National Federation of ALMOs

championing better homes and communities

Building on the potential of ALMOs to invest in local communities

A report by the National Federation of ALMOs

Summary

Arms length management organisations have brought real and lasting benefits for the communities they serve. In just nine years, they have invested around £6 billion in improving council homes. More than that, they have a great record as housing managers, involving tenants in decision-making at all levels and driving up tenant satisfaction.

But housing is now facing a period of huge change. As public spending is cut back, many local authorities with ALMOs are thinking about the best options for the future. Should they set up a new housing association to take on their homes? Should they take back the management of their homes themselves? Or should they keep their ALMO in place and so build on its successful track record? Other local authorities without ALMOs may also want to take advantage of the special benefits an ALMO can bring. But how best can they do that at a time when public spending is being cut and the system for financing council housing is being transformed?

This report sets out three possible types of ALMO for the future. All of them offer opportunities to bring in new investment, while retaining the community focus and tenant involvement which have made ALMOs such a success.

The challenges ahead

Many ALMOs have completed the improvement programmes to the homes they manage or are well underway with the work. They now want to do more. But they are working in a rapidly changing environment. For ALMOs, the key issues include:

- **Government spending cuts** – which mean less public money for housing. This will affect both those ALMOs with improvements to council homes to complete, and those which have finished the work and are now looking to do more to improve their communities or build new homes for those who need them.
- **The overhaul of the way council housing is financed.** This will give councils more financial freedom. From April 2012 they will be able to hold onto all their rental income. But although this may allow some councils to borrow money to invest in their homes, there will be strict limits on new public sector borrowing. So many councils will also need to look for different ways of bringing in investment for their housing and communities.
- **The government's focus on giving more power to local communities.** Ministers want to see tenants much more involved in the way their housing is run. ALMOs, with their strong record of involving residents, are well placed here. New opportunities to give tenants even more of a say will be welcomed both by them and their residents.

The three new options

To meet all of these challenges, ALMOs will need more flexibility. If they want to bring in extra funding, they cannot stay as they are. Three new types of ALMO could give them the opportunity they need to borrow private finance. But – unlike stock transfer to a housing association – the new options would all allow ALMOs to keep their strong links with their local authority. They would also be able to retain the tenant focus which has often distinguished them from traditionally managed council housing.

Option	How it would work	The benefits
1. A long-term management contract	The ALMO would have a much longer contract (35 years) to manage the council's housing stock. The ALMO would not be 100% council-owned as at present. Instead the council would have a one-third stake. It would remain the landlord of its homes.	As the ALMO would not be majority-owned by the council, it would be able to borrow private finance in a way not currently allowed by public sector borrowing rules.
2. A long-term management contract and transfer of some vacant properties or land	The model would work in a similar way to the one above. The ALMO would have a longer management contract and again would not be 100% council-owned. The council would remain the landlord of the homes. But it would transfer ownership of some empty properties or land to the ALMO.	The ALMO would be able to borrow private finance in a similar way to the model above. Additionally, the transfer of some empty properties or land would give it extra opportunities to borrow against the new assets it owns.
3. Transfer to a community- and council-owned organisation ('CoCo')	The ALMO would become the owner of the council's homes. The ALMO itself would be jointly owned by the community and the council. The council would retain the housing debt, agreed under the reform of the council housing funding system, and the 'CoCo' would make payments from its income to cover that debt. This would mean that the new CoCo would still have strong financial ties with the council.	Because the homes would no longer be owned by the council, this option would allow the ALMO to borrow more, outside the rules which restrict public sector borrowing. But - unlike a traditional stock transfer to a housing association - the council and the ALMO would have strong ongoing financial ties. This option would mean the biggest change for the ALMO - but would potentially bring in the most extra funding.

The money: some examples

The new options outlined here would all bring in extra money to invest in council housing. But how much? As an example, a typical ALMO which has already completed its 'decent homes' investment programme might, if it stayed as it was, be limited to £180 million in borrowing under the reformed council housing financing system. But if it wanted to invest more in its stock, going for the first of our new ALMO models, with a longer management contract, could allow it to borrow £48 million more so that it could invest in regeneration or new homes.

To take another example, an ALMO of the same size and limited in the same way but which is only part of the way through its 'decent homes' improvement work, could face a big funding shortfall to complete the work because of public spending cuts. The third of our new models above, the CoCo, would allow it to bring forward the £60m additional investment it needs to avoid delays to this work. This option would require government financial support at the time of transfer to make it viable – but less than the amount that would be required for a stock transfer to a housing association. The new structure would also allow for borrowing to finance other improvements, or new homes, once its 'decent homes' improvement works were complete.

The role for tenants

Strong tenant support would be required for any new ALMO structure and tenants would need to work closely with their council and ALMO to draw up arrangements which work best for their local circumstances and needs. All three new options for ALMOs would mean a bigger role for tenants. All three would allow for greater tenant representation on their boards. But not only would tenants be involved in helping to run their organisation, for example as board members, scrutiny panel members or tenant inspectors, they would also have a stake in the ownership of the ALMO. This would open up new ways for tenants to have an even bigger say in the future of their homes.

The way forward

Developing new types of ALMO could give local authorities and their tenants the chance to ensure a sustainable future for their housing. The three options explored here offer both opportunities to bring in much-needed extra funding and a way of building on ALMOs' strong track record of involving tenants in the way their homes are managed. Councils, ALMOs and tenants will want to work closely together to look at which option is best for them. The government and its housing agencies should also ensure that they support communities to consider these options which could provide the best future for their homes.

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A copy of the full report can be viewed on the NFA website www.almos.org
Or a hard copy can be obtained by contacting the
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