex B).

Conflicts of interest

- 2.13 Some officers and councillors will inevitably have a dual role, working for both the local authority and the ALMO, particularly while the new organisation is being set up. The authority and the ALMO must therefore devise and keep under review guidelines to help all Board members and staff identify and avoid conflicts of interest. In particular, councillors serving on the ALMO Board should not play a significant role in council decisions in relation to the ALMO. Delegation of such decisions to a sub-committee with no ALMO Board members could be an appropriate way of dealing with this issue.

Size

- 2.14 To be effective, ALMOs' work must be informed by and responsive to tenants' needs. This is more likely to be achieved if the housing stock is managed in relatively small units. An indicative upper limit of 12,000 properties was used for the early rounds of the ALMO programme. While this no longer applies, authorities proposing to make ALMOs responsible for managing large holdings will still wish to consider the merits of separate management for smaller groups of properties.
- 2.15 This could be achieved by setting up several separate ALMOs, by subsidiary ALMOs within a group structure, or through area boards as sub-committees of a single ALMO. In each case decision-making powers and resources should be delegated as far as practicable to the subsidiary bodies or area boards so that local needs can be fully taken into account, with directors and board members drawn from the same range of interests as for the parent company.

Partial ALMOs

- 2.16 As part of their Options Appraisal process, authorities should have considered the scope for using ALMOs as a key tool, alongside other community and regeneration initiatives, for contributing to neighbourhood renewal. A partial ALMO may have particular benefits in catalysing the regeneration of an area or an estate through the concentration of resources and localised management. If an authority's options appraisal shows that a mixed approach would provide the best solution for its stock, one or more ALMOs covering parts of an authority's stock may be established, with the transfer or PFI option chosen for other stock.
- 2.17 Local authorities adopting a mixed model solution should demonstrate a clear strategy for how the various delivery agents would interact with each other and the council. This should include consideration of how to maintain efficiencies. It should also take account of the policy requirements of each option and, in particular, should be done without compromising the ALMO's, or any other agent's, operational independence.
- 2.18 Local authorities applying for a place on the programme to set up a partial ALMO will need to submit a full application, in line with the arrangements set out in Section 9.

Statutory powers and approvals

- 2.19 Section 2 of the Local Government Act 2000 will normally provide the powers necessary for a local authority to establish an ALMO. To enter into a Management Agreement that will make the ALMO responsible for housing services, the authority requires the approval of the Secretary of State under section 27 of the Housing Act 1985. There is further information about this in Section 5.

Best Value reviews and Inspections

- 2.20 ALMOs should provide high standards of service. In order to qualify for additional resources their services must be rated as either 3* (excellent) or 2* (good) by the Housing Inspectorate. Authorities and ALMOs should therefore have regard to the guidance issued by the Inspectorate (see Annex B) when planning an ALMO's service delivery and judging whether this is likely to reach the qualifying standard.
- 2.21 How an ALMO ensures that its service delivery secures a qualifying rating from the Housing Inspectorate for its services is for the ALMO and its local authority to determine. The findings of relevant Best Value reviews and any Inspections undertaken of the authority's housing services will inform this process. Indeed, authorities may wish to commission a further review or Inspection to help them prepare for the introduction of arms length arrangements, though this would not remove the need for an Inspection once the ALMO is set up. All key services provided by the ALMO should have been subject to a Best Value Review before the ALMO is inspected by the Housing Inspectorate.

SECTION 3

Separating strategy and management

3.1 A key benefit of setting up an ALMO is the separation of the local authority's housing management role from its strategic housing function. The creation of the ALMO should enhance both these functions, and the Secretary of State will look closely at ALMO proposals to see how this will be achieved. In particular, the local authority must allocate adequate resources to continue and enhance its strategic role. In the case of partial ALMOs, the authority will also need to demonstrate how it will manage its remaining stock effectively.

3.2 There are strategic housing functions which are clearly appropriate to a multi-functional body with direct democratic accountability to the community. However, the housing management function is different, and can with advantage be undertaken by a separate body that is accountable for its achievements but has a large measure of independence in how it chooses to deliver these. The benefits of separation for housing management include:

- a separate organisation with a clear focus on the housing management role;
- involvement of a wider range of people, including tenants, in decision-making, and helping to encourage innovative thinking;
- a more business-like approach to managing the stock, concentrating on delivering high quality services offering value for money and responding to the needs of tenants.

What can an ALMO do?

3.3 An ALMO's primary objective must be the prudent management of council stock, including the delivery of Decent Homes (see Section 4) and high quality housing services to tenants. Within this it is for local authorities to determine in the light of their own circumstances which functions to delegate to ALMOs, which to retain, and which to share. In general, however, authorities are expected to delegate to their ALMO responsibility for managing their social housing stock. Functions which are likely to be appropriate for an ALMO to undertake include:

- stock investment decisions and repairs ordering;
- rent collection, dealing with arrears, debt counselling;
- consulting and informing tenants on matters which are the ALMO's responsibility;
- promoting tenant participation, including involving tenants in monitoring and reviewing service standards;
- enforcement of tenancy conditions;

- similar functions for leaseholders;
 - managing lettings, voids and under-occupation;
 - estate management, caretaking and housing related support services under the Supporting People programme.
- 3.4 The above allocation of functions is indicative only, since what works best will depend on local circumstances. However, if it is proposed that an ALMO should take on other responsibilities, these must not risk distracting the ALMO from its primary focus and should be justified as complementing the ALMO's main functions and improving the sustainability of its investment in decent homes. It will be for each local authority to consider, on the basis of its own legal advice, whether it requires the Secretary of State's consent to delegate any functions that are not housing functions covered by section 27 consent (see Section 5).

What is the local authority's future role?

- 3.5 The local authority will retain its strategic and enabling role and responsibilities for dealing with issues such as homelessness, Supporting People allocations and private sector housing. These functions are underpinned by statutory requirements and the Secretary of State will need to be satisfied that their delivery will not be jeopardised by the setting up of an ALMO. However, local authorities will also be expected to develop clear mechanisms for consulting ALMOs and other interested parties when discharging these.
- 3.6 The functions that it may be appropriate for a local authority to retain that relate to housing include:
- overall housing strategy, including liaison with RSLs, housing needs assessments, and cross-tenure stock condition surveys;
 - homelessness responsibilities (see paragraph 3.8 below);
 - lettings policy, in consultation with the ALMO;
 - general housing advice – but not that related to an individual's tenancy;
 - policy on tackling anti-social behaviour, in consultation with the ALMO and with clear responsibilities and procedures for dealing with actual incidents;
 - owner-occupation strategies, including the formal determination of eligibility for Right to Buy and carrying out RTB valuations, though administration of RTB could be by the authority or the ALMO;
 - housing benefit/rent rebate administration, although an authority may wish to consider the scope for an ALMO to verify claims on its behalf (see paragraph 3.12 below);

- tenant participation in developing housing policy and strategy;
- overall policy on rents;
- programme of Best Value reviews, in consultation with the ALMO;
- progress reporting on energy efficiency measures under the Home Energy Conservation Act 1995;
- determining minimum standards of service required of the ALMO and monitoring its performance;
- managing the Supporting People programme, including: reviews; ensuring the provision of good quality, strategically relevant, value for money services; and, developing and implementing the five year strategy.

3.7 Performance in these areas will continue to inform an authority's Comprehensive Performance Assessment and future Best Value Reviews. The CHTF has produced a good practice note for local authorities on *Reviewing the strategic and enabling roles* (see Annex B). In addition, the ODPM has issued *Housing allocation, Homelessness and stock transfer* (see Annex B). This offers guidance on the key issues that authorities need to consider when deciding whether to retain or contract out the delivery of their statutory housing functions after undertaking a stock transfer, but will also be relevant to authorities creating an ALMO.

Homelessness functions

3.8 When setting up an ALMO, authorities will need to consider carefully the impact this might have on tackling homelessness and how they will discharge their functions under homelessness legislation. These are set out in the Housing Act 1996 (as amended by the Homelessness Act 2002) and the Homelessness Act 2002. In addition to providing accommodation and other forms of assistance, these include a duty for housing authorities to adopt a homelessness strategy, based on a review of all forms of homelessness in their areas. This must be a strategy for preventing homelessness and ensuring that sufficient accommodation and support are available for people who are homeless or at risk of homelessness. The Homelessness Act 2002 required authorities to publish a homelessness strategy by the end of July 2003. Subsequently, homelessness strategies must be renewed within five years. The legislation also requires authorities to ensure that advice about homelessness and its prevention is available without charge.

3.9 The Local Authorities (Contracting Out of Allocation of Housing and Homelessness Functions) Order 1996 allows housing authorities to contract out most of their homelessness functions. Where an ALMO is established, the authority may wish to consider the option of contracting out some or all of these functions to the ALMO, though the requirement to have a homelessness strategy cannot be contracted out. Where functions are contracted out, the statutory responsibility for ensuring that those functions are carried out remains with the authority.

- 3.10 Authorities should adopt a Best Value approach when deciding how to discharge their duties on homelessness and whether any part of this should involve the ALMO.
- 3.11 Further advice and information about tackling homelessness is available from the Homelessness and Housing Support Directorate in ODPM and at www.homelessness.odpm.gov.uk.

Housing benefit

- 3.12 Local authorities are responsible for the administration of housing benefit and the creation of an ALMO does not change this. However, in October 2001 the Department for Work and Pensions (DWP) launched a Pilot scheme to involve RSLs in the Housing Benefit verification process. Under the scheme, RSLs acted on behalf of local authorities to check claims made by their tenants and verify evidence required under the Verification Framework. The Pilot scheme was successful and in March 2003 the DWP issued an *RSL Verification Framework Operation and Good Practice Manual* to provide guidance on setting up and running of a scheme involving RSLs in the Housing Benefit Verification Framework process.
- 3.13 DWP have confirmed that the principles contained within the *Operation and Good Practice Manual* can also be applied to ALMOs. Local Authorities can, therefore, arrange for their ALMOs to set up verification schemes in line with the principles and procedures in that Manual. Accountability for verification procedures will remain with local authorities, who are expected to check and monitor the verification procedures that the ALMO undertakes on their behalf. To comply with data protection requirements, ALMOs will need to ask tenants to confirm that they are willing for the ALMO to see details of their claims. Further information is available in guidance on the RSL Verification Framework Scheme published by the Department for Work and Pensions (HB/CTB Circular A33/2002), available from the Corporate Document Services Orderline (telephone 0113 399 4000) or through the DWP website at www.dwp.gov.uk.

SECTION 4

Delivering Decent Homes

- 4.1 ALMOs' primary objective is to achieve the Decent Homes target across the local authority housing stock that they manage. The major part of ALMOs' expenditure, and hence of local authorities' bids for ALMO funding, will therefore be on repairing and improving the housing stock to bring it up to the Decent Homes standard.
- 4.2 Guidance on implementing the Decent Homes target can be found in the ODPM's *A Decent Home: The definition and guidance for implementation (February 2004)*, (see Annex B). In addition, as part of the Spending Review 2004, the Decent Homes target was amended slightly in recognition of the Government's commitment to tackling child poverty. The definition now reads:

'By 2010, bring all social housing into a decent condition with most of this improvement taking place in deprived areas and, for vulnerable households in the private sector, including families with children, increase the proportion who live in homes that are in decent condition.'

ALMO funding for Decent Homes

- 4.3 ALMO funds are principally available as a contribution toward the minimum necessary cost of reducing the number of non decent homes. They may not be used to cover the cost of repairing all components covered by the Decent Homes guidance. In addition, ALMO funds are not intended to replace sources of funding that local authorities would otherwise use to support their Decent Homes programmes, or to compensate for changes in patterns of funding following recommendations by Regional Housing Boards (see paragraph 5.3).
- 4.4 In preparing bids for ALMO funding, local authorities should take account of the need to achieve Decent Homes by 2010. In addition, authorities should recognise the importance of devising a funding and works profile that as far as possible matches the capacity of the local building industry to respond, without putting undue pressure on prices. Local authorities and, in due course, ALMOs will wish to consider the scope for working with other ALMOs and social landlords in their region to manage this via joint procurement (see paragraph 4.9 below).

Investing for sustainability

- 4.5 Delivery of Decent Homes will be an ALMO's key priority. However, this should not stop it working with the Council and its tenants to identify and carry out other necessary work which may fall outside the definition of decent homes. To help support this, since Round 3 of the programme, bids for ALMO resources may include sums for environmental or other works not directly contributing to the decent homes target, but which enhance the sustainability of the investment in Decent Homes. In their bids, local authorities must demonstrate the case for such expenditure and that they have fully explored the scope for using other funds for this purpose. No more than 5% of total bids for ALMO resources should be for expenditure on such works.

Demolitions

- 4.6 In determining their programmes for delivering Decent Homes, landlords are required to take into account the relative impacts of a range of factors that will affect the level of non-decent housing. These include the level of stock losses and gains, such as demolition, Right to Buy sales, transfers and acquisitions. To ensure that choices between demolition and refurbishment are not inadvertently influenced by the availability of funding, the cost of demolitions that contribute to achieving the Decent Homes target can be included in future bids for ALMO funds. This also applies with immediate effect to existing ALMOs, within their approved allocations, should a review of their plans indicate that there is unlikely to be any long-term demand for homes initially scheduled for improvement.

Efficiency

- 4.7 As part of the 2004 Spending Review, Sir Peter Gershon's Review of Public Sector Efficiency focussed on how best to target resources on front line services by releasing resources through more efficient working practices. The Review also highlighted the Government's aim to make significant efficiency gains in social housing procurement, including both capital works and management and maintenance. ODPM has to ensure specific targets for social housing are secured. Efficiency gains may result not only in cost reduction but also in increased quantity.
- 4.8 To contribute towards this, local authorities will be expected to demonstrate in their applications for the ALMO programme the extent to which they have already explored how ALMOs can maximise efficiency in the delivery of their planned programmes, a clear strategy for doing so as the programme develops, how gains will be utilised and how they will measure that gains have been achieved.
- 4.9 Some existing ALMOs have already explored the benefit of partnership approaches which seek to secure efficient and timely delivery of capital works and tenant services. Some are also examining the scope for joint procurement. ODPM wishes to build on this and ensure that what has already been achieved can be shared across the sector. In addition, those that are already demonstrating achievements in this area will be encouraged to innovate further.
- 4.10 In order to ensure that efficiency gains contribute towards improved services, ODPM believes that in the context of social housing any benefits accruing from efficiency gains should feed back into additional investment and better services for tenants. We will therefore put in place mechanisms that will support the achievement of further efficiencies gains. Resources released by such gains will be available for use in the delivery of front line services and, in the case of ALMOs, to support works to enhance the sustainability of the investment in Decent Homes.
- 4.11 Further guidance on this will be issued in due course.

Procurement of works and services

- 4.12 To have control over the delivery of its key objectives, the ALMO must be responsible for making and implementing decisions on the planning and procurement of repair and improvement works as well as its own support services. The ALMO should take these decisions in the context of its agreed business plan. It should also take account of the principles of Best Value and the findings of the Gershon Review and follow current best practice in procurement when tendering, letting and managing contracts. As indicated above, for repair and improvement works this should include consideration of the potential benefits of partnering arrangements with contractors and, for all works and services, the scope for participating in procurement consortia with other ALMOs, RSLs and others.
- 4.13 When drawing up repair and improvement programmes, ALMOs should also seek to maximise energy efficiency, both through the works themselves and in their housing management, for example by raising tenants' awareness of the benefits of energy savings.
- 4.14 The Local Authorities (Goods and Services) (Public Bodies) (England) Order 2002 (SI 2002 No 522), which came into force on 1 April 2002, adds ALMOs to the list of bodies entitled to trade with each other under the Local Authorities (Goods and Services) Act 1970.

SECTION 5

How is an ALMO financed?

5.1 This section deals with the availability, allocation and payment of resources, and with the financial relationship between an authority and its ALMO.

Available resources

5.2 The 2004 Spending Review provides funds to support ALMOs already accepted onto Rounds 1 to 4 of the programme and to launch two further rounds of the ALMO programme. Allocations to individual ALMOs, will depend on the total of accepted bids and ALMOs' progress.

5.3 ALMO resources are in addition to all other sources of finance, such as the Major Repairs Allowance, that are available to local authorities for HRA housing. From April 2004, capital resources have been allocated in the light of recommendations from Regional Housing Boards. Authorities are expected to make the maximum possible use of these sources of finance for investment in Decent Homes by their ALMOs, and should not change existing patterns of funding in ways that increase the need for ALMO funding. This will also serve to ensure that improvements are delivered quickly.

5.4 To protect tenants from poor standards of service and ensure that scarce resources are used effectively, ODPM will monitor the use of resources and may reconsider allocations if there is evidence that ALMO funding has displaced other resources or that ALMOs are not delivering forecast outputs.

Financial mechanisms

5.5 ODPM's financial support for local authorities with qualifying ALMOs has two components:

- **Supported Borrowing:** the capital sum eligible for ALMO Allowance supporting borrowing to fund ALMO expenditure; this replaces the Supplementary Credit Approvals that applied until 2003/04.
- **ALMO Allowance:** the element of Housing Revenue Account (HRA) Subsidy that effectively covers the debt charges incurred by a local authority on borrowing for its ALMO.

5.6 Since only local authorities may undertake borrowing and receive HRA subsidy, they will be responsible for undertaking and accounting for the borrowing of capital funds for ALMO expenditure. The authority will also need to retain and operate an HRA in the normal way and to record all revenue transactions relating to the stock in its ownership in that Account. Where all an authority's stock is managed by an ALMO, it may delegate the keeping of the HRA and related functions to the ALMO, though it will retain ultimate statutory responsibility for the Account, and ALMO Allowance will still be payable to the authority.

Eligibility for resources

- 5.7 Initial capital allocations will continue to be awarded through periodic bidding rounds. Full details of the bidding process, criteria and timetable for Round 5, and a preliminary view of arrangements for Round 6, are in Section 9. ODPM recognises that, after completing Options Appraisals and submitting bids, authorities will need to undertake a significant amount of work to set up shadow ALMO arrangements and that they may be reluctant to do this without some guarantee of additional resources. Accordingly, for those authorities whose bids are accepted, ODPM will make conditional offers of funding, though not necessarily for the full amount of the bids. These will become unconditional if the authorities and their ALMOs meet the necessary criteria.
- 5.8 The criteria to be met before conditional offers of ALMO funding become unconditional are:
- (a) s.27 consent: The authority must obtain the Secretary of State's approval under section 27 of the Housing Act 1985 to appoint the ALMO as its agent for the delivery of housing management services. In reaching decisions on s.27 applications, the Secretary of State will wish to be satisfied about a range of issues, including compliance with key principles in this Guidance. The Questionnaire that local authorities must complete when applying for s.27 approval is at Annex C. Once approval is granted, the authority may formally sign and bring into force the agreement with its ALMO.
 - (b) Qualifying inspection rating: The ALMO must secure an 'excellent' (3*) or 'good' (2*) rating from the Housing Inspectorate for the services that it provides. The Inspectorate's second judgement, about an ALMO's prospects for improvement, is not directly relevant to the release of the additional resources but will clearly inform the ALMO's own management when developing the organisation and its services. ALMOs and authorities should note that the Inspectorate requires ALMOs to have been operational for at least six months in order to achieve a degree of stability before they are ready for inspection, though ALMOs may choose a longer period and should agree the timing of their inspections with the Inspectorate.

Payment of ALMO resources

- 5.9 Acceptance of an authority's bid for a place on the ALMO programme will imply acceptance in principle for the whole of the period (not beyond 2010) needed for the ALMO to bring all the authority's homes up to the Decent Homes standard, subject to periodic verification of costs (see paragraph 5.11). However, ODPM is only able formally to allocate resources that have been agreed for the period covered by the most recent Spending Review – i.e. currently to the end of 2007/08. Accordingly ODPM will continue to make allocations for two years at a time, with future allocations subject to the outcome of future Spending Reviews.

- 5.10 For example, for authorities qualifying for support under Round 5 of the programme, the initial allocation will normally be for 2006/07 and 2007/08 and the authority will be entitled to borrow up to that allocation, with consequent entitlement to ALMO Allowance, at any time within that period once its ALMO has achieved a 2* or 3* rating. Subject to the outcome of future Spending Reviews, the next allocation would be for 2008/09 and 2009/10.
- 5.11 Before making the second and any subsequent 2-year allocation of resources, ODPM will require each ALMO and its local authority to review and, if necessary, revise the estimates made in the original bid of the cost of the ALMO's programme for achieving the Decent Homes target and the amount of the other resources available for the ALMO. The ALMO Building Costs Model (see paragraph 5.14) will be used for this purpose. ODPM will take the results of this into account to ensure that allocations are not excessive, that ALMO funding is used solely for works to achieve the Decent Homes standard in accordance with ODPM's guidance, that an authority continues to make significant contributions to such works from its other sources of funding, and that overall resources are used to make the most effective contribution to the decent homes target.
- 5.12 The arrangement for Round 1 and 2 ALMO authorities to be paid ALMO Allowance at the rate of 8% of total capital allocations will continue to 2010, but from Round 3 onwards authorities' borrowing for ALMO expenditure will be treated in the same way as their other borrowing for HRA purposes.

Financial arrangements between authority and ALMO

- 5.13 The detailed financial arrangements between an authority and its ALMO should be covered in the legal agreement between them. The model form of agreement (see Section 2) includes relevant clauses. As a minimum, the ALMO must have the use of all the capital borrowed by the authority. Authorities are also expected to give ALMOs access to all HRA reserves, or to the appropriate proportion of these if only part of the stock is to be managed by the ALMO. Resources held as part of the Major Repairs Reserve (which is outside the HRA, though funded through the HRA) should also be available to the ALMO.

The Building Costs Model

- 5.14 Local authorities and ALMOs will wish to ensure that their estimates of the costs involved in delivering their programmes are fair and reasonable. Robust information from a recent stock condition survey will be crucial for the accuracy of such estimates.
- 5.15 ODPM will also need to be assured that estimates and bids are reasonable, and take into account the principles outlined in this guidance. To help do this, and to ensure that bids are prepared in a consistent and transparent fashion, ODPM has developed a model – the Building Costs Model (BCM) – which must be completed by all authorities seeking a place on the ALMO programme, as part of their application. The BCM requires local authorities to input stock condition information for a range of housing archetypes over 30 years and facilitates estimates of the expenditure needed on various categories of repairs and improvements. It also enables local authorities to demonstrate an ALMO's progress in meeting the Decent Homes standard, and the costs associated with the Decent Homes element of their programme, as clearly as possible.

- 5.16 Within the BCM, local authorities are required to record all relevant sources of funding available to the local authority (including some historical data) in order to check that the bid for ALMO funding is sufficient but no more than needed to achieve the Decent Homes target. It is important that the information presented in the BCM should both support, and be supported by, information given elsewhere in the application.
- 5.17 Copies of the BCM and associated guidance are available from Suzanne Clarke, Decent Homes Division (see contact details at Annex A).

Maintaining momentum

- 5.18 With a growing number of ALMOs qualifying for funding, and some ALMOs already with Decent Homes investment programmes that run through to 2010, it will be increasingly important for ALMOs to maintain the momentum of their programmes to ensure best use of available resources and meet the 2010 target date. ODPM therefore expects new ALMO authorities to draw on the experience of those already on the programme to devise and implement robust timetables for launch and inspection of ALMOs.
- 5.19 In general, a local authority will retain a place on the ALMO programme providing: that it applies for s.27 consent no later than one calendar year from the date of being awarded a place on the programme; and, that its ALMO achieves a qualifying rating from the Housing Inspectorate within 2 calendar years of receiving s.27 consent. Initial allocations of funds will be based on the profiles and timetables in bids. If it appears that an ALMO is failing to make sufficient progress, or if there is a significant change from the original timetable, the ODPM reserves the right to review that ALMO's funding. In extreme cases, including where the achievement of the 2010 target is at risk, the ODPM may ask the relevant local authority to reconsider whether the ALMO option was the most appropriate.
- 5.20 If an ALMO fails to achieve at least a 2* rating at its first inspection, it will wish to devise and implement an action plan to improve its performance and, after an interval agreed with the Inspectorate, seek re-inspection. Where re-inspection proves necessary, ALMOs may wish to draw on the experience of the CHTF, the Housing Inspectorate and other ALMOs when preparing their action plans.

SECTION 6

How are tenants involved?

Tenant participation

- 6.1 Key aims of the ALMO initiative are to give tenants the opportunity to play a greater role in the management of their homes, and to ensure that services are responsive to their needs. (In this context ‘tenants’ should be taken to include tenants and leaseholders.) Tenants should have been closely involved throughout the appraisal process leading to choice of the ALMO option. Local authorities seeking ALMO funding and s.27 approval must then demonstrate that tenants have been fully involved in development of the ALMO bid and, in accordance with Tenant Participation Compact principles, will continue to be consulted about the ALMO’s operation and performance. Applications for places on the ALMO programme must show that the ALMO proposals have the support of a majority of tenants.
- 6.2 A leaflet has been designed specifically to offer tenants information about the ALMO process. Copies of *ALMOs: A Tenant’s Guide* are available from Beverley Duhaney, Decent Homes Division (see contacts list at Annex A).

Demonstrating tenant support

- 6.3 Authorities may choose to ascertain tenants’ views through a ballot, though the Secretary of State is prepared to accept other clear evidence of their support. To ensure an informed choice, authorities should give all tenants and leaseholders information about and opportunity to comment on:
- the reasons for setting up the arms length body;
 - the functions to be transferred and the continuing role of the local authority;
 - the composition and status of the arms length body and its Board, including the selection and role of the tenant Board members;
 - tenants’ and leaseholders’ rights;
 - performance standards for the arms length organisation.
- 6.4 Evidence of tenants’ views obtained during the options appraisal process will be helpful in demonstrating their views on the chosen option. However, local authorities should continue to involve tenants as they work up the details of their ALMO proposals and should include evidence of tenants’ support for these detailed proposals with their bids.

- 6.5 The capacity of tenants to participate, as tenants or as potential ALMO Board members, may be enhanced through the use of Section 16 and Tenant Empowerment grants. Details of these can be found on ODPM's website at www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_601758.hcsp.

Hard to reach groups

- 6.6 Local authorities involved in the ALMO process will be expected to identify and enter into dialogue with hard to reach groups of tenants whose needs may have been neglected in the past. This will be especially important for groups, including some Black and Minority Ethnic (BME) groups, in particularly disadvantaged neighbourhoods. Local authorities should aim to involve all such groups in the development and implementation of ALMO proposals.
- 6.7 A recent guide *Empowering communities, improving housing: Involving black and minority ethnic tenants and communities* (June 2004) was produced for ODPM by the Centre of Urban and Regional Studies at the University of Birmingham (see Annex B). This guide focuses on involving tenants from BME communities in housing stock options, but is also relevant to other hard to reach groups.

Tenant Management Organisations

- 6.8 All existing or developing Tenant Management Organisations (TMOs) responsible for delivering housing management services should be fully consulted and involved at an early stage and throughout the development of ALMO proposals. A TMO may have substantial housing management responsibilities and budgets under its Management Agreement with the authority. Some TMOs will also have responsibility for statutory consultation with tenants in the TMO area under their Management Agreement. The creation of an ALMO will normally mean that the ALMO acts as the authority's agent in discharging its responsibilities under that agreement. Involving TMOs at an early stage should enable any potential issues specifically affecting the TMO to be identified as soon as possible.
- 6.9 The Secretary of State will wish to see that the ALMO has in place clear and effective arrangements for working with TMOs as well as evidence of their support for the proposals. Although the TMO's management agreement is with the council, not the ALMO, the ALMO is likely to have a role in TMO monitoring. It will need to work with the TMO on various aspects of the service and the TMO's performance will contribute to the overall performance across the ALMO area. It is therefore important to have arrangements in place setting out respective roles and responsibilities of all the parties – Council, ALMO and TMO – in relation to: housing management functions; assistance and support to TMOs e.g. on changes to council or ALMO policy or practice; TMO and staff training; TMO allowances; monitoring; and dispute resolution.

- 6.10 Research has shown that most TMOs provide an effective housing management service and deliver wider community benefits. The statutory Right to Manage, which enables tenants to set up a TMO to take over management of their homes from their council landlord, is a key part of the tenant empowerment agenda. The Management Agreement between the council and the ALMO should include a break clause to enable new TMOs to take on management of council properties managed by the ALMO. The ODPM expects to see ALMOs supporting the development of new TMOs and working in partnership with existing TMOs.
- 6.11 TMOs also have a useful, wider role in the consultation process as they should be well placed to know the views and main concerns of tenants. The National Federation of TMOs has produced good practice guidance on the Options Appraisal process. This gives some guidance on TMOs and ALMOs and includes a practical checklist for all those involved. *Stock Options: Guidance and Good Practice for Tenant Management Organisations* is available via the National Federation of TMOs' website at www.tmonatfed.com/downloads/stockoptionsguide.pdf

SECTION 7

What are the implications for staff?

Employment issues

- 7.1 It is important to safeguard the interests of the staff who will be working for the ALMO. In particular, Ministers have said that they will not countenance a two-tier workforce in ALMOs and have made it a condition that transferred and new staff should have comparable terms and conditions.
- 7.2 ALMOs will need to employ staff and should normally do so directly. Other arrangements, such as secondments from the local authority, may be justified for short term specialised tasks, for example when setting up an ALMO. Longer term secondments will not normally be appropriate since this could make lines of accountability unclear. The Secretary of State will have regard to the arrangements for safeguarding the interests of staff when considering applications for s.27 approval (see Section 5).

TUPE

- 7.3 Where the delegation of functions to an ALMO amounts to a transfer of an undertaking to which the Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE) apply, contracts of employment (apart from terms relating to occupational pensions schemes) of relevant staff and all the local authority's rights, powers, duties and liabilities under or in connection with those contracts will transfer to the ALMO. It may be appropriate for the authority to give an indemnity in respect of pre-transfer liabilities relating to transferred staff. Whether TUPE does apply must, in every case, depend on the individual facts and can ultimately be decided only by the courts.
- 7.4 Authorities should also take account of Cabinet Office Guidance on *Staff Transfers in the Public Sector* (see Annex B). This stipulates that, unless there are exceptional reasons for doing otherwise, transfers of public sector staff should be conducted on the basis that TUPE applies.

Future terms and conditions

- 7.5 The future terms and conditions of employment for ALMO staff, after transfer under TUPE, should be determined by the ALMO Board in the light of local circumstances. The Secretary of State recognises, however, that it would not be unreasonable for ALMOs to offer their staff future terms and conditions that overall are no less favourable than those agreed by local authorities nationally, though this is not compulsory. Any local changes to these should be negotiated between ALMOs and their staff. Any ALMO offering automatically to match future improvements negotiated by staff of its local authority, irrespective of circumstances and affordability, would risk jeopardising its arms length status and put undue constraint on its management freedoms. The Secretary of State is unlikely to grant s.27 approval in any cases where such a guarantee is proposed.

Pensions

- 7.6 The Secretary of State will wish to be satisfied that appropriate safeguards have been provided for the pensions of ALMO staff, including new recruits. This will normally be by ensuring access to the Local Government Pension Scheme (LGPS). The Local Government Pension Scheme (Amendment) Regulations 2002 (SI 2002 No.206), which came into force on 6 March 2002, added ALMOs to the list of scheme employers under the LGPS, so enabling transferring staff to stay in the Scheme and new ALMO employees to join it.

Redundancy Modification Order

- 7.7 ALMOs are covered by the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999 (SI 1999 No.2277) – the ‘Redundancy Modification Order’ (RMO). This is directly relevant because it determines if a period of employment with an ALMO counts as continuous with previous and subsequent periods of employment with other bodies covered by the RMO for the purposes of determining an employee’s entitlement to compensation in the event of redundancy. It is also indirectly relevant because inclusion of the employer within the scope of the Order has been chosen as a criterion for determining some of the terms and conditions of employment for staff of local authorities and related bodies.
- 7.8 Only the Courts can give definitive interpretations of the law. However, the Department of Trade and Industry (which has primary responsibility for the Order) and ODPM have received clear legal advice that ALMOs are within the scope of the RMO. It is open to any ALMO staff seeking employment with another employer covered by the RMO to clarify their position by asking that employer if their prior service with a local authority and an ALMO will be treated as continuous before committing themselves to that employment.

Service occupants

- 7.9 Some local authorities may have homes which are occupied by wardens or caretakers on a service occupancy or ‘tied cottage’ basis. In such instances, authorities and ALMOs will need to consider whether they wish the service occupancy arrangements to continue when, in line with the Secretary of State’s policy on the direct employment of ALMO staff, the employees concerned to transfer to become employees of the ALMO. To achieve this it may be necessary for the ALMO to acquire a legal interest in the dwellings concerned, since employers may offer service occupancy only of property in which they have such an interest.
- 7.10 In such circumstances, where it can be demonstrated that the provision of residential wardens or caretakers would aid the better management of the dwellings concerned and maintain the quality of service to tenants, the Secretary of State is prepared to consider applications under sections 32-34 of the Housing Act 1985 for a council to grant a leasehold interest in the relevant properties to its ALMO. Applications should confirm that the relevant lease enables the dwellings to be used only as service occupancy dwellings and requires the ALMO to surrender its leasehold interest back to the council in respect of any dwellings it no longer requires for these purposes.

SECTION 8

How are ALMOs monitored?

- 8.1 The Board has primary responsibility for the ALMO's performance and operation, and is accountable to the local authority under the terms of its Management Agreement. ALMOs are also regulated by ODPM, for example when granting section 27 approval and when allocating and authorising the payment of extra resources, and by the Housing Inspectorate through the inspection process.

Companies Act

- 8.2 ALMOs are required to keep and publish annual reports and accounts in accordance with the requirements of the Companies Acts. The accounts will not include the same items as the local authority's Housing Revenue Account since, for example, they will not include income from rents or HRA subsidy, or expenditure on rent rebates since these are income or expenditure of the local authority. They are subject to the requirements on local authority controlled companies relating to audit etc.

Performance indicators

- 8.3 ALMOs, in association with Housemark, have developed a suite of Performance Indicators to record their activities and track improvements in their delivery of services. Housemark collects and collates these data quarterly. ODPM expects ALMOs to share their performance data with ODPM and other ALMOs in this way to help identify areas of best practice and ones where there is room for improvement.

Delivery and Business Plans

- 8.4 ALMOs should produce and regularly update Delivery or Business Plans setting out their works programmes and targets. The local authority and the ALMO should jointly endorse this Plan under the terms of the Management Agreement. The Plan should reflect a partnership delivering continuous improvement to tenants. Targets should be clear and measurable, and be linked to the key objectives of the ALMO. The Housing Inspectorate will expect ALMOs to have produced robust Plans by the time they are due for Inspection.

Housing Inspectorate reports

- 8.5 ALMOs are subject to an initial inspection by the Housing Inspectorate to establish whether they qualify to claim their conditional funding from ODPM. Inspection reports will commend positive practice and identify areas where improvement is necessary, and ALMOs will be expected to draw up action plans to address the latter.

- 8.6 ODPM is currently consulting ALMOs, local authorities, tenant groups, the Audit Commission and other stakeholders on the details of a regime for the timing and scope of second and subsequent inspections of qualifying ALMOs. This includes guidance on the measures needed if an inspection shows that an ALMO's performance has dropped below the 2* level. Once comments have been considered, the new regime will be finalised and introduced by the end of 2004.

Monitoring

- 8.7 ODPM monitors all ALMOs' use of their additional funding and their progress towards achieving the Decent Homes target in the light of the expenditure and works profiles set out in bids and s.27 applications. This helps ODPM to manage the overall programme, for example by agreeing to adjustments to funding profiles, to make best use of available resources.

ODPM research

- 8.8 ODPM has also commissioned research to set up an evaluation framework to form the basis for periodic assessments of the operation and achievements of the ALMO initiative. The framework is intended to provide a means of assessing the impact of ALMOs on the decent homes objective and the costs and mechanisms by which this has been achieved. It will also consider the extent to which separating management from the local authority's strategic role has led to improvements in both functions, and review the effect of the arms length relationship between local authorities and ALMOs.

What happens if things go wrong?

- 8.9 The local authority should maintain monitoring arrangements that will provide an early indication of any problems experienced by the ALMO. While the first course of action must be to seek to remedy any such problems, the local authority remains statutorily responsible for delivering the housing management service and can terminate its Management Agreement with the ALMO if things go badly wrong or if the ALMO's performance is consistently unsatisfactory. Appropriate clauses are included in the model Management Agreement (see Section 2).

SECTION 9

Bidding for a place on the ALMO Programme

Before submitting a bid

- 9.1 A local authority interested in setting up arms length arrangements can only do so if its Options Appraisal concluded that this is the preferred option for some or all of its stock. As outlined in Section 1, bids for places on Round 5 or Round 6 of the ALMO programme must be accompanied by a signed-off Options Appraisal.
- 9.2 If an authority determines on the basis of its Options Appraisal that it should bid for a place on the ALMO programme, it should consider in detail the principles set out in this guidance and the Housing Inspectorate's framework for assessing excellence in housing management and subsequent Inspectorate guidance. This will help inform an authority's decision on when it is likely to be able to meet the qualifying criteria for additional ALMO resources.

The application process

- 9.3 The timetable for applications for places on Round 5 of the ALMO programme is as follows:

Deadline for submission of bids	28 January 2005
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Announcement of successful bids and conditional funding allocations	May 2005
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- 9.4 All applications and enquiries should be sent to Andrew Dack, Decent Homes Division (see contacts list at Annex A).
- 9.5 Three hard copies of a local authority's final bid for additional resources and one printed copy of all the supporting documentation should be submitted. Final bids should contain all the information listed in section 9. Electronic versions of all documents should also be submitted where possible.
- 9.6 In addition, one copy of the bid and supporting material should be sent to the relevant Government Office. Where the Government Office already has copies of the supporting material there is no need to send them again.

Assessment criteria

- 9.7 In assessing bids for places on the ALMO programme, ODPM will have regard to the criteria listed in paragraph 9.9 below. Particular consideration will be given to readiness to proceed, bearing in mind the likelihood of the proposed ALMO securing the necessary Housing Inspectorate rating. If the programme is oversubscribed, ODPM may need to discuss with authorities the scope for there being some flexibility within the profile of each bid. As with earlier rounds, initial allocations may not be for the full amounts sought.

9.8 Any authorities whose bids are not accepted onto Round 5 of the programme will be eligible to apply again in Round 6. ODPM will give feedback on unsuccessful bids.

9.9 In assessing bids for places on the ALMO programme, ODPM will take particular account of:

- Compliance with the principles set out in this Guidance

ODPM will not make a conditional allocation to an authority which has failed to demonstrate that its proposals meet the principles set out in this Guidance. In particular, Ministers will expect to see a commitment to the separation of management and strategic functions, leading to clear separation of roles and staffing between the council and the ALMO, with the terms and conditions of transferring staff fully protected, and genuine management freedom being given to the ALMO Board to improve services.

- The contribution that the additional resources will make to meeting the Government's decent homes target

Account will be taken of the amount of work required to bring the stock up to the decent homes standard, the existing resources likely to be available to the authority for this purpose, and the additional contribution that ALMO funding would deliver.

- Need and sustainability

Account will be taken of the local authority's particular circumstances, including evidence of longer-term demand for the stock to be improved, and the extent to which an authority's proposals for decent homes complement regeneration and other initiatives within an overall plan for sustainable communities.

- Available resources

Account will be taken of the level of additional resources required, the value for money offered by the proposals, and extent to which bids propose to reflect the need to make efficiency gains that will target resources on front-line housing services.

- Readiness to spend resources

Local authorities should be in a position to use any additional resources allocated to enable ALMOs to deliver improvements to the stock reasonably quickly. The results of completed Best Value Reviews and Inspections and the timing of future Reviews and Inspections, as discussed with the Housing Inspectorate, will be taken into account in assessing an authority's readiness to proceed and deliver.

Information required

9.10 The following information must be provided with an application for a place on the ALMO Programme:

- (a) **Summary sheet** A completed ALMO summary sheet (Annex D).
- (b) **Options Appraisal** Evidence that the formal Options Appraisal has been signed off by the relevant Government Office. Where the proposed ALMO would manage only part of the stock, an explanation of how that stock was selected should be provided, along with details of the local authority's plans for the remainder of the stock. Copies of formal resolutions supporting this decision should also be included, along with evidence of support from tenants. This might, for example, be letters from the Tenants Federation or individual associations, or a report from a conference or meetings of tenants.
- (c) **Scheme outline** A brief description of the proposal including its nature (whole stock or partial, single ALMO, group structure etc), the number of tenanted and leasehold units included, the type of housing concerned and its general condition. Where the ALMO would manage only part of the stock, a map showing the boundaries of the area should be provided.
- (d) **ALMO funding required** The amount of additional resources bid for, taking account of the principles set out in Section 4. Bids for funds should be set out in a profile of annual expenditure and also expressed as desired additional capital investment per dwelling. The proposed works programme may be of whatever length the local authority considers appropriate, but should not extend beyond 2010. The profile of the programme should take account of the capacity of the local building industry and of contractors to meet the requirements of all housing providers in the area and surrounding region, and should as far as possible avoid the risk of inflating contract prices by excess competition for scarce capacity.
- (e) **Decent homes delivery** How the proposal would ensure delivery of the decent homes target by no later than December 2010. This should include a brief description of the condition of the stock, including any particular problems or unusual property types, the number of homes which currently do not meet the decent homes standard, the date of the most recent stock condition survey and its findings, the proposed works programme, including any demolition proposals, and the date by which the housing would be brought up to the decent home standard with the additional funding; an annual profile of forecast stock numbers and the number meeting the decent homes standard should also be included.
- (f) **Sustainability** Evidence that there is long-term demand for the housing to be improved and, if not, how low demand problems will be addressed. If demolition is proposed, details of tenants' views on the proposals should be provided. Also what other activities, including regeneration, market renewal, community initiatives and environmental works, are being planned or undertaken to ensure the sustainability of the improvements to be carried out by the ALMO and how these are being funded. In line with Section 4, applications should also provide full details of any bids for funding to support sustainability works up to the value of 5% of their total bids.
- (g) **Division of functions** The proposed division of functions between the ALMO and the local authority, with an explanation where this varies from the division suggested in Section 3 of this Guidance.

- (h) **Service delivery** How the ALMO would deliver a higher quality housing service for tenants.
- (i) **Best Value reviews** Details of the timing and results of previous Best Value reviews and inspections of the housing service. The bid should include any existing evidence such as Inspection reports, Best Value reviews, action plans following inspections / reviews etc. The timetable for planned reviews and inspections, including the first inspection of the ALMO, should be set out. This should demonstrate how it is proposed to work towards at least a two star rating in time to make significant use of an initial allocation of ALMO funding, which for applicants in Round 5 will generally be for 2006/07 and 2007/08.
- (j) **Tenant involvement** Details of tenant engagement during the Options Appraisal process and during preparation of the bid, and evidence of tenants' support for the proposals. Details of any discussions with existing or proposed TMOs. The bid should also set out the arrangements for tenant involvement after the establishment of the ALMO. It should explain in particular how hard to reach groups are being and will continue to be involved and how their needs will be met.
- (k) **ALMO structure and board** Details of the proposed Board composition and structure of the ALMO (group structure, area boards etc), including how membership reflects the community it serves. The bid should include details of the range of skills and experience the Board will be expected to possess and should set out the proposed recruitment, selection, training and development process.
- (l) **ALMO independence** How the independence of the ALMO and separation from the local authority will be assured. The bid should include details of any controls that the authority plans to retain over the ALMO in addition to those catered for by the model Management Agreement.
- (m) **ALMO staffing arrangements** Staffing arrangements for the ALMO, including how staff and unions have been consulted about the proposals so far. Also, how the staff reflect the community served.
- (n) **Strategic context** Details of how the proposal fits in with the authority's overall strategy. The bid should include copies of the authority's latest Housing Strategy and HRA Business Plan. It should show how the local authority is utilising its existing resources to work towards the decent homes target and how the shortfall to be met by ALMO funding has been calculated.
- (o) **Local authority's strategic function** How the local authority proposes to discharge its strategic housing function. This should specify the financial and staffing resources to be devoted to this important area and explain where these would fit in the authority's corporate structure. Evidence of the corporate impact on the local authority of the ALMO should also be provided.
- (p) **Monitoring** How the local authority will monitor the performance of the ALMO.

(q) **Timetable** The timetable setting out key stages in the process including establishing the ALMO, applying for section 27 approval and planned inspections. The application for section 27 approval may be submitted with the bid if the proposals are far enough advanced. A project management plan or process map may be included.

(r) **Building Cost Model** A completed BCM. The information within the BCM should both support and be supported by information given elsewhere in the application. It would be helpful if key information contained within the BCM (e.g. proposed ALMO funding profile, progression toward Decent Homes) is also included within the formal bid document.

Round 6

9.11 ODPM expects to launch a sixth round of the ALMO programme towards the end of 2005. This will cater for those authorities which have not completed their Options Appraisals in time for Round 5 but have done so by the Options Appraisal deadline of July 2005. Details of the timetable for bids for ALMO Round 6 will be announced nearer the time. While ODPM cannot guarantee that the bidding criteria for Round 6 will be identical to those for Round 5, there are unlikely to be major changes. Authorities should note that at present ODPM does not envisage any further rounds beyond Round 6 of the ALMO programme that specifically support the Decent Homes objective.

ANNEX A

Useful Contacts

ODPM: DECENT HOMES DIVISION

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Programme Support

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Andrew Dack Tel: 020 7944 3714

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GOVERNMENT OFFICES: COMMUNITY HOUSING TASK FORCE

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Task Force Advisers

Contact details

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Mary Marshall

Proposed ALMOs in the South East

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E-mail: mary.marshall@odpm.gsi.gov.uk

Sarah Johnston (on Maternity Leave)

Contact: Mary Marshall, Martin Thomas, or Nigel Minto on proposed ALMOs in the South West.

Karen Doran (on Maternity Leave)

Contact: Stephen Smith on proposed ALMOs in the East Midlands; and contact Sally Hinton on proposed ALMOs in Yorkshire and the Humber.

HOUSING INSPECTORATE

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Website: www.lga.gov.uk

ANNEX B

Useful publications

***'Sustainable communities – building for the future'* (February 2003)**

Available from: ODPM Publications, PO Box 236, Wetherby LS23 7NB, Tel: 0870 1226 236, Fax: 0870 1226 237, Textphone: 0870 1207 405, email: odpm@twoten.press.net or via the ODPM website: www.odpm.gov.uk

***'A decent home – the definition and guidance for implementation'* (February 2004)**

Available from: ODPM Publications (as above) or via the ODPM website: www.odpm.gov.uk

***'Delivering Decent Homes: Options Appraisal guidance'* (June 2003)**

Available from: ODPM website www.odpm.gov.uk

***'Housing allocation, homelessness and stock transfer'* (January 2004)**

Available from: ODPM Publications, PO Box 236, Wetherby LS23 7NB, Tel: 0870 1226 236, Fax: 0870 1226 237, Textphone: 0870 1207 405, email: odpm@twoten.press.net or via the ODPM website: www.odpm.gov.uk

***'ALMO Inspections and the delivery of excellent housing management services'* (March 2003)**

Available from: Audit Commission Publications, PO Box 99, Wetherby LS23 7JA . Tel: 0800 502 030, Fax: 0870 1214217, email: audit-publications@twoten.press.net or via the Audit Commission website: www.audit-commission.gov.uk

***'Learning from the first housing ALMOs'* (May 2003)**

Available from: Audit Commission Publications (as above) or via the Audit Commission website: www.audit-commission.gov.uk

***'ALMO Template Group Documentation'* (August 2001)**

Available from: Beverley Duhaney, Decent Homes Division (contact details at Annex A)

***'Staff transfers in the public sector: Statement of practice'* (January 2000)**

Available from: Cabinet Office website: www.cabinet-office.gov.uk

***'ALMO Governance Resource Pack'* (September 2004)**

Available from: Peter McHugh, CHTF (see contact details at Annex A)

'ALMO process map'

Available from: Peter McHugh, CHTF (see contact details at Annex A)

***'Empowering communities, improving housing: Involving black and minority ethnic tenants and communities'* (June 2004)**

Available from: ODPM Publications (details above) or via the ODPM website: www.odpm.gov.uk

A series of **CHTF Good Practice Briefing Notes** is available from: ODPM Free Literature

(see above) or via the CHTF web page: www.odpm.gov.uk/chtf.

A series of **good practice and policy guidance notes on tackling and preventing homelessness** is available from: ODPM Free Literature (details above) or via the ODPM website: www.homelessness.odpm.gov.uk

ANNEX C

Arms length management of local authority housing

Approval under Section 27 of the Housing Act 1985

Section 27 of the Housing Act 1985 (as amended in 1986, 1993 and 1996) states that, subject to the approval of the Secretary of State:

‘(1) A local housing authority may agree that another person shall exercise in relation to:

- (a) such of the authority’s houses as are specified in the agreement, and
- (b) any other land so specified which is held for a related purpose, such of the authority’s management functions as are so specified.’

The Secretary of State’s approval can be given generally to all housing authorities or to specified authorities, in relation to a particular case or particular classes of case, and with or without conditions.

2. In considering applications from local housing authorities for approval under section 27 to enter into agreements with arms length management organisations for the exercise of some or all of their housing management functions, the Secretary of State will wish to be satisfied that authorities and their arms length management organisations:
 - (a) have complied and are likely to continue to comply with the key principles specified in the ODPM’s ALMO Guidance; and
 - (b) will deliver improved housing management services that are responsive to tenants’ needs, offer good value for money, and make significant contributions to meeting the Government’s decent homes targets.
3. To assist the Secretary of State in reaching decisions, authorities applying for approval under section 27 should complete the attached questionnaire and include it with their applications. All responses should include the key information requested but may, where appropriate, also refer to supporting details in relevant paragraphs of an authority’s bid documentation provided the position remains as stated there. Some responses will need to be more detailed, reflecting further development of an authority’s proposals since preparation of the bid.
4. Whilst the ODPM is anxious to minimise the burden on authorities, it may need to seek supplementary information once it has considered the information provided in the questionnaire.
5. Authorities can submit their applications for section 27 approval at any time and may include these with their bids if the proposals are far enough advanced. Authorities should allow at least 4 weeks for the ODPM to consider their applications.

Arms length management of local authority housing

Application for the approval of the Secretary of State under section 27 of the Housing Act 1985, to transfer housing management responsibilities to an Arms Length Management Organisation.

Local Housing Authority: _____

SECTION 1: HOUSING STOCK

- Q1. Please state the number and type of dwellings to be managed by the ALMO, distinguishing between tenanted and leasehold properties. If the ALMO has a Group structure, please sub-divide this information by area. Should approval be granted, these will be regarded as 'such of the authority's houses' as referred to in s.27(1)(a). Please also indicate how stock numbers are forecast to change each year over the period to 2010.
- Q2. Please give the date of the most recent stock condition survey of these dwellings and a brief summary of its findings. This should include the number of tenanted dwellings for which the ALMO will be responsible that currently meet the decent homes standard. If the ALMO has a Group structure, please sub-divide this information by area.
- Q3. Will the ALMO be responsible for any other land, including buildings? If so, please give brief details, both of any significant non-housing responsibilities on 'HRA land' and any responsibilities not on such land.

SECTION 2: DELEGATION OF FUNCTIONS

- Q4. Please list the housing management functions to be delegated to the ALMO. Do these include all the housing management functions listed in ODPM's ALMO Guidance as likely to be appropriate to an ALMO?
- Q5. Are any functions or responsibilities that are not housing management ones being delegated or transferred to the ALMO, including any of those listed in ODPM's ALMO Guidance as likely to be more appropriate for the local authority to retain? If so, please give details, including an indication of how it is proposed that these will be managed without detriment to the ALMO's delivery of its housing management responsibilities. The functions listed in reply to Questions 4 and 5 will be those taken into account by the Secretary of State when determining the s.27 application. But please note that approvals under s.27 can cover housing management functions only. Authorities must apply separately for any approvals necessary to delegate or transfer other functions.

SECTION 3: THE COUNCIL'S FUTURE ROLE

- Q6. Please describe the key elements of the arrangements that the Council will operate to discharge its strategic housing role, including arrangements to ensure that this role is adequately resourced. Please include the arrangements for the Council to discharge its responsibilities under its agreement with the ALMO and the Council's role in monitoring the ALMO's performance. Please also state whether the Council or the ALMO will be responsible for HRA Business Planning and accounting.

- Q7. Please give details of any controls that the Council proposes to retain over decisions to be taken by the ALMO.
- Q8. Please summarise the Council's current position on rent restructuring and lettings policy.

SECTION 4: BEST VALUE REVIEWS AND INSPECTIONS

- Q9. Please give the dates, scope and a brief summary of the findings of any Best Value reviews undertaken by the Council or Inspections undertaken by the Housing Inspectorate of any or all of the Council's housing management service.
- Q10. Please give the date, scope and any available further information about any Best Value reviews or Inspections covering the organisation, functions and operation of the ALMO and its links with the Council that are planned. For Inspections, please indicate if a definite timetable has been agreed with the Inspectorate.

SECTION 5: TENANT ISSUES

- Q11. Please summarise how tenants and leaseholders of dwellings for which the ALMO will be responsible have been consulted about the ALMO proposals. Please state what the Council has done to establish whether the majority of tenants and leaseholders fully appreciate the implications of these proposals, including the requirement for a 2* rating from the Inspectorate for authorities to qualify for additional resources?
- Q12. Please state what evidence the Council has of tenants' and leaseholders' support for its ALMO proposals, giving details and dates as appropriate.
- Q13. Are there any Tenant Management Organisations responsible for managing any of the properties for which the ALMO will be responsible? If so, please describe the intended relationship between the TMO and the ALMO and give details of any Best Value reviews or Inspections covering the TMO which have been undertaken or are planned.

SECTION 6: THE ALMO BOARD

- Q14. What is the proposed composition of the ALMO Board in terms of the numbers of Council, tenant and independent members?
- Q15. How and by whom are the Council, tenant and independent members of the ALMO Board chosen? And how long is their initial term of appointment? The ODPM will expect the Board to be in place before s.27 approval is given as this is approval to delegate responsibilities to an organisation that is ready to start work. Accordingly, please give brief details of the Board members chosen to date and the timetable for filling any remaining vacancies. Please also state how the appointment process ensures that the independent members include people with relevant experience. Please include details of any skills audit that has been undertaken.

Q16. Please describe what arrangements have been or are being devised to identify and handle any potential conflicts of interest for ALMO Board members.

Q17. Please state what training has been or will be arranged for ALMO Board members.

SECTION 7: GROUP STRUCTURE

Q18. If the ALMO has a group structure, please describe this. In particular, please describe the status of the Area Boards and give the information requested in Questions 14 to 17 for each of them. Please also state which housing management responsibilities are to be delegated to these Boards and which will be retained by the parent Board.

SECTION 8: DOCUMENTATION

Q19. Please state whether the agreement between the Council and the ALMO and the ALMO's Memorandum and Articles of Association are based on those devised by the Template Group. Please specify any significant variations made to these documents. If other documentation has been used, please enclose a copy.

Q20. What is the initial duration of the agreement between the Council and the ALMO? And what provisions does the agreement include for renewal?

Q21. Please enclose a copy of the Delivery Plan for the ALMO's work. Insofar as this Plan has been prepared by the Council, pending further input by the ALMO as it becomes operational, the ODPM will expect this Plan to focus on specifying the output and performance targets for the ALMO rather than the means for achieving these.

SECTION 9: STAFF ISSUES

Q22. Please provide details of discussions held with staff about the ALMO proposal. How many staff will initially work for the ALMO? Will these all be staff transferring from the Council? Please state how many of its staff will be directly employed by the ALMO and how many will be on other terms (e.g. secondment). Please state the reason for and expected duration of any terms other than direct employment.

Q23. Will staff transferring from Council to ALMO employment do so under TUPE, with their employment rights protected? If the transfer is not under TUPE, how will these rights be protected?

Q24. How will the future pay, terms and conditions of ALMO staff be determined? In particular, please indicate whether any of those terms and conditions will be linked to those of the Council. Please also confirm that the terms and conditions for new staff recruited by the ALMO will be comparable to those of employees transferred from the Council.

SECTION 10: FUTURE PLANS AND THE DECENT HOMES TARGET

Q25. Please give the latest forecasts of expenditure, showing whether the profile provided

with the original bid for funding has changed and the extent to which the programme reflects the need to make efficiency gains that will target resources on front-line housing services. Expenditure to be met from the conditional allocation of ALMO funding should be identified separately, on the assumption that the authority achieves at least a 2* rating from the Inspectorate.

- Q26. On the basis of this expenditure profile, please indicate the expected annual net progress in increasing the number of dwellings cited in the answer to Question 2 that meet the decent homes target.

SECTION 11: ANY OTHER INFORMATION

- Q27. Please give any further information that the Council considers relevant to and/or which may assist the Secretary of State in his consideration of the Council's application for his approval under s.27. Failure to provide information that might be relevant to his decision may result in your authority's application and pre-allocation being reviewed.

The ODPM reserves the right to seek supplementary information from authorities in the light of their responses to the above questions.

Completed by: _____

Contact name and details for any queries: _____

Date: _____

ANNEX D

ALMO summary sheet

- 1 Local Authority
- 2 Name of ALMO (if decided)
- 3 Will the ALMO manage all or part of the LA's stock?
- 4 If only part of the stock, name of the area(s) covered
- 5 If only part of the stock, the % of the LA's total housing stock
- 6 Number of tenanted properties to be managed by the ALMO
- 7 Number of leasehold properties to be managed by the ALMO
- 8 Total number of properties to be managed by the ALMO: (Q6+Q7)
- 9 Number (and %) of properties currently failing the decent homes standard
- 10 Date by which all properties would meet the decent homes target with ALMO funding
- 11 Total ALMO bid (£m) and breakdown by year
- 12 Average investment per dwelling (£k): (Q11÷Q6)
- 13 Timing and results of LA BV reviews to date
- 14 Timing of planned LA BV reviews
- 15 Timing of ALMO inspection
- 16 How tenant support has been/will be demonstrated (e.g. ballot/survey and dates)
- 17 Number of TMOs (if any) and number of properties covered by each
- 18 Brief details of structure if group structure or more than one ALMO is proposed (e.g. 2 ALMOs, 4 Area Boards)
- 19 Expected date of section 27 application
- 20 Name, address, phone and e-mail contact details of lead local authority officer
- 21 Name, address, phone and e-mail contact details of lead officer for the ALMO (if decided)
- 22 Name, address, phone and e-mail contact details of the Council's Chief Executive
- 23 Name, address, and e-mail contact details of the Leader of the Council
- 24 Name(s) and e-mail address of local MP(s) and constituency

