National Federation of ALMOs

championing better homes and communities

# Today's ALMO world

## 2014 Annual Survey – Summary Findings

# Contents



The NFA would like to thank all 47 ALMOs who completed the survey. This has enabled us to provide a summary of the scope and nature of work being undertaken by the whole of the ALMO sector.

The NFA will continue to repeat this survey annually to identify and track trends, and share lessons and good practice between members.

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# Introduction

Over the past year ALMOs have faced some difficult challenges, not least in dealing with the consequences of the government's welfare reform agenda. They have also had to operate within a harsh economic climate whilst significant cuts are being made to local authority spending. However, there have also been many opportunities to work with councils and tenants to improve services, deliver better value for money and re-shape their organisations to be ready for the future.

Working closely with their local authorities and tenants ALMOs have shown themselves capable of adapting to deliver great services in tough times. Getting the basics right and delivering great services to customers but also adding value to local communities through their wider social objectives such as supporting financial inclusion work and running programmes to help get tenants into work.

ALMOs are also able to produce real efficiency savings for their councils and provide great value for money for tenants by delivering services in different ways. They harness both the energy and experience of tenants and the passion and drive of staff to make a real difference in their local areas. As flexible, council owned, local delivery companies, ALMOs can truly focus on delivering what the community needs.

Our 2014 Annual Survey (undertaken in autumn 2014) shows that ALMOs across the country are continuing to provide a wide range of services but are increasingly tailoring those more and more to local circumstances and focusing on areas where they can make a real difference. More ALMOs are taking on homelessness services and providing money advice services than previously, reflecting the growing issues for communities across the country.

The survey illustrates how changes to the finance available for new build has fed through to the ALMO sector with ALMOs building more new council housing through self-financing and much less ALMO new build via the HCA grant programme. This year we also asked ALMOs for their council's plans to use the available headroom within the HRA and 55% are planning to use it to build new homes with regeneration the next biggest priority.

The survey also captures the amount and nature of stock managed by the sector, as well as looking in depth at current and planned activity, including areas such as; new build development and finance, service diversification and governance arrangements.

All 47 ALMOs completed the questionnaire again this year enabling the NFA to create an extensive up-to-date bank of information, which can be used to support learning and good practice sharing within the sector. It has enabled us to build on last year's comprehensive baseline from which emerging trends are identified and reported.

The key findings are structured into four main sections:

- **PART ONE: Stock management and condition**
- **PART TWO: Development and finance**
- **PART THREE: Service provision**
- **PART FOUR: Governance arrangements and management contracts.**

## Key findings

**Key findings from the survey include:**

- **ALMOs built 542 new homes in 2014, a 20% increase on 2013**
- **37 ALMOs have plans to build new homes in 2015**
- **62% of ALMOs are delivering strategic housing functions such as; homelessness assessments and housing options advice, a slight increase on last year.**
- **30% of ALMOs are now managing a total of 1,113 properties in the PRS, nearly 2½ times the number of properties managed last year by ALMOs.**
- **36% ALMOs still manage homes on behalf of other social housing landlords**
- **Just under half of all ALMOs are continuing to deliver services to wider markets to generate additional income**
- **Many councils continue to agree long term management agreements with their ALMOs (22 ALMOs have agreements extending past 2020).**
- **Northampton Borough Council has set up a new ALMO which will go live in January 2015 called Northampton Partnership Homes.**

# PART ONE: Stock management and condition

The ALMO sector, made up of 47 ALMOs, is responsible for the management of over 650,000 homes across England. Although some ALMOs are being taken back in house and four ALMOs are going through a stock transfer process to become housing associations, new ALMOs continue to emerge, and this year saw the development of the new Northampton Partnership Homes with the shadow ALMO board and the council working hard to go live in January 2015.

## Numbers of properties managed

| Region | Number of ALMOs | Total Stock Managed |
|---|---|---|
| London and Southern | 18 | 283,353 |
| Midlands | 7 | 110,737 |
| North | 17 | 226,548 |
| South West | 5 | 30,108 |
| **Total** | **47** | **650,746** |

## Property nature and ownership

| | No. of properties |
|---|---|
| LA General Needs | 533,434 |
| LA Supported Housing | 22,663 |
| LA Leasehold | 83,826 |
| ALMO General Needs | 870 |
| ALMO Supported Housing | 127 |
| ALMO Leasehold | 14 |
| ALMO Shared Ownership | 39 |
| Other | 9,773 |

## Key facts

- **A total of 650,746 properties are managed by ALMOs across England (as at 1st December 2014)**
- **17 ALMOs (37%) manage stock on behalf of another social landlord and 30% are also managing stock in the PRS**
- **More than a third of ALMOs (36%) currently offer management and/or maintenance services to non-domestic properties, including the schools, commercial and retail units, and community and civic buildings. This is a small increase from 32% of ALMOs offering these services last year.**

# PART TWO: Finance and development

The development landscape has continued to change for ALMOs over the past few years and ALMOs, as ever, continue to make the best use of the opportunities available to build new homes for their communities.

As more and more councils get to grip with the new opportunities that self-financing brings many more ALMOs are building new homes for their parent local authorities through the HRA. However, much less are building directly through the ALMO as a direct result of a tightening of the HCA grant programme for ALMOs.

ALMOs continue to innovate and look for new funding sources and are working very closely with their parent councils, local housing associations as well as private developers to try to overcome some of these barriers. However, it will take time before these projects are able to deliver many more new homes.

## Management of the HRA

We reported last year that as self-financing was introduced quite a few councils decided to take back the management of the HRA from their ALMO but that around 40% of ALMOs still have some role in managing the HRA Business Plan. There has not been a significant change in this area with 12 managing it on behalf of the council and six jointly managing it with their council. This allows their councils to make the best use of their skills, knowledge and expertise in asset management and managing the stock.

| Management of the HRA | Number of ALMOs | % |
|---|---|---|
| Manage the HRA on behalf of their parent councils | 12 | 25 |
| Jointly manage the HRA with their council | 6 | 13 |
| Do not manage the HRA on behalf of their parent councils | 29 | 62 |

## New build

ALMOs built a total of 542 new homes in 2014, a 20% increase on the year before. In terms of ownership, they built 508 new council homes in 2014 compared to 339 in 2013 (a 50% increase) but only 34 ALMO homes. Those remaining in the sector plan to build a further 2,000 new homes over the next 5 years, 1,180 within the HRA and over 800 through different funding routes including in partnership with others.

| | Number of new homes built | | Percentage change |
|---|---|---|---|
| | 2013 | 2014 | |
| ALMO | 111 | 34 | -69% |
| Local Authority | 339 | 508 | +50% |
| **Total** | **450** | **542** | **+20%** |

ALMO new build has clearly suffered from the HCA's value for money test including not only the HCA grant per property but also the borrowing they are undertaking to develop, unlike for Housing Associations where the borrowing is not accounted for. The survey shows there was much less development by ALMOs for ALMO ownership in 2014 than there has been in recent years; down from 111 new homes in 2013 to only 34 in 2014. We believe this has also been a factor in the reduction in the number of ALMOs being Registered Partners for the HCA funding regime, down from 17 in 2013 to 12 in 2014, although at least some of the ALMOs who previously had RP status are in the process of becoming a stock transfer housing association.

Given the continuing restraints on the amount of HRA headroom and HCA grant available to councils across the country, ALMOs and councils are unable to build as many new homes as they could. HRA business plans have to balance the competing demands for the limited amount of investment available in some places, from the needs of large scale regeneration schemes and building new council housing to on-going asset management and maintenance to maintain decency and improve estate environments.

The NFA continues to campaign hard for the lifting of borrowing caps in the HRA to allow councils and ALMOs to make long term, sustainable and affordable plans to build new homes over the next five to ten years like any other social housing business is able to. We also continue to make the case for changes to the HCA grant regime for ALMOs so that they can deliver much needed social homes in the areas where they operate.

We had a small amount of success on the borrowing caps when the Treasury announced a £300m bidding round for additional borrowing approval for councils earlier this year. However, the guidance and rules around the bidding programme were fairly bureaucratic and problematic for some councils and the bidding deadlines quite tight and we have not seen a full allocation of the borrowing approvals as yet.

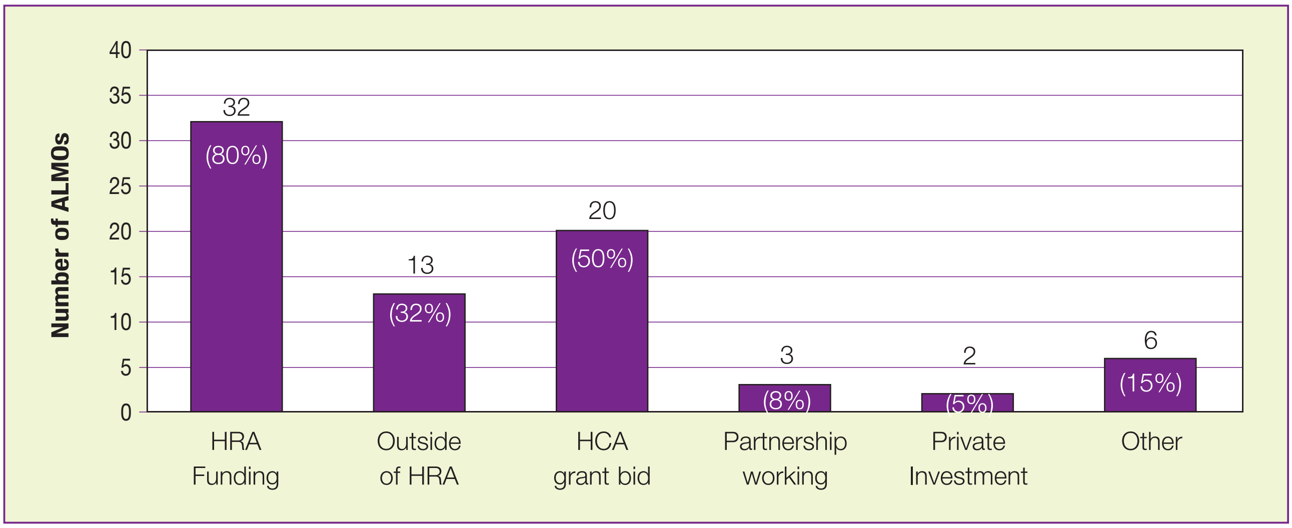
## Sources of funding

During 2014 just under half of all of the new build was financed inside the HRA, and just over a third from a combination of HRA funding and other sources. Only 20% was funded purely outside of the HRA, this included an ALMO working in partnership with a community association and an ALMO working closely with its former charitable subsidiary which is now independent.

In 2015 79% of ALMOs plan to build and it is expected that most new build will be financed within the HRA again - although 20 ALMOs are looking for HCA grant funding either though the council or as an independent body. A couple of ALMOs are looking at private finance and the "other" category includes plans to use s106 funding, a bid for additional borrowing allowances and the use of a local charitable company to help supplement development activity.

### 2015 development plans

**Sources of funding for ALMO development**




*please note percentages do not add to 100% as ALMOs will make use of more than one source of funding

## Acquisitions

ALMOs are also acquiring new properties, often ex RTB properties on their estates which are now in the private rented sector or empty. These are bought either for the ALMO itself or on behalf of the local authority. In 2014 the sector acquired a total of 212 properties, an increase from 131 properties the year before. 21 ALMOs have plans to acquire further property for themselves or the council in the coming 12 months.

## Self-financed business plans

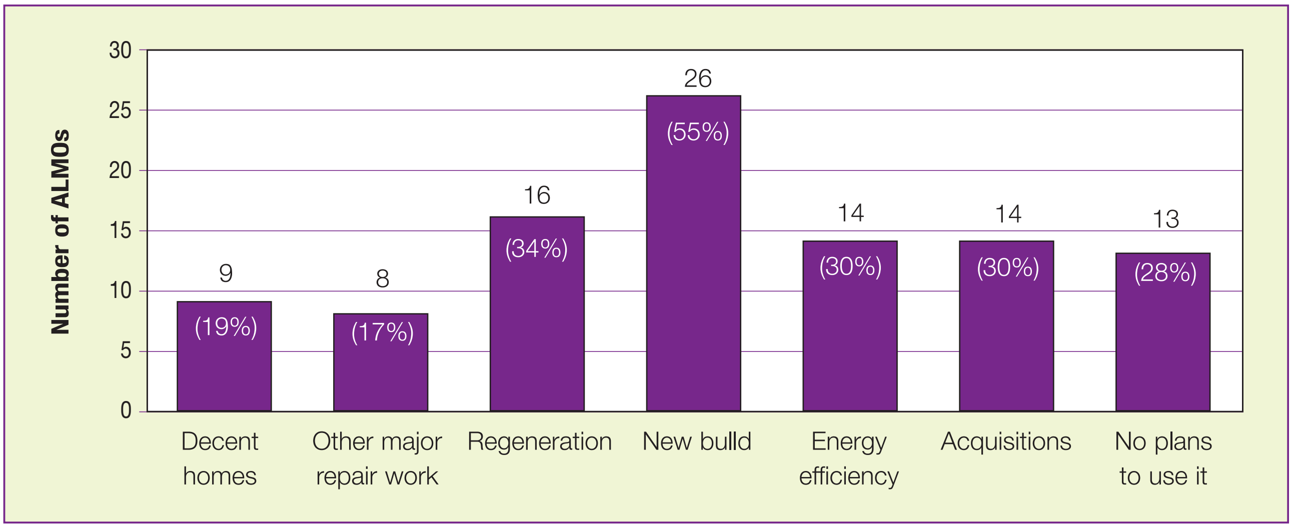
### HRA headroom

This year we asked ALMOs about the amount of headroom they had available for borrowing for investment in either the existing stock or for new build within the Housing Revenue Account. Given that some ALMOs do not manage the HRA at all we did not get answers from all organisations for these questions but for those that we did the results show a huge variation in the resources available to each council and ALMO across the country.

The minimum amount of headroom reported to us for those dates was a mere £3,445 and the maximum was £121m with a significant range in between. This illustrates the difficulties for even maintaining the existing stock for some councils and ALMOs let alone being able to build any new homes.

Some councils are not planning to use their headroom at the moment and are still considering the options but two-thirds of councils with ALMOs have plans to make use of their headroom with 55% of ALMOs planning to use some of it to build new council homes. Most councils and ALMOs with plans to use the headroom have active plans for 3-5 years, leaving prudent amounts left for the 30 year life of the business plan and will then review the business plan regularly to update their plans as they go.

**Planned use of headroom**




*please note percentages will not add up to 100% in this chart as ALMOs were able to choose as many options that applied

### Key facts

- **Last year ALMOs built 542 homes (ALMO and council owned), a 20% increase on the previous year and acquired 212 homes for both ALMOs and councils.**
- **ALMOs are planning to build at least a further 2,000 new homes over the next 5 years.**
- **Two-thirds of Councils with ALMOs have plans to make use of their HRA headroom.**
- **55% of ALMOs planning to use some of it to build new council homes.**
- **34% of Councils with ALMOs are planning to use their headroom for regeneration projects**
- **38% of ALMOs have some role in managing the HRA Business Plan**
- **Only 12 ALMOs are now registered with the HCA as a Registered Provider down from 17 last year.**

# PART THREE: Service provision

Whilst ALMOs are primarily responsible for managing and maintaining council housing, we reported last year that many had taken on additional services on behalf of their parent council. These include running housing and advice services, homelessness services, care services, family support services, employment support and apprenticeship programmes, amongst others. This trend has continued throughout 2014 but there have been changes in some service areas reflecting the fact that many councils have been reviewing their own services in the light of significant cuts to the General Fund.

Given the need to make savings and re-organise service delivery across the council, more and more councils with ALMOs are seeing their ALMO as a flexible local vehicle that local authorities can use to deliver wider social benefits to their communities. This has meant that whilst some councils have taken certain back-office functions in house from ALMOs in order to make efficiencies across the whole council they have also looked at what other services are better suited to being delivered by the ALMO. We have therefore seen an increase in the number of ALMOs delivering homelessness services for example, from 9 last year to 15 this year, so that over a third of all ALMOs now provide that service.

In light of the roll out of Universal Credit, the survey has also shown that the other significant area of increase in service provision by ALMOs has been in Money Advice with nearly 60% of all ALMOs now providing that service to their community. Working within one local authority, each ALMO is able and willing to use its detailed knowledge of the local community to tailor services and so we are seeing even more diversity within the sector as each ALMO does the things its local areas needs. By widening their remit beyond the core housing management service ALMOs are helping to transform neighbourhoods and enhance the life chances of council tenants.

### Existing service provision

| Providing services | Number of ALMOs | % |
|---|---|---|
| Allocations / housing advice | 28 | 60% |
| Homelessness services | 15 | 32% |
| Management of commercial / retail properties | 12 | 26% |
| PRS | 13 | 28% |
| Cross tenure ASB | 10 | 21% |
| Adult support services | 9 | 19% |
| Family support services | 12 | 26% |
| Money advice | 26 | 55% |
| Emergency OOH services | 12 | 26% |
| Tackling worklessness | 17 | 36% |
| Call centre | 10 | 21% |
| HR / Back office services | 8 | 17% |
| Other | 7 | 15% |

'Other' services shown above include the management of:

- Disabled Facilities Grant
- Community Centres
- All public buildings including leisure centres, art galleries and a castle
- Regeneration
- Dangerous structures and engineering services for sewage works, pumping stations, car parks and un-adopted highways.

## Care and support services

Interestingly, our survey shows that the number of ALMOs providing care and support services in one form or another has dropped significantly from 28 in 2013 to only 17 in 2014. We do not yet know the reasons behind this change but it may reflect the tightening of care and support budgets and problems of funding. Of the 17 ALMOs that currently deliver care and support services the chart below indicates the nature of the customer they provide services to.

| | Numbers and percentages |
|---|---|
| Deliver services for own LA | 15 (88%) |
| Deliver services for other LAs | 1 (6%) |
| Deliver as a market product | 5 (30%) |

## Private rented sector services

One of the most notable areas of service growth evidenced by our research last year was around the provision of a variety of different services to the private rented sector. However 2014 seems to have been a year of consolidation and growth by some ALMOs and a step back by others from this service area as fewer ALMOs are managing more properties in the private rented sector and fewer ALMOs are providing a wider range of other services to the private rented sector.

- 30% of ALMOs are now managing a total of 1,113 properties in the PRS, nearly 2½ times the number of properties managed last year by ALMOs.
- 16 ALMOs (34%) are now providing services to the PRS with a further 9 (19%) considering developing services over the next 12 months. This is a drop from 22 ALMOs last year providing services to the PRS and 12 considering it last year.
- PRS services currently offered include; housing management, repairs and maintenance, gas servicing, allocations, tenancy support, lifeline services, community alarms, furniture services, and residential lettings.

## Generating additional income

Half of all ALMOs currently deliver services to the wider market as a means of generating additional income for the ALMO. With a further 19% indicating that they are considering developing commercially focused services in the future.

The most commonly developed services include:

- Care and support services to private homes (8 ALMOs)
- Repairs, maintenance and gas services (5 ALMOs)
- Estate and grounds maintenance (5 ALMOs)

However again this year there is more diversity in the types of services delivered as ALMOs tailor their products more and more to their local communities with 14 ALMOs delivering "other" services.

Additional services currently being delivered include:

- PV unit installation and other renewables and energy efficiency work
- Call centre services
- Community alarm service

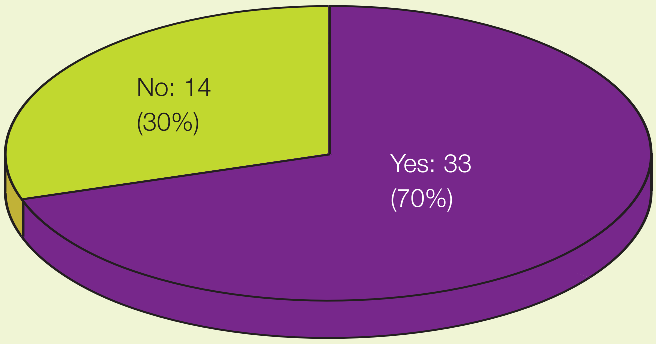
- Homes improvement
- Car park maintenance
- Draining and health and safety services
- Painting/decorating and fencing
- Asbestos removal
- Furnished accommodation

## Working with local housing associations

As the social and economic context within which ALMOs work becomes more complex and challenging most ALMOs have developed local partnerships with other housing organisations and charities in their areas to help improve service provision across the area and make the best use of public money.

This year we asked our members if they currently work with a local housing association and 70% said they did.

**Do you work with your local housing association?**




Members reported a range of issues that they worked together with Housing Associations on including:

- Choice based lettings systems or joint housing registers
- Housing management and/or repairs and maintenance services
- Joint training
- Regeneration
- Development
- Tenancy fraud
- Strategic discussions through landlord forums
- Family intervention projects
- Performance management - benchmarking, mystery shopping etc.
- Financial inclusion and worklessness
- Void repairs
- Neighbourhood wardens
- Anti-social behaviour
- Community events and development initiatives
- Graffiti and bulk refuse removal
- Asbestos removal

## Key facts

- A third of all ALMOs are now providing homelessness services to their community up from only 19% in the previous year.
- 60% of ALMOs provide allocations and/ or housing advice on behalf of their parent council.
- 55% of ALMOS are now providing money advice to local residents to help them prepare for the roll-out of Universal Credit, an increase of 18% from 2013.
- The number of ALMOs providing care and support services has dropped significantly from 28 in 2013 to 17 in 2014.
- 30% of ALMOs are now managing a total of 1,113 properties in the PRS, nearly 2½ times the number of properties managed last year by ALMOs.
- 50% of all ALMOs currently deliver services to the wider market as a means of generating additional income for the ALMO.
- 70% of ALMOs work in partnership with their local housing associations on a wide variety of services and issues.

# PART FOUR: ALMO governance arrangements and management contracts

## Governance arrangements

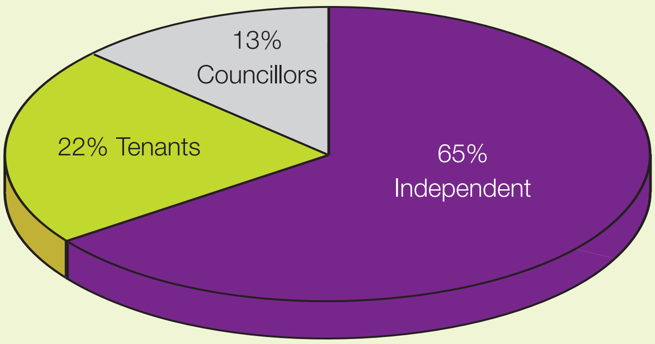
Our survey shows that across the sector ALMO Board membership continues to be most commonly structured with equal numbers of tenant, independent, and local authority nominated Board members. However, in a number of places there has been an increase in the proportion of tenants and a decrease in the proportion of councillors on the board and where governance reviews have been taking place there seems to be a tendency for boards to get slightly smaller. Interestingly at least three ALMO boards include the ALMO Chief Executive in some capacity.

The overwhelming majority of ALMOs have terms of office for their board members of 3 years (76%) but they tend to vary on how many terms of office a board member can stand for, ranging from two to three terms in general.

At present 46% of ALMOs make payment to their Board Chair and/or Board Members for their services, this is up from 40% last year and a further 11% of ALMOs are considering making payments in the future. This may be a reflection of an increasing professionalisation of the sector as the business of ALMOs becomes more diverse, commercially driven and riskier in some areas than it was previously.

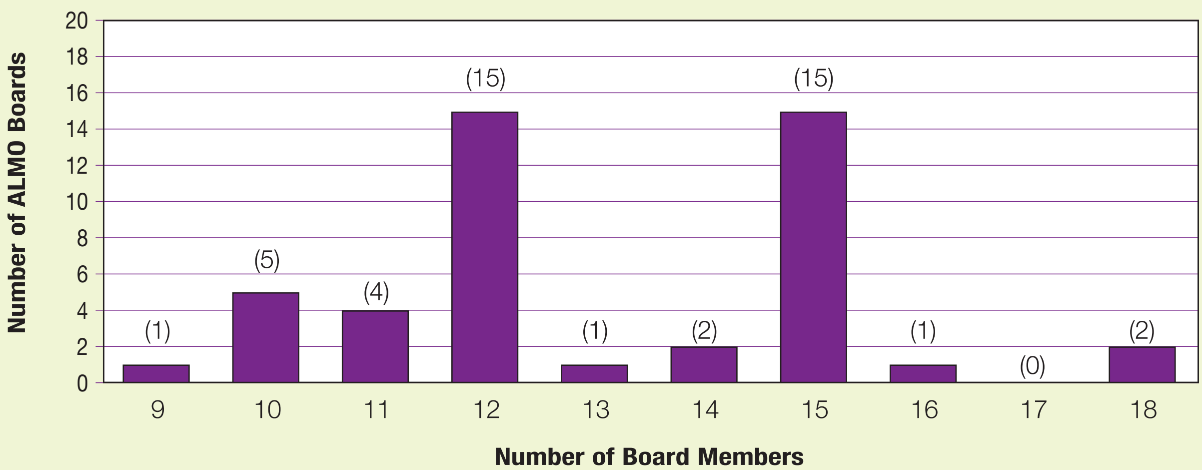
About two-thirds of ALMO Chairs are Independents, 22% are Tenants and 13% of ALMOs have a Councillor as their Chair.

**ALMO Chairs**




The chart below shows how many Board Members currently make up ALMO boards.

**Number of Board Members**



## Management agreements

The majority of management agreements (81%) still follow the standard or adapted Trowers and Hamlins Model Agreement, with 11% of ALMOs having a partnership agreement with their LA. The remaining 8% (4 ALMOs) have developed bespoke agreements, incorporating elements of partnership and modular management.

Over the last 12 months 13 ALMOs (28%) have had their existing management contract reviewed by their local authority with some agreements being widen to include additional services, some being extended for longer time frames and a few deciding to take back their ALMO in-house. A further 15 (32%) have reviews planned during 2015. Overall we have seen an increase in the number and percentage of ALMOs with post 2030 management agreements since 2013.

Recent changes to management functions as a result of contract reviews this year include:

- Added responsibility for housing options and homelessness services.
- Support to take forward an agreed new build programme.

## Management contract periods

This table sets out the current Management Contract expiry periods:

| Period of current contract expiry | |
|---|---|
| 2015 - 2019 | 24 (52%) |
| 2020 - 2024 | 13 (28%) |
| 2025 - 2029 | 3 (7%) |
| Post 2030 | 6 (13%) |

*Does not include 1 ALMO which does not have a specific end date to its management agreement

### Key facts:

- **46% of ALMOs make a payment to one or more Board Members in order to secure appropriate skills and expertise. This is an increase from 40% the previous year.**
- **76% of ALMOs have a three year term of office for Board members, with many having a limit of three terms of office.**
- **Board membership is commonly structured equally between tenant, independent, and local authority nominated Board members, with 70% of Boards having between 12 and 15 members.**

## The NFA team

Further details can be found at www.almos.org.uk/nfa_team

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