

The council tenants' guide to option reviews

By the Residents' Network at HQN

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This short guide explains why councils are consulting tenants on the future ownership and management of their homes. There is no single right answer. What is best for tenants depends on local circumstances. This guide suggests the sorts of questions you – the tenants – should ask to make sure you make the right choice.

Councils should talk to tenants as soon as they start thinking about reviewing the future ownership and management of the homes. Some option reviews have been great – tenants were really well informed, shaped the debate and drove the final decision. We want to see more of this.

This guide begins with a quick overview of what's happening and what the options are. Then we suggest some questions that will help you decide and give information on how to challenge decisions. Finally we direct you to other sources of information so you can find out more – and there's a handy jargon buster too.

1. Why are option reviews taking place?

There are several reasons. Some councils and ALMOs consider the future when their Decent Homes programme ends, while for others the trigger may be

general council budget pressures. Currently there is another important reason: from April 2012 the way in which council housing is funded changes. Each council housing service will be self-financing. It must rely on money raised locally through rents and service charges to pay for services. The old system pooled all the rents collected throughout the country. Some councils received a payout or subsidy from the pool to help them manage the homes locally. This subsidy came from other councils that lost some of their rent to the pool. Central government set the rules for distributing rent income between councils.

The system was not popular with councils or tenants. Councils that paid millions of pounds into the pool were especially unhappy. Across all councils there was no real link between rents and service levels.

Many tenants and landlords welcome the new self-financing system. Landlords will be responsible for spending all the rents they collect locally. Council rents go into the local Housing Revenue Account. This account is ring fenced. That means your rent can only be spent on landlord services and not used elsewhere by the council.

To get the new system started there needs to be a one-off settlement at each council. The councils that received a yearly payout from the old system will get a final payment to help them adjust to the new system. Councils that paid into the pool will make one last payment

instead of endless annual payments. Many councils will be better off under self-financing, but there still may not be enough money to keep all the homes in good condition. This is why councils are looking at options that help to save or raise money.

Councils can use the rental income to support borrowing for things like major repairs, improvements and building new homes. The government has set a limit on how much borrowing each council can take on. This is part and parcel of the national drive to keep the country's debt under control.

So there is a lot of change happening that we know about already. Even more change could be on the way. A recent government paper sought views on converting ALMOs into housing associations and on encouraging private sector and community groups to bid to manage council housing. This means councils are looking again at how they run the housing service. The sorts of questions they are asking include:

- Will we have enough money to manage and maintain our homes under self-financing? How do we close any gaps?
- Are we running the service as efficiently as we can? Are we offering the best value for money?
- Now that the buck stops with the council, are we certain we are managing the homes effectively and protecting the council and its tenants from risks?

2. What are the options?

Councils can arrange for housing to be run in many ways. The main options include:

- Keeping the homes and running these directly as the council
- Keeping the homes and running these through an arm's-length management organisation, or ALMO (wholly owned by the council)
- Setting up shared services with other councils and/or ALMOs
- Transferring ownership to a housing association (not for profit and regulated)
- Transferring ownership to a housing association that is a mutual like the Co-op or owned jointly by the community and the council (also not for profit and regulated).

In this guide we do not go through the pros and cons of each option. These will vary from council to council. What we do is suggest the sorts of questions tenants should ask to decide which option is right for you. Government guidance says that councils must involve tenants from the start when looking at options.

3. Stay as you are: questions to ask the council about keeping the current arrangements, whether these are management by an ALMO or direct management by the council

- How much money will be available to spend on services under self-financing each year?

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- Is this enough to manage and maintain all the homes?
- Are any value for money savings promised going to be one-off, or year-on-year continuing improvements?
- What will the council do to plug any funding gaps?
- How does the council know its figures are right? Has the council got accurate facts and figures on the condition of the homes?
- What rent and service charges will I pay for the next five years?
- What are the investment plans for existing homes, and any new homes?

Many councils with ALMOs are thinking about whether it is better to keep the ALMO or run the homes directly without the ALMO. In the past high-performing ALMOs qualified for funding to bring homes up to modern standards. The limited funding that is still available no longer relies on the council having an ALMO. In response some councils have brought their ALMOs back in-house (such as Ealing and Hillingdon in London, and Basildon in Essex). Others have extended the ALMO contract (examples include Derby and Westminster), often with a new range of functions. Usually the key factor that keeps an ALMO going is strong support from tenants. Some new ALMOs are emerging. At East Kent four council housing departments came together as a shared ALMO to save money.

4. Questions to ask a council that is thinking about taking the ALMO back and managing the homes itself

- How will the quality of services improve? What is the council offering on customer care, repairs and other key services? Will the programme to bring homes up to modern standards of decency stay on track?
- How do we know the council will stick to its word in a rapidly changing world? Will there be independent checks on service quality? How does performance of the ALMO compare, say, to performance of other council services such as education?
- How much say will tenants have? Will tenants still be able to influence decisions about service quality? How will consultation arrangements work? How will tenants' scrutiny work?
- If you take away the ALMO board and senior team, will there still be as much focus on the service? What exactly are the new arrangements for running the service? Who does what? What individuals will be running the housing service and where will they be located?
- The Housing Revenue Account is supposed to be ring fenced. How do we know that money is not leaking out to subsidise the rest of the council? The council charges housing for things like renting offices, running the payroll and giving legal advice. How do we know these are at the right price? How do these charges compare to other councils and the market?
- Where councils take ALMOs back they say they will save money. How big are the savings? Have the figures been checked or audited? Will the cash from savings stay in the Housing Revenue Account or disappear

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somewhere else? What are the pros and cons of long-term agreements that ALMOs can secure? How large are the costs of re-organisation such as redundancies? Who pays for these?

- Are there any plans for building new homes?

5. Questions to ask the leadership of an ALMO under review

Because the ALMO is running services now it is easier to test how well it is doing today. But you need to know about the future.

- Why should the ALMO stay around? What benefits will it bring to tenants in the future?
- Can the ALMO run a better service at the same price as the in-house council option?
- If the ALMO costs more than the in-house option, what are the benefits for tenants? Is it worth it?
- Can the ALMO bring in extra money through trading? Will this added income improve services locally?
- What is the ALMO doing to prove to tenants that services are up to the mark? Are there any independent checks by outside experts on service standards?

	In-house offer	ALMO offer
What does each option cost? Who checked the sums and will they stand by them?		
What service standards does each option offer (on things like customer care, reliability of repairs and dealing with anti-social behaviour)?		
What are the arrangements for tenant involvement and scrutiny? Which option gives tenants the most say?		
What promises have been made about investment in existing or future homes?		
What happens when things go wrong? What are the safeguards? Will promises be stuck to? Who checks this?		

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- Are any value for money savings promised going to be one-off, or year-on-year continuing improvements?

6. Choosing between an ALMO and direct council management

It should be straightforward to compare the in-house and ALMO proposals for the future.

It may be possible to arrange for local meetings or hustings to help tenants decide between the direct management and ALMO options. The leaders of the ALMO and council offers could make their pitches to tenants and invite questions. As the table shows it is straightforward to compare these two options side by side. The council owns the homes, and terms of tenancies stay the same either way. It is a contest to see which management arrangement delivers the most at an affordable price. Ideally the council and ALMO teams would concentrate on the positive benefits of their case and not waste time knocking each other.

7. Questions to ask a council that is thinking about transferring the ownership of the homes to a housing association

The main reason for transferring to a housing association is that they have greater freedom than councils to borrow money privately. This can mean there is more money available to repair the homes. The legal form of tenancy is not the same as a council tenancy but transferring tenants keep all of their key rights (including security of tenure and the Right to Buy) and get guarantees over rent levels. This is important, as often housing association rents are higher than council rents. A number of ALMOs have transferred their homes to housing associations, such as Oldham and Bolton. The Homes and Communities Agency, taking over from the Tenant Services Authority, will be the regulator that keeps an eye on the finances of housing associations.

The first stock transfers of homes took place in the 1980s so there is a long track record for tenants to weigh up. Recently new forms of transfer have emerged. At Rochdale the stock is transferring to a mutual along the lines of the Co-op with shares held by tenants and staff. It may be possible to transfer to a body owned jointly by the council and the community (the co-co model) – Gloucester City and County Durham are looking into this.

We cannot go into the pros and cons of all the transfer options here, but we can suggest some questions for you to ask if the council is looking at transfer:



- How much extra investment in our homes is possible through transfer to a housing association? What improvements will I see to my home?
- What will my rent and service charge cost for the next five years? Is there a cast-iron guarantee?
- How much say will tenants have with the new association? How many tenants sit on the board? Who picks these tenants?
- How will tenant involvement and scrutiny work? Do we get more influence over decisions than now?
- Will service quality improve on things like customer care, repairs and dealing with anti-social behaviour? What happens when things go wrong?
- What are the risks? How do I know that the association I vote for will be around in the long run? Some transfer associations joined bigger groups – will this happen here? How do I know the new mutual and co-co options are safe if there is no track record?

8. Making your decision

What say do tenants have?

When transfer to a housing association is proposed there must be a ballot. Ballot in – ballot out. Where there was a ballot to set up an ALMO there must be another ballot to shut it down. If a different process was used this also needs to be repeated as a minimum. This could be a mix of surveys and meetings, sometimes called a test of opinion. A council can opt to run a ballot instead of a test of opinion.

Where can tenants get advice?

Councils usually pay for independent tenants advisors to help tenants make a choice about options. Tenant representatives should help to select these advisors. Government guidance says that tenants should be in at the start of an option review. So the advisors must be in place early on. The sorts of questions you should ask these advisors include:

- How will they show their independence when they are paid by the council?
- What is their track record on option reviews? Do the councils they work with always come down in favour of one answer?
- How will they engage with all tenants – not just the most active?
- Are they up to the job? Do they have people that can challenge the council's figures – or must they rely on what the council and its consultants tell them?

How should tenants make their decision?

This will be personal and you must weigh up the factors you think are important. We suggest a possible checklist below:

- Do I understand the key features of all the options – council management, ALMO management and transfer to a housing association?
- Do I know what would happen to my security of tenure and rent/service charges under each option?
- Do I have a clear picture of the quality standards offered by each option – on customer care, repairs and anti-social behaviour?

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- Do I know which option brings the maximum investment to my home?
- Do I know which option gives tenants most say?
- Do I understand the main risks and benefits of each option?
- Do I know what I can do if the promises are not kept?

9. How can tenants challenge a decision?

Your local council will have a complaints procedure that you should use. But there are several routes to take if you feel you are not getting heard or given the right information. These include:

- Your local ward councillors – find their details on the council's website
- Your MP – find his or her details on the Parliament website
- The Ombudsman – deals with complaints from tenants
- The Tenant Services Authority (soon to transfer to the Homes and Communities Agency) – the housing regulator. Where the council has failed to consult with tenants properly the regulator may take action. A new complaints system will be in place from April 2012
- National Tenant Organisations – there are four of these: Tenants and Residents Organisations of England, the National Federation of Tenant Management Organisations, the Confederation of Co-operative Housing, and the Tenant Participation Advisory Service.

Contact details are given at the end of this guide.

Why not keep this guide to one side – if you are not clear on the answers you should be able to get further information from the independent tenant advisor. They can help you to think things through, but will not tell you how to vote.

10. Want to know more?

Here are contact details for the main organisations you might need:

MPs and information on legislation, how parliament works and records of debates.

Website: www.parliament.uk

House of Commons Information Office
House of Commons,
London SW1A 2TT

Email: hcinfo@parliament.uk
Telephone: 020 7219 4272

The Local Government Ombudsman looks at complaints about councils and some other authorities and organisations. The service is free.

Website: www.lgo.org.uk

The Local Government Ombudsman
PO Box 4771, Coventry CV4 0EH

Telephone:
0300 061 0614 or 0845 602 1983
Text 'call back' to 0762 480 3014

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The Tenant Services Authority (TSA)

is the regulator for housing, soon to transfer to the Homes and Communities Agency (HCA).

Website:

www.tenantservicesauthority.org

The TSA has two headquarters, one in London and one in Manchester.

Tenant Services Authority
Maple House,
149 Tottenham Court Road
London W1T 7BN

Tenant Services Authority, 4th Floor
One Piccadilly Gardens, Manchester
M1 1RG

Telephone: 0845 230 7000

Homes and Communities Agency (HCA)

Website:

www.homesandcommunities.co.uk

Warrington

Arpley House, 110 Birchwood,
Boulevard, Birchwood
Warrington WA3 7QH

London

Maple House, 149
Tottenham Court Road
London W1T 7BN

Milton Keynes
(Registered address for legal documents)

Central Business Exchange II
406-412 Midsummer Boulevard
Central Milton Keynes MK9 2EA

Telephone: 0300 1234 500

Email:

mail@homesandcommunities.co.uk

The Tenants and Residents Organisation of England (TAROE)

represents the interests of almost five million tenants and residents across the regulated housing sector.

Website: www.taroe.org

The Old Police Station, Mersey Road
Runcorn WA7 1DF

Tel: 01928 798120

Email: taroadmin@taroe.org



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The National Federation of Tenant Management Organisations

(NFTMO) facilitates networking and support for tenant management organisations in England and to promote community control as an option within regeneration initiatives and in areas of greatest need.

Website: www.nftmo.com

The Confederation of Co-operative Housing promotes co-operative and tenant-controlled housing, represents the interests of co-ops and provides a networking forum.

Website: www.cch.coop

Confederation of Co-operative Housing
19 Devonshire Road
Liverpool L8 3TX

Telephone: 0151 7262228

Tenant Participation Advisory

Service (TPAS) acts as a hub between tenants, landlords and government, helping create successful relationships.

Website: www.tpas.org.uk

TPAS Ltd, 5th Floor,
Trafford House, Chester Road,
Manchester M32 0RS

Telephone: 0161 868 3500

Email: info@tpas.org.uk

HQN runs a specialist Residents' Network with the latest news, information and advice for tenants and residents.

Website: www.hqnetwork.co.uk

HQN, Rockingham House
St Maurice's Road
York YO31 7JA

Telephone: 01904 557 150

Email: hqn@hqnetwork.co.uk

The Residents' Network supports residents in making co-regulation work, and holding landlords to account. The aim is to inspire and support residents to take the lead on regulating housing providers – whether it's scrutiny, inspection, mystery shopping or panel groups. Benefits include: local events and networking opportunities, How we do it – stories from members and their contact details, Ask the expert – online question and answer forum, up-to-the-minute, jargon-free information in our policy updates, technical/ bespoke briefings, and a telephone hotline.

Website:

www.theresidentsnetwork.co.uk

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St Maurice's Road
York YO31 7JA

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Email:

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Some terms found in this guide

Council housing

The council owns the housing and tenants have secure tenancies. This is the 'traditional' model where the council maintains the housing and provides services to tenants.

Arm's-length management organisation (ALMO)

An organisation set up by the council to run the housing landlord service. It includes tenants on the governing board. The housing is still owned by the council and tenants keep their secure tenancies.

Co-op or co-operative housing

A voluntary organisation where people come together as members to provide housing for themselves and each other. The organisation is democratically controlled by the members. Co-ops often place importance on wider community and environmental issues.

Community- and council-owned organisation (co-co)

A new model under development. Housing would be jointly owned by the council, tenants and independents. The organisation, constituted as an ALMO, would receive a transfer of housing stock from the local council. It would retain strong links with the council through binding agreements but would be free to borrow money to improve homes and build new ones.

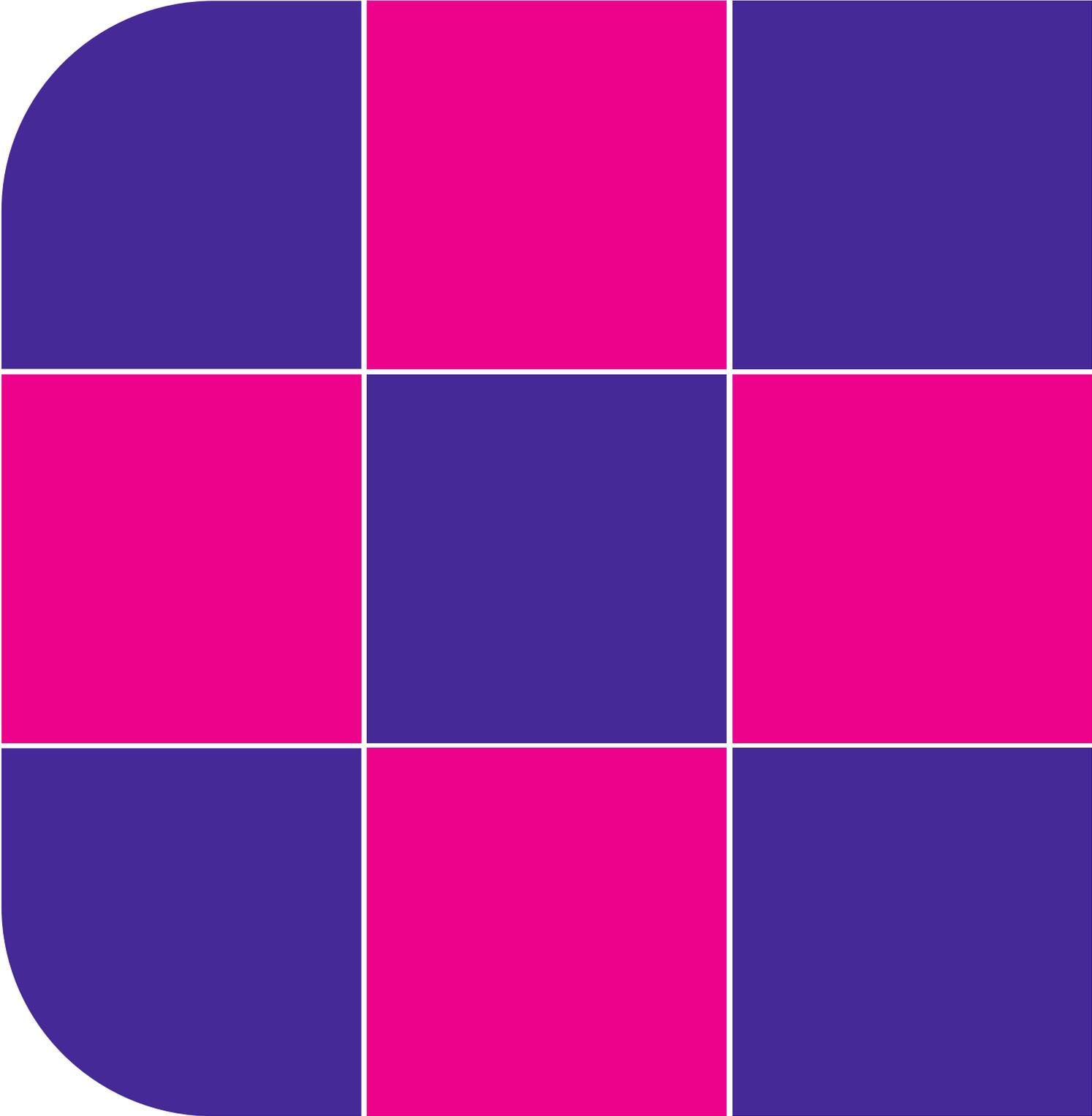
Gateway or community gateway

A type of housing organisation in which tenants and leaseholders can become members. It was devised to empower residents to get involved in decision-making about their local communities and neighbourhoods. Residents can take on increasing levels of responsibility and control of the organisation.

Housing association

A voluntary, not-for-profit organisation that provides housing for people who cannot afford to buy or rent in the open market. Associations may provide rented and shared ownership or low cost housing. They may also provide specialist types of housing, for example for older people or those with special needs. They are run by a management board and are expected to include residents in decision-making.





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