

Learning from
Arms Length
Management
Organisations –
The experience
of the first
three rounds

housing

*Learning from Arms Length
Management Organisations –
The experience of the first
three rounds*

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In addition we are grateful to the members of the advisory group for their comments throughout the research.

The findings and recommendations are those of the authors and do not necessarily represent the views of Communities and Local Government.

Communities and Local Government policy context

1. Arms Length Management Organisations (ALMOs) were introduced in 2001 as one of the three options, alongside Large Scale Voluntary Transfer (LSVT) and the Private Finance Initiative (PFI), for local authorities (LAs) to secure additional resources to deliver the Decent Homes' target. The first ALMOs have been up and running since 2002.
2. Communities and Local Government is required to evaluate the impact and value for money of all main housing investment programmes. London South Bank University was appointed in 2003 to develop an overall evaluation framework to collect baseline data, track progress and assess the achievements of the ALMO programme.
3. As it was important to capture the baseline at an early a stage as possible, South Bank was inevitably working with organisations which were in a very early stage of development. The report reflects the fact that these were very new organisations, very much focused on securing funding and achieving the Decent Homes' target.
4. The ALMOs in the early rounds were operating in an unknown environment, facing a number of risks and uncertainties while they were becoming established. There were insecurities surrounding their relationships with their parent local authorities. Cultural change within the new organisations was only just starting to take place. This is picked up in the tone of South Bank's report which tends to reflect the uncertainties facing the early ALMOs.
5. Many of these uncertainties have now been addressed. ALMOs now have an established record of delivery and are more confident in their operations. They have widened their outlooks beyond securing funding for Decent Homes and, as they complete their Decent Homes programmes, now have the capacity to expand. Many are now looking at taking on further responsibilities, including building new homes. These and other concerns relating to their future have been addressed in the context of the ALMO Review, which was published in June 2006.
6. ALMOs have become an established part of the social housing field, managing over one third of LA housing. Now that the first ALMOs have been operating for three or four years, the benefits are becoming more apparent. In particular they are demonstrating improvements in service delivery and benefits from separating the management function from the council's wider strategic function.

Summary of key findings

- ALMOs tend to be opted for locally as a compromise stock option in order to obtain Decent Homes money. In this initial period, it is fundamentally a tactical local political decision.
- In the first period of ALMO development, strong functional links between the LA strategic housing functions and the ALMO as operator tend to be based on the quality of the relationship of the individual officers involved.
- The Housing Revenue Account (HRA) holds a pivotal place in the relationship with the LA.
- There is varying understanding of the way that the HRA can be applied to the ALMO alongside other sources of income, notably Decent Homes funding.
- There is some general concern that the Service Level Agreements (SLAs) currently being market tested by ALMOs can in some instances expose poor value for money relating to central LA services such legal, IT and human resources.
- Inspection is the key driver of post ALMO organisational development and all other activities outside of the actual programme for Decent Homes are focussed on the successful outcome of the inspection process.
- The case studies in particular illustrate the importance of a strong senior team led by a knowledgeable and respected chief executive to lead the organisation through a period of intense and sustained change.
- Continuing high levels of Right to Buy (RTB) applications have a built-in imperative to develop new facets to the ALMO business plan to retain viability.
- Tenants' structures are seen as part of the organisational development of the ALMO.
- Decent Homes money is applied in a pragmatic way and used alongside other funding, where available, to produce more rounded programmes geared to the priorities of tenants and leaseholders.
- Round 1 and 2 ALMOs are now entering into a period of reflection and reorganisation to make sure that the organisation is fit to take on the next challenges of improving services, seeing through the Decent Homes programme and developing the business plan.
- Organisational and cultural change is taking place and is designed to embed ways of working that add value to tenants and leaseholders over the long term.
- ALMOs are worked examples of how a major function of the council can find a route to becoming quasi-independently organised.
- ALMOs expressed an interest in being given more flexibilities in relation to their 'freedom to trade' to enable them to engage in and respond to wider community issues within the strategic plans and partnerships of the LA.
- ALMOs have little capacity to take on new activities or commitments during their period of Decent Homes activity and preparation for inspection. However, they wish to ensure that they are well informed and connected for their potential role in the community.

1 Introduction

1.1 The background to the research project as a whole

1.1.1 The role and remit of ALMOs

ALMOs are one of three main options, alongside Large Scale Voluntary Transfer and the Private Finance Initiative, for local authorities seeking the increased investment needed to bring their stock up into line with the Decent Homes standard.

ALMOs have already proved to be a popular option because they balance the need to achieve the Decent Homes standard with the need to take into account current concerns in some quarters about the issue of public/community ownership and control of social housing stock.

ALMOs are set up by a LA with the remit of managing and improving all or part of its housing stock. Though ownership of the stock remains with the LA, ALMOs have a certain degree of independence in their relationship with their sponsoring authority. However the LA remains the legal landlord, and there are no changes to the rights that tenants enjoy, which can make it an attractive option for future service delivery.

1.1.2 The first three rounds

The research on which this report is based was commissioned by the (then) Office of the Deputy Prime Minister (ODPM) and carried out by the Housing and Regeneration Research Group (HARRG) at London South Bank University. Its explicit focus was on the first three ALMO bidding rounds. Round 1 was launched in 2001 and comprised eight ALMOs, Round 2 was launched in 2002 with eighteen ALMOs in the initial programme (though there have been two withdrawals), and Round 3 followed on in 2003 with another thirteen ALMOs included in the initial programme.

ALMOs are given a provisional funding support figure, which is conditional on their receiving Section 27 approval and at least a 2-star rating from the Housing Inspectorate. This figure comprises a Supplementary Credit Approval* permission which supports borrowing (that the LA is then responsible for) and an HRA allowance that covers interest payments and any required repayment on borrowed capital.

There has been a gradual development in aspects of the funding and regulatory framework which means that Rounds 1 and 2 differ in some aspects from Round 3:

- Applicants from Round 3 onwards are required to complete a Building Costs Model that outlines their current stock profile and reviews their progress towards achieving Decent Homes. Rounds 1 and 2 have been asked to complete this model retrospectively.
- ALMOs in Rounds 1 and 2 were faced with a limit of 12,000 dwellings on the size for their ALMO. This has now been lifted.

* Supplementary Credit Approvals were replaced in 2004/5 by Supported Borrowing Approvals.

- A limit placed on Rounds 1 and 2 of an average figure of £5,000 per dwelling for works costs has now been lifted, with the approach now being to allocate resources on the basis of detailed costings. The ODPM subsequently approved increases to Round 1 and 2 ALMO bids to well above their original levels in order to take account of this.
- From Round 3 onwards ALMOs were given permission to use up to 5 per cent of their funding on work that was intended to enhance sustainability. ALMOs in Rounds 1 and 2 have had the opportunity to remodel their original bids to take account of this change.

In sum, therefore, the extent to which comparison on the basis of like with like between rounds presents some difficulties.

1.1.3 Terms of reference for the research

The study as a whole has focused on developing a monitoring and evaluation system for ALMOs which:

- is grounded in and coheres with existing and ongoing work to develop parallel frameworks in the LSVT and PFI sectors;
- takes account of the existing ALMO regulation regime, including reporting to the ODPM, involvement in the inspection process, and performance based reporting in the form of Best Value Performance Indicators and locally operating performance management frameworks;
- supports the work that ALMOs have been doing in conjunction with HouseMark on benchmarking nationally across the sector.

The first run of the monitoring and evaluation was one of the outputs for the study and was conducted at the end of 2004. This entailed producing a pro-forma based data collection instrument that met the criteria above, administering it, and organising the data in order to create a baseline picture and track initial trends in progress against this picture¹.

1.1.4 The link between the case studies and the other elements of the study

A case study element of the research was also designed in order to sit alongside the substantial piece of pro-forma based quantitative work, and the project commenced with a major conference which anchored the work. The key elements of the research as whole therefore have been:

- A structured conference-based series of scoping discussions which drew out ALMO attitudes on:
 - establishing and setting up the ALMO;
 - the local context, including partnership with the LA and the wider context provided by the LA stock;

¹ This exercise is reported in the parallel report *Learning from ALMOs: evaluating progress in the first three rounds* (unpublished). The data will be integrated into the ongoing evaluations and available once the update is completed.

- perceived constraints and obstacles to the smooth running of ALMOs;
 - reflections on ODPM processes and requirements;
 - sustainability drivers;
 - the role of tenants;
 - the issue of separation of roles and the impact of this on other services;
 - works and management costs and value for money; and
 - costs and benefits in relation to other programmes.
- Pro-forma based data collection of information to create a baseline relating to all ALMOs in rounds 1 to 3 and track progress against this baseline.
 - A process review based on a programme of eight ALMO case studies that tracked the development process with a view to identifying key process issues.

This report draws primarily on the qualitative aspects of the research, particularly the case studies, in order to report on process issues.

2 The purpose of the report

This report is primarily concerned with the ALMO 'process'. It draws on data from the case studies and sets these in the context of the wider research. It draws out the effects of organisational change on the roles of both the ALMO and the LA.

The purpose of this part of the research was to gain an insight into the organisational development and operational processes within a variety of ALMOs within the Decent Homes programme as they emerged and developed as new housing organisations

The case studies were selected to ensure good coverage of the range and types of ALMO and the data collection was based on structured interview techniques using pre-agreed topic lists.

This report discusses the key process themes that are highlighted by the case studies and supported by the wider data collection exercise.

3 The organisation of the report

The findings from the data about ALMO development and operational processes are organised under five key ‘process themes’. Each theme identifies the main processes at work and how they impact on the ALMOs’ development and operations as an organisation.

The five key themes are concerned with:

- the **contexts** for ALMOs, both nationally and locally;
- the **relationships** between the ALMO and a range of stakeholders;
- the development of the ALMO and the **implementation of the Decent Homes programme**;
- the **impact** of ALMOs and their prospects for the future; and
- the ALMO **organisation** itself.

The qualitative underpinning of the findings offers up a reflection on organisational behaviour within and among ALMOs at a particular stage in their development. The themed discussion is prefaced with a summary of progress across the three rounds drawn from the research as a whole.

4 Impact of the programme as a whole

Information drawn from the wider elements of the research programme using data from the pro-forma provides a context for the process review.

The following tables summarise the early evidence of the ALMOs' impact so far at a baseline position (ie the end of year one) for each round of ALMOs, and an update position (ie at the time of the study). This provides a profile of the ALMO programme to date and serves as a context for the discussion that follows.

Round 1 ALMOs

INITIAL POSITION (Baseline)

- Urban with a northern bias and representation from two well performing London authorities
- A very high proportion of non-decent homes in the housing stock (around two thirds of the stock in most cases)
- Correspondingly high financial allocations and spending targets
- Many strategic responsibilities established to be shared with parent local authorities
- Widespread evidence of quality assurance commitment through a range of kite marking and excellence and good performance in inspections
- Strong business focus and sophisticated reporting to tenants and leaseholders

IMPACT (Update Position)

- Ability to deliver spend and achieve targets within a short timescale
- Rapid reduction in numbers of non-decent homes
- Fewer difficult to let and low demand dwellings
- Evidence of a gradual improvement in repairs reporting, reduction in relet times, increase in tenant satisfaction

Round 2 ALMOs

INITIAL POSITION (Baseline)

- Very mixed and disparate group of ALMOs of different sizes including very large organisations, the Leeds group, and small organisations
- Importance of leaseholders to the three London ALMOs in particular
- Generally about one half of the stock non-decent (with some exceptions); serious difficult to let and low demand problems
- Planned scale of the undertaking involved tends to be a bit more modest than Round 1 ALMOs
- More of a tendency to modify board composition and favour tenants; patterns of tenant involvement conventional
- Innovative approaches to organisational development and training
- Fewer corporate quality initiatives; housing management performance broadly outside HouseMark's top quartile
- Some excellent and good inspection ratings, but some disappointments and departures from the programme
- Many strategic responsibilities established to be shared with parent local authorities
- Widespread evidence of quality assurance commitment through a range of kite marking and excellence and good performance in inspections
- Strong business focus

IMPACT (Update Position)

- Linked to longer than anticipated lead-in times, trends are less marked than Round 1 and, in the early stages, progress had not been in line with targets in most cases.
- Inconclusive evidence of any definite trends in relation to changes in housing management practice
- Some evidence of diminishing low demand and difficult to let, but significant right to buy figures and other stock losses
- Fewer difficult to let and low demand dwellings
- Evidence of a gradual improvement in repairs reporting, reduction in relet times, increase in tenant satisfaction

Round 3 ALMOs

INITIAL POSITION (Baseline)

- Mixed round stretching from the very large to the small, including economically declining areas, rural and resort areas and London authorities
- Non-decent homes represent around half of the stock in most cases
- Strong commitment to a model of organisational development that includes staff, board members and tenants
- Good commitment to quality assurance
- Patterns of tenant involvement are conventional and options-appraisal informed, but there is evidence of review
- Strong business focus
- Round members have learned from their predecessors

Update information for Round 3 ALMOs is not yet available given their effective start-up dates.

The emerging wider impacts of ALMOs also include evidence of:

- confidence that ALMOs will deliver significant improvements to homes by 2010;
- increased awareness of wider community issues and the scope of the ALMO to participate in these;
- ALMOs playing a role in community safety initiatives;
- tangible improvements to the image of council housing through physical improvement;
- new partnerships involving construction and employment (as part of the improvement programmes);
- use of home improvement as a mechanism to engage with more difficult to reach groups.

5 Theme 1: Contextual issues

5.1 The local perception of ALMOs as a ‘compromise’ option

As a local stock option for transfer to a new housing organisation, an ALMO is seen as the locally acceptable vehicle of choice and, initially, a compromise option. The funding gap to achieve Decent Homes confirmed that ALMO was the only financially viable option with local political support and therefore the choice was comparatively straightforward.

Comments on this ‘compromise’ include that:

- In a number of cases the LSVT option had already been rejected at an earlier time and was still felt to be unattractive to the council and tenants/leaseholders.
- There is strong identification that the ALMO option is tantamount to ‘staying with the council’ and the sense that it offers a continuance of local accountability.
- The driver for local political and professional preference for ALMO was to obtain the Decent Homes money.
- Other benefits that are highly valued subsequently, such as improved services to tenants and organisational freedom, would not have been enough on their own to obtain an ALMO preference.

5.2 The effect of the ALMO on the local authority and implications of change

Once the decision to ‘go ALMO’ is made, the local authority and the prospective ALMO begin the activities that dominate both parties for the period leading to Section 27 approval, negotiating the housing revenue account and service level agreement and mapping out the new form of organisation including governance arrangements. In reality, the strong links between the LA’s strategic housing functions and the ALMO as operator is as good as the relationships of the individual officers involved.

LAs can see ALMOs ‘as their agent’ rather than as a partner and they tend to continue to emphasise the LA role as stock owner and landlord.

ALMOs express concern that the LA strategic officers may lose the ‘feel’ of housing management and increasingly fail to appreciate the operational side of running a housing organisation. Performance indicators alone cannot convey the presence or otherwise of this kind of knowledge.

In order to foster productive working relationships, local political consensus and smooth transfer of operations to the ALMO, SLAs are not always sufficiently adapted to offer up best value to the ALMO and are, therefore, becoming difficult and contested areas of negotiation.

There is a general concern that the SLAs currently being market tested by ALMOs expose poor value relating to central services such as legal, IT and human resources. This leads to a growing awareness that the new role of the LA will be that of ‘monitor’ of ALMO performance rather than provider of support services.

The eventual location of the housing finance functions and how these are divided up between the LA and the ALMO is significant. Some ALMOs have been given the permission to effectively ‘strip out’ all the HRA funding and apply it to the ALMO, whilst other LAs retain many elements of the HRA as possible, leaving the ALMO tough negotiations to obtain housing monies that they feel should be applied directly to tenants. The issue of who receives what proportion of capital receipts is a particularly contested issue in some places at present for example.

ALMOs observe that LAs with previously high performing, high profile housing departments that had a positive impact on the LA’s Comprehensive Performance Assessment may ‘feel the draught’ post ALMO formation. The remaining council services may be considered less strong in future assessments.

5.3 The influence of local stock profiles

Variation in local stock profiles is a significant factor in the way Decent Homes money is perceived and used.

ALMOs with a high proportion of leaseholders and leasehold flats are dealing with people with differing priorities for improvements. This can lead to lengthy procedures for reaching agreement, conflict and sometimes protracted litigation. This all has the potential to slow programmes down.

Continuing high levels of Right to Buy applications mean there is a built-in imperative for ALMOs to develop new income streams into the business plan that are aimed at maintaining the business viability of the ALMO.

Dispersed stock and previous maintenance histories have an effect on the way in which Decent Homes expenditure profiles are developed.

Tenants in poor environments prioritise security, replacement lifts and general external improvements as well as internal facilities provided under Decent Homes.

6 Theme 2: Relationship issues

In this section we look at the networks of relationships that ALMOs currently value, including the specific relationship with the LA and how these relationships are unfolding.

6.1 The ALMO board

The setting up of the ALMO shadow board is an important signifier of change. It has impacts on the mutual relationships of the LA, the ALMO organisation, tenants and residents.

These impacts include:

- the decision by the LA on their choice of councillors to sit on the board, which has implications for duality of interest and a need to find strategies to cope with a sense of separation from local political allies;
- how the ALMO accounts to the LA. The ALMO has an accountability network of new stakeholders operating at the same time inside and outside the organisation. This can be a challenge to organise, prioritise and explain to the LA;
- deciding whether the Tenant Board Members retain a right to vote on the tenants' fora (or equivalent);
- a new and distinct public profile of the ALMO board with other stakeholders;
- developing a knowledgeable board that has access to intensive training, leading to new expectations of senior officers and the council; and
- the reworking of relationships between the board and the tenants' associations, with particular reference to the tension between the roles of Tenant Board Members as representatives. (See 6.3)

6.2 Negotiating the Housing Revenue Account

ALMOs agree that the HRA holds a pivotal place in the relationship with the LA. Where the HRA was previously managed by the housing department and there was general consensus on its use against the General Fund, most negotiations continue to be amicable and fruitful, notwithstanding pressures on the HRA, per se.

However, some ALMOs feel that relationships previously built on trust are being eroded by concerns that the HRA is being used inappropriately to assist the General Fund. This is not a new discussion, but is now seen as an example of where the LA could show practical support for underpinning the viability of their ALMO.

The concern over the use of capital receipts by the LA is paralleled by the ALMOs' need to have definite principles set out by the LA on the use of the HRA that they can then, with some confidence, factor into the ALMO business plan.

Managing the relationship around the HRA is now, for some senior ALMO officers, a 'full time role' where efforts are made to ensure that the HRA does not subsidise the General Fund.

6.3 'Tenants first'

The ALMO initiative has provided the stimulus for further developments in respect of representative structures. This has been a particularly marked activity where the previous structures were weak.

The new opportunity for tenants/leaseholders to serve on the governance structure, especially where the chairperson is a tenant, gives a message to the organisation and the LA that tenant influence and power in decision making is taken seriously.

Tenants' representative structures and involvement in governance are seen as a key part of the organisational development of the ALMO.

Overall, the quality of tenant involvement within the structures of the ALMO is perceived to have improved in comparison with the tenant experience within the former LA housing service.

There is a keen sense from staff and boards that there needs to be a focus on tenants' aspirations. This means structuring the work of the ALMO towards activities that:

- ensure that all tenants have homes brought up to standard (Decent Homes Standard or above); and
- improve all tenant services.

Tenants within the fresh structures are incentivised to be active within the ALMO. There is a worry that this incentivisation will have to find a new 'real thing' to avoid a dwindling of this level of involvement post Decent Homes.

There is nothing inherent in the ALMO model that should increase tenant involvement per se or extend tenant influence over service quality and cost. Rather it is the culture of encouraging and welcoming tenant involvement as 'the way things are done' that makes an impact on service improvements.

Tenant Board Members (TBMs) are typically elected by tenant groups to sit on the ALMO board. New TBMs then generally resign from the tenant groups or attend as non-voting members. This can be problematic for some tenant and leaseholder TBMs where, even though they may have credibility with other tenants, they pay a cost in terms of their relationship with neighbours who can misunderstand and mix the governance role with the representative role of tenants/leaseholders on the board.

The tenant training that accompanies the formation of the first stages of the ALMO is intense, especially for those also on the board. All ALMOs comment on the ‘steep learning curve’ and the possibility that tenants (and other members) are asked to run before they can walk.

6.4 Reconstructing roles with the local authority

There are a variety of relative roles emerging between LAs and their ALMOs.

These range from:

- the ALMO as ‘agent’, taking a brief from the LA on, say, being local and strongly reflecting policy set by a council wishing to see a particular range of services at a local level;
- the ALMO as a complete ‘make-over’ with the council wishing to emphasise the ALMO as a new organisation in the community, co-habiting with the council but having a clear voice of its own;
- ALMOs locating themselves somewhere on this continuum, influenced by personalities, ambitions and degrees of trust. Some ALMOs want to get out from under the feet of the LA as soon as possible whilst others are content to stay close to the council’s approach to housing policy and strategy.
- ALMOs and local authorities constructively ‘re-knitting’ their relationship through positive partnering and a spirit of pioneering innovation.

6.5 Working with partners

ALMOs aspire to develop strategic and meaningful relationships with people and organisations over and above those necessary to deliver on the Decent Homes Standard. For ALMOs about to commence or currently active with their Decent Homes programmes, their energy and focus is nearly all given to the task in hand – to deliver on time and on cost.

Most ALMOs, during their period of Decent Homes activity and preparation for inspection, do not have the capacity to take on new activities or commitments but wish to ensure that they are well informed and connected for their potential role.

However, all ALMOs realise that the context in which they are set is important and that networks with the Local Strategic Partnerships (LSP), Primary Care Trusts (PCT) and others are part of the future.

The following are the types of activities and organisations ALMOs are involved with at this time. These linkages, on the whole, are not active partnerships at this stage, rather, they are networks where the ALMO is developing an identity and looking for future opportunities. They include:

1. **Procurement groups** (either of ALMOs or with local bodies including the LA)

ALMOs are aware and interested in the procurement of goods and services through procurement partnerships. Areas of procured goods range from building components to office stationery. In reality, the high cost items associated with the Decent Homes programme itself are already contracted for and the ALMO has to depend on the cost negotiation within the contract itself for any further efficiency savings.

There is interest in developing the procurement club idea to cover future large improvement programmes, but there is more potential in procurement of utilities and support services (eg IT) once these contracts come up for renewal. Smaller ALMOs are also appreciative of the possibilities to join other ALMOs and others for joint procurement. This, they hope, will give them access to savings and not having to do research and negotiations for themselves. Currently, some ALMOs are working with their councils' procurement initiatives for office supplies.

2. **Local Strategic Partnerships** (sometimes at a second or third action-planning tier where the ALMO is seen as the main housing provider)

There are some linkages with education and training partnerships at this level. Generally, ALMOs are in touch with the framework of the LSP but it is the LA senior officers who represent the ALMO on this level of strategic body.

3. **Community Safety Groups** including Drug Action Teams, (where the ALMO is seen as a primary source of local intelligence)

4. **National Federation of ALMOs (NFA)**
and other housing networks

There is a desire to see the development of the NFA to promote and clarify its profile with LAs and other relevant bodies. The link between ALMOs as fostered by the NFA is valued highly.

Learning from other ALMOs would appear to be a preferred style of learning ranging from ad-hoc contact to secondment of staff from one ALMO to another (usually from a Round 1 or 2 to a Round 3). Some ALMOs are rated highly by others and are seen as the benchmark of best practice. These ALMOs now factor in this role and, in effect, act as consultants.

5. **Other RSLs/LSVTs**
(this does occur but is not widespread)

7 Theme 3: Development process and implementation issues

In this section we will look at the people and processes that appear to have played key roles in shaping the ALMO, in its development and the form it has taken.

7.1 Decent Homes – processes and spending

Systems to record and account for Decent Homes monies are felt to be robust and straightforward and put in place well in advance of actual spend.

Within this sense of stewardship and accountability, there is some difficulty in answering questions about the bringing together of different programmes within a coherent financial business plan. This is probably due to a varying understanding of the HRA itself and the ways in which it can be applied to the ALMO alongside other sources of income, notably Decent Homes funding. Therefore, it is difficult to 'prove' the displacement of funds, though there is accountability for various types of expenditure (See also 7.3)

Where the chief executive officer (CEO) and senior staff have had direct 'hands on' experience of the HRA there is a real advantage in the construction of the financial plan to maximise the HRA input. These staff are in new areas of learning. A skills deficit in the area of financial application is identified as a key risk factor within ALMOs.

Where the ALMO is compiling the improvement programme, problems can be encountered for the following reasons:

- the organisation is unused to the size and complexity of the programme;
- there can be difficulty in procuring locally where contractors either could not or did not wish to gear up their businesses in time for the programme. This is especially disappointing when ALMOs wish to link local training schemes to construction contracts and/or local economy. Regional contractors, however, have been able to respond to local training needs;
- competition from other ALMOs and regeneration agencies are perceived as driving up costs and reducing the availability of contractors. This is particularly true for ALMOs located near large municipal and house building construction sites;
- increasing building costs;
- EU regulations on procurement slowing the process down or inability of later ALMOs to 'piggy back' on the contracts of other ALMO programmes;
- unexpected delays in signing of the section 27 approval.

Nonetheless, the Decent Homes programme has had many positive impacts:

- it provides the drive and satisfaction of organisational achievement;
- increased satisfaction from tenants as shown in surveys and other indicators;
- it kick-starts the ALMO as a housing model and embeds a ‘can do’ attitude; and
- it increases capacity of the ALMO to ‘gear up’ to Decent Homes in a very short period of time, ready to spend more as it becomes available (ie learning how to spend).

7.2 Performance and inspection

ALMOs understand absolutely that performance is the key to unlocking Decent Homes money and securing their future as service providers. ‘Inspection’ is the key driver of the organisation and all activities outside of the actual programming for the Decent Homes programme are focussed on the successful outcome of the inspection process. For ALMOs with new senior management teams, or where the senior team needs to drive through rapid cultural change, inspection provides a useful device that enables all the teams to be subject to the same pressure and scrutiny.

Perhaps predictably, there are the following criticisms of inspection:

- it ties up too many staff for too long;
- it creates pressure on the staff and the board that can be a risk in itself; and
- the time between commencing the ALMO and inspection is too short and a suggestion that Decent Homes funding need not be tied to inspection.

But the benefits of inspection are perceived as:

- linking performance to unlock Decent Homes money;
- helping to clarify expectations with staff;
- aiding in the prioritising of activities; and
- increasing the pace to achieve improvements in performance over a short period of time.

7.3 Displacement of funds

There is no suggestion that ALMO funding has deliberately displaced other income for Decent Homes, but it is applied in such a pragmatic way that where funds are not dedicated to particular activity there is an inevitable risk of double counting and claiming successes funded from elsewhere.

However, ALMOs act to get the best outcome for people they can, by using Decent Homes monies to effect sustainable communities by, for instance, responding to needs of property and being sensitive to the wishes of tenants and leaseholders, eg the customers' priorities being answered first if at all possible. In this case the expenditure of the Decent Homes programme can be re-profiled within the annual framework in liaison with the Department.

Decent Homes money is seen to be useful and welcome but does not answer all the physical and environmental housing issues that are of concern to the LA, ALMO and tenants alike.

Concerns include:

- finding money for lift replacement (this is especially marked in ALMOs where up to 80 per cent of their stock are flats);
- maintaining credibility with tenants who prioritise other issues affecting their home before kitchens and bathroom, eg security and environmental works;
- Decent Homes criteria not being sensitive to the informed views of leaseholders who contest the need for the type of components identified for improvement;
- the need for guidance on the amount of and type of funding that can be 'integrated' with Decent Homes money in order to achieve value for money vis-à-vis sustainability;
- how to really 'countdown' the decency programme to full decency standards; and
- not seeing any benefit from, say, capital receipts where they are all clawed back by the council for non-housing purposes. These ALMOs, therefore, become more reliant on Decent Homes funding to make an impact in communities through improved housing conditions alone.

Wherever possible Management and Maintenance allowances and other allowances such as the Major Repairs Allowance are used to add to the programme especially in terms of environmental works.

Details in the original appraisals submitted to the ODPM as part of the requirement to apply for a place on the Decent Homes programme have remained broadly unchanged. Timing of the commencement of the ALMO and inspection dates have moved in some cases, but there seems to be little change to internal processes, such as procurement (despite the initiatives outlined in 6.5 above).

7.4 Round 3 ALMOs and additional spending

Round 3 ALMOs who have access to additional income for environmental works welcome the expansion of the Decent Homes programme in acknowledging the importance of the environment, but fail to see any logic in the 5 per cent level of spend allocated for sustainability.

ALMOs are moving towards associating financial elements (income and expenditure) as underpinning the Business Plan. Therefore, applying additional income and being able to account for its impact can be difficult as it mainly enhances work already specified.

7.5 ‘Pacing the change’ and the change of pace

Most ALMOs report that the organisational change from LA to ALMO was smooth, but marked by excessive activity for a large number of staff. Some Chief Executives remarked that staff are asked to do too much and for too long, working many extra hours, plus learning new approaches to their job. Some Round 1 and 2 ALMOs recognise that this cannot be sustained at the same pace. They are now entering into a period of reflection and reorganisation to make sure that the organisation and the staff are fit to take on the next challenges of developing services and seeing through the Decent Homes programme.

Once the point of change (ie the ALMO launch) has arrived, the organisation faces a known number of time specific interventions. Any unexpected and additional workloads are difficult to accommodate. There is a general feeling that the preparation period for inspection is too short for the long-term health of the organisation.

Once these dates are set, the needs of the ALMO should be paramount, for example minor delays that prevent Section 27 approval, can cause disproportionate stress on the organisation’s morale and performance.

7.6 The role of committed staff and leaders

The research illustrated the importance of a strong senior team led by a knowledgeable and respected CEO to take the organisation through a period of intense and sustained change. In all this activity, the quality of leadership of the ALMO as vested in the CEO is the key to success. Decent Homes money, it can be argued, can be spent well and on time, but without a creative and knowledgeable senior team the organisational change will not be embedded and the resultant added value to tenants and the community will not materialise. The evidence from the case studies shows that significant organisational and cultural change is taking place.

In the main, the ALMO CEO tends to be the previous Head of Housing or Director of Housing of the LA, and in a few cases the CEOs (and in one case nearly all the senior team) are new to the LA and took up their posts when the decision to set up an ALMO was agreed by the LA. CEOs and members of senior teams with an RSL background see this as an advantage in being familiar with the new organisational form and the 'business' approach to the housing service.

The amount of extra work involved in becoming an ALMO requires the board and CEO to mobilise all staff and board members to work in a new and focussed way, placing a high degree of trust in the senior team and leadership of the organisation.

The role of Board Chair working with the CEO and senior team enforces the notion that 'we are all in it together' and want to make a success of the change. The motivating force for staff seems to involve a strong sense of public service to tenants and the local area. Although some would like to see the ALMO become an LSVT in due time, this is mainly to do with the wish to see more development to assist people in housing need, as well as replacing losses through Right-to-Buy.

There are some general characteristics that are evident in most cases (but not all). These ALMOs tend to:

- retain experienced staff and retain/sustain them through the process of change;
- use local knowledge and experience of LA systems to negotiate SLAs;
- be open in their approach to working with tenants and the board;
- look for future opportunities to locate the ALMO as an organisation in the wider community;
- see the value of effective communication; and
- convey an optimistic outlook for the future of the ALMO.

7.7 Service level agreements

ALMOs are driven by their own organisational needs and are not able to accommodate the needs of the LA and maintain an ALMO as a viable and efficient organisation.

Potential retraction of central services as defined by SLAs is especially important for authorities where the housing service was a large user. The impact in terms of LA restructuring has not yet, it appears, reached the stage of making the central services unviable, but the expectation of ALMOs is that LAs will reach a point where changes to the local authority capacity to deliver cost effective services to the ALMO will have to be considered. (LAs were very aware of this issue, but, perhaps understandably, were less inclined to spell out the actual position of their authority).

Service level agreements are assuming more importance as they are re-negotiated for Rounds 1 and 2 ALMOs. There is a question whether SLAs are the most appropriate arrangement for the complex relationship between the council and its ALMO. They are left over from the days of Compulsory Competitive Tendering and tend to be negotiated on that basis and are, arguably, not flexible enough to apply to the rapidly changing situations of developing/changing organisations. The focus tends to be on managing a process rather than co-operatively reflecting and responding to outcomes.

Some original SLAs were quickly drawn up and avoided contentious issues, especially components of unit cost and quality control. It was seen to be more important to get the ALMO up and running than to delay the process unduly. CEOs having experienced this reflect that they should have driven a harder bargain from the outset. Round 3 ALMOs have the benefit of this experience and appear to be more willing to pin down the SLAs in terms of their business plan requirements.

The limitations of SLAs have been exposed as the result of benchmarking and market testing. Re-negotiated SLAs will be more robust and in favour of the ALMOs. The use of benchmarking is extensive and is seen to be a useful management and motivational tool.

This scenario obviously sets up a negotiation that highlights the real relationship of the ALMO to the LA and this can cause contention and strained relationships. Local Authorities are aware that the ALMO exposes their remaining services to scrutiny, especially IT, human resources and legal services.

8 Theme 4: Impact and prospects issues

8.1 Sustainability concerns and imagining a future beyond Decent Homes

All ALMOs are concerned about the sustainability of the improvements to stock made by the Decent Homes programme. Staff say they are now freer to deliver good quality services and get close to the customer.

On the surface ALMOs look and behave like independent organisations in terms of structure, language and identity. On closer discussion ALMOs are aware of their ambiguous situation and inability to determine their own future without the support of the LA and the guidance of the ODPM.

ALMOs do not see themselves as just ‘agents’ to deliver Decent Homes on behalf of the LA. They all see a future based on the clarification of their legal status and the expectation that they will continue beyond the Decent Homes programme.

ALMOs have to behave as if they are confidently moving forward. The energy and commitment required to get the ALMO off the ground in the first place means that the organisation has to find a heart, as if they were an LSVT/RSL. Some see that the ALMO model as a service deliverer has a future without needing to enter into the negotiation to become an LSVT.

For some, the future is very much the present with the end of their Decent Homes programme in sight. Boards have to grapple with the dramatic imminent reduction of activity and capacity that came with the Decent Homes programme.

Business plans indicate the types of activities ALMOs are considering in order to secure the future of the organisation, retain the best staff and serve their communities. Examples of these activities are:

- taking on the call centre functions of the LA; and
- offering housing management services to RSLs in the vicinity.

As yet there is no evidence that ALMOs are moving towards group structures with other ALMOs or RSLs/LSVTs but some do comment that there may be sound strategic reasons for the ALMO and the LA to consider such arrangements in due course.

8.2 New organisational values and focus on tenants

ALMOs report that there is a new impetus in the organisation to provide the best homes and services for tenants and leaseholders. This focus seems to come from the organisation's mandate for the change agreed with tenants and leaseholders via the consultations and/or ballot before the launch of the ALMO.

The setting up of a shadow board and bringing tenants into the heart of the governance mechanism is a visible symbol of a 'new way of doing things'.

The relationship between the CEO and the Chair of the ALMO is generally seen by staff and other board members as being active and constructive.

New organisational values stem from the knowledge that the ALMO can actually make a difference in the lives of people.

8.3 Impact of ALMOs on the local authority

Although the focus of the study was on ALMOs as organisations and delivery vehicles the role of the LA is pivotal in the birth and sustainability of its ALMO. Many comments have been made by LA officers, and in some cases members, through the case studies and conference/seminars.

The LA can feel somewhat on the sidelines as it watches the ALMO develop and find its new identity. More junior staff (and we suspect others) from the LA can especially feel that they have been left behind with the old established ways of working in environments that can in some cases be less attractive than the facilities given to their ALMO colleagues. Council members can also feel this loss, especially at a district council level where the housing function employed a large proportion of the council staff and where the financial matters related to housing had traditionally played a high profile in council business.

In financial and organisational terms the LA finds itself, almost overnight, in a position of dealing with colleagues and functions at 'arms length'. There is some evidence, for example, that negotiations around the initial service level agreements between departments of the council and the ALMO are compromised in terms of cost and efficiency to the ALMO in order that the needs and constraints of other departments are met. As these agreements are re-negotiated the ALMO begins to 'drive a hard bargain' and the LA has to reflect on the efficiency and productivity of its remaining servicing departments. ALMOs, in effect are engaged, perhaps unwittingly in a 'hollowing out' process of the LA and exposing other functions to the need for change. The internal market frameworks that may have already been in place are then severely put to the test. The HRA, as mentioned in a number of places in this report, is an area of contention.

Although the LA made a decision to set up the ALMO this was constrained, in many cases, by the outcome of the option appraisal. However, there is no evidence that the ALMOs are expected to come back 'in-house' once the Decent Homes Programme is complete. This distancing between council members and the ALMO is compensated by some in a number of ways with joint meetings of ALMO members and councillors and regular reporting that goes beyond basic indicators. Where regular communication in the person of councillors and board members does take place with, and via their respective officers, the chances of reciprocation of support and ideas are more likely. This is especially important where councillors are trying to rework their roles as local representatives in relation to housing.

The strategic housing functions of a LA vary by the volume and type of stock, whether the ALMO is part of a varied 'stable' of models (eg PFI, LSVT) and the location of non-Decent Homes housing functions, such as homelessness and allocations. The remaining strategic housing officers within the LA are now regulators, evaluators and policy formulators. In addition they have to learn, mainly by trial and error what the realities of 'arms-length' management means. LAs are dependent on these officers to understand the context and role of the housing organisations in the area as well as maintain something of a special relationship with the ALMO. These are key officer posts within the LA and councillors are depending on the development of information on the ALMO, alongside the evaluation of other models to ensure that the ALMO continues to be a best value operator on their behalf.

8.4 Future organisational structures

Taking the greater part of the former housing department into an ALMO has, in the main, been a successful and positive move for the staff involved. However, as the ALMO settles into its new organisational form there are a number of challenges that are likely to present themselves over the next period.

These challenges include:

- adapting to the decrease in Decent Homes activity and the reduction of subsequent activities and posts;
- re-negotiation of the Management Agreement with the LA, which may result in the transfer of additional housing related functions such as homelessness and the housing register/choice-based lettings;
- an organisational structure designed to underpin the business plan rather than reflect older patterns of the former housing department;
- more autonomous finance, IT and communications teams;
- changes to the balance of the board by decreases in the overall number of members via a decrease in LA members;
- outward looking teams to engage with local strategic and operational partnerships, eg regeneration including health and education;

- more formalised accountability structures between the ALMO and the LA;
- the possibility of ALMOs entering broader ALMO/RSL/LSVT partnerships based on proximity to engage with the local and sub regional housing and community agenda; and
- formal contractual arrangements with other social housing providers and/or the private sector for central support services to tenants and leaseholders.

8.5 ALMOs – a model leading the way for council services?

Where housing has been a major operation of the local authority in terms of number of staff employed, income deployed and a significant financial contributor to central LA services, there is an impact on other council operations. ALMOs are worked examples of how a major function of the council can find a route to become a quasi-independent organisation. ALMOs look and feel different for staff, members and the tenant/leaseholder representatives working in them. Culturally, they see themselves and are seen by tenants active in the ALMO, as ‘different’ from the council.

Some reference is made to the model not being too dissimilar to the other former council services, such as leisure and education being outsourced through arms length arrangements. These arrangements are different not only in legal terms to fully contracted out services, such as trusts (and LSVTs), but also illustrate that organisations like ALMOs can operate independently, but still remain in a special relationship with the council if certain arrangements are in place. These arrangements are:

- a partnership of equals between the LA and ALMO;
- strong ALMO identity based on public service, which resonates with the LA;
- a change in culture within the LA to aim for best value services for local people, which determines structures and processes;
- a fair and open accountability in financial apportionment (eg what is accounted for in the HRA and General Fund); and
- a willingness by both parties to see customers fully consulted and involved in service delivery and price.

A ‘difference’ in performance is perceived by tenants between the ALMO and other services provided by the council. Best Value Performance Indicators show this differentiation. An ALMO can enhance a council’s profile and standing with local people, but it can also expose deficiencies in other services.

9 Theme 5: Organisational issues

This last section pulls together the preceding four themes to show how they impact on the organisation of an ALMO.

9.1 Organisational improvement

There is no doubt from the research that the drive to obtain 2 or 3 star status in inspection is the determining factor in driving ALMO performance initially, but this is closely related to attaining the prize of Decent Homes monies. The inspection process has been a sort of shock treatment approach to improvement, even for those organisations with good track records. The inspection process is experienced by ALMOs as a rigorous, thorough and pressurised event. Those that have attained their goal and begun their active programme of works, say that the inspection process continues to shape thinking on where improvements can be made. However, sustaining the improvement is of concern to those that are near the end of the Decent Homes programme.

This concern is expressed as:

- inspection fatigue (the lack of liaison with dates between LA inspections, internal audit, ODPM audits and the Housing Inspectorate);
- stress on staff due to pressurised work deadlines associated with inspection and monitoring;
- risk of losing good staff if the future of the ALMO is unclear, especially in relation to growth; and
- ensuring that any difficulties with the services of the LA that impact on the ALMO are resolved.

9.2 Comments on whole and partial stock ALMOs

The original thinking on an optimum stock size for an ALMO is no longer an issue for ALMOs. The benefits of organisational 'freedom' and the drive to carry out improvement work together with the ability of the ALMO to handle large contracts for Decent Homes means that the capacity and the ability to grow are greater indicators of success than the handling of stock numbers per se.

The first three rounds of ALMOs contain examples of:

- all the LA stock forming one whole ALMO;
- part of the LA stock forming an ALMO within a portfolio of LA initiatives (PFI, partial LSVT/retained stock);

- LA stock divided into smaller areas with an ALMO set up in each area;
- ALMOs formed from Tenant Management Organisations (TMO).

Rather than stock numbers or a notion of local accountability determining the size of an ALMO, the picture is beginning to move on – local services and local accountability can be experienced and factored into any size of organisation if the culture and competency are taken into account.

In larger authorities, where an LA has the skill to manage a range of stock options (LSVT/PFI/retained stock) the ALMO functions in the same way as whole stock ALMOs, but has more complex strategic alliances with other operators within the LA housing strategy.

Partial stock ALMOs are actually ‘autonomous’ at an operational level with their own business plans, requiring a highly skilled LA centre to co-ordinate all housing models in their area and co-ordinate them effectively. The problem here is the potential for inefficiency through duplication and poor co-ordination within the LA. Once the Decent Homes programme is completed, each partial ALMO will be in direct competition for LA resources and support alongside other ALMOs and social housing providers.

Ways forward may include:

- identifying ‘what works’ and maintaining a pragmatic and best value approach on service delivery;
- LAs seeing their ALMOs in competition for resources based on performance and then offering the stock from the poor performers to the best performers;
- being prepared to look at the five year management agreements early if there is an increasing difference in performance;
- being prepared to form larger structures;
- linking other social strategies with the partial ALMO more robustly (eg coterminous with Primary Care Trusts’ local planning model). Interestingly, this introduces the possibility that the drivers of housing policy may not come, solely, through housing organisations.

9.3 Symbols of identity and branding

ALMOs want people to know they exist. There is no sense that they want to continue to be identified as the 'housing department' although the link with the council is not devalued. The need to be separate from the council is seen to be an important stage in the development of the ALMO and is planned meticulously. Tenants, although they value highly their status as council tenants also express appreciation of the new 'brand' as part of the improvement in services.

Symbols used by the ALMOs include:

- **new offices** often in a completely new location outside the council offices. If this is not possible due to land/building availability attempts are made to create new entrances and rationalise ALMO office space to bring ALMO staff together;
- **new logos and livery for customer facing staff**, often used by the ALMO, commencing with a special launch event for staff and partners;
- **New email addresses** for staff and the organisation; and
- for the Board, CEO and the senior team the **Business Plan** is a significant symbol of change and independence

9.4 The role of information technology

IT and IT related processes can be a site of struggle. ALMOs recognise that a mark of a modern organisation is to have its own needs supported by good IT for financial and communication purposes and that they should have control of the type of software and servicing essential for the smooth running of the organisation.

ALMOs have generally brought their IT systems with them from the housing department for day-to-day housing management functions. Difficulties occur where the council systems are not easily adapted to the ALMOs' needs for financial information in new formats and at different timings.

Ideally, ALMOs would benefit from a separate IT system that addresses their specific needs and only links to the council systems as required.

It was evident from the research that, where a senior finance officer who had previously dealt with the HRA and associated processes was employed in the ALMO, the relationship between the council and the ALMO in relation to IT and IT related services was more informed and co-operative.

IT is an essential setting up expense for ALMOs, but can be so tied up with the needs of the LA that it stifles ALMO performance. For example, even calls for information from outside bodies can cause considerable difficulty for ALMOs not in direct control of their own information systems.

9.5 ALMOs in the community

There is a mixed picture of ALMO involvement in the community. They see themselves as a big player already, especially in communities where the ALMO is the largest housing organisation. However there is little evidence at the moment of ALMOs initiating or taking a lead in the development of community initiatives with the exception of community safety initiatives. However, the appetite is present for them to be key players in their communities, active at both strategic and operational levels in due course.

The first ‘push’ for the ALMO is to deliver on Decent Homes and to improve services. This is a real focus that staff and board members allude to as a driving force. Community initiatives directly associated with housing and tenancy issues, eg waste management and crime and disorder, involve ALMO staff at an operational level. Strategic conversations on community strategy are mainly led by local authorities.

9.6 Cultural change and the limits of independence

In setting up an ALMO, the senior team and the board have to behave as if the organisation will be in business for the medium to long term. The personal and professional investment in its development requires a commitment from staff not only to ensure it succeeds, but also to ensure that it has the potential to grow.

The notion of ‘growth’ means different things to different ALMOs, for example, growth in volume and types of services and/or growth in new homes. Not all ALMOs see growth as a goal per se, but they do realise the need to develop new streams of income just to maintain turnover due to diminishing stock and variable income.

Business planning assumes growth for a viable and sustainable future. In determining their own future, ALMOs are sensitively aware that they are not in a position to take the same decisions and risks as their LSVT/RSL colleagues. They have most of the attributes of an independent housing provider but are currently dependent on their relationship with their LA.

All ALMOs are keenly awaiting the outcome of the deliberations of the ALMO working group set up by the ODPM to look at these issues and the future scope of any limits on their freedoms and flexibilities. The Round 1 ALMO boards and senior teams are already actively engaged in thinking about the changes that will impact on their organisation at the end of ALMO funding and are seeking new forms of activity to redress the fall in income and preparing to restructure accordingly.

The problem here is not that ALMOs are unaware of forward planning processes or building sustainable businesses, but rather that the speed and complexity of setting up the ALMO, activating spending, negotiating and structuring takes up most of the time and energy of the people involved, particularly in the first two years. In the absence of guidance and commitment to their future viability and a sense of clarity about the future, there is a risk that the enthusiastic momentum of the first ALMOs will not be sustained either beyond the end of the second operational year (when anxiety about the future begins to kick in), or in later rounds.

Interestingly, few ALMOs, it seems, would like to see a future, nor could they envisage a future, for the housing service if it was taken back into LA direct operational control again.

9.7 ALMOs and the public service ethos

Whereas the model for the ALMO as an organisation has many similarities to LSVT and other RSLs, there was a noticeable retention of the public service ethos amongst many staff. This could be interpreted to mean a service to the public on behalf of the council or a sense of an organisation of people with a social purpose. This distinction may affect the recruitment of future ALMO chief executives and senior teams.

Where the chief executive has a strong public service ethos it is more likely that they have an ongoing and productive relationship with the strategic housing staff of the LA.

For some, the future vision is not to become an LSVT (although this was the predominant view amongst board members, including some LA members) but rather to retain ALMO status with more freedoms and flexibility to function.

ALMOs 'straddle' the divide between the culture of an RSL/LSVT and housing departments and seem to be able to keep the anomalies of their position in balance in the short term.

10 Conclusions and lessons

This section of the report now draws out some of the main conclusions and lessons from the research. An initial introduction is followed by a summary grid of the lessons that are of particular importance for ALMOs themselves and those which are relevant particularly for Local Authorities.

- ALMOs are real and recognisable organisations. They have a clear current mission to deliver Decent Homes, improve housing services and a hope to continue into the future. Staff and boards have undergone a huge learning process to take on the ALMO agenda and are now delivering within, on the whole, highly motivated teams.
- The first phase of ALMO organisational development has been completed by Round 1 and 2 ALMOs. This phase, although pressured and demanding, has the benefit of a known income base and a focused job of work with the active support of the ODPM.
- The next phase is far less certain, with management contracts and SLAs under re-negotiation and the income base of the ALMO potentially in decline. This is the high-risk period for early ALMOs. They have been shown to be able to deliver a specific agenda and are willing to take on a long-term role in the community as providers and partners if they are given the opportunity to build up their organisational identity and business base. These two requirements will determine the place they will have around many tables in the future.
- The term 'level playing field' has been used to describe the wish to compete on an equal basis with other housing organisations. ALMOs want to be free to take reasonable business decisions. ALMOs are set up as delivery vehicles but have more potential to offer to local communities on behalf of, and with the support of, their LAs. This is recognised by the ODPM, the LAs with ALMOs group and the National Federation of ALMOs. The recent working group reviewing the long-term future of ALMOs brings together these concerns and debates.
- Tenants have begun to experience the benefits of being a social housing tenant through the ALMO and have seen real improvements to their homes and in some cases, their services. ALMOs have a real desire to control the business in order to sustain these improvements.
- Perhaps the big question is whether ALMOs have the added dimension (in comparison to LSVTs) of incorporating a role and identity which is distinct from the LA, whilst, at the same time maintaining the creative relationship that can be of benefit and add value to the strategic housing function as a whole.
- The research indicates that in order for this balance to be possible the relationship between the ALMO and the LA needs to be strengthened as soon as possible, by underpinning the ALMO's freedom to trade and enabling it to respond, as a special vehicle, to wider community issues within the strategic plans and partnerships of the LA.
- Some new thinking is required to move away from the general assumption that the future of ALMOs lies in becoming a LSVT or another form of RSL, towards exploring the potential of 'arm's length' more fully.

The following grid summarises the lessons from the research findings.

10.1 Summary of lessons

1. Tenants and leaseholders	
ALMOs – lessons and experience	LAs with ALMOs – general considerations
<p>ALMOs formalise tenant representation structures to support the reporting and engagement processes without losing flexibility of approach. Mechanisms include:</p> <ul style="list-style-type: none"> • tenant led housing panels feed in views to ALMO on all community matters; and • using disability focus groups and older persons’ forum in addition to conventional consultation routes <p>Tenants may have different priorities on expenditure, sometimes putting the general environment before their own home and some ALMOs reflect this in their Decent Homes programming</p> <p>TMOs may have an advantage in finding the new arrangement clarifies their relationship with the LA. The original intentions of a TMO (tenant influence and control) are not compromised by the transition to ALMO status if the LA and TMO hold the original TMO premise to be valid.</p> <p>ALMO boards provide an opportunity to extend the involvement of leaseholders in governance arrangements and other participatory vehicles. Most ALMOs ensure at least one leaseholder place on the board.</p>	<p>Structures and approaches to tenant involvement with the ALMO cover a range of objectives for tenants and leaseholders. Successful ALMOs (2*, 3*) show flexibility in the type of mechanisms adopted to ensure that tenants and leaseholders have a genuine impact on the development of the ALMO in terms of policy and service development.</p> <p>Decent Homes is a key impact programme for LAs. The link between the LA’s strategic responsibility and a tangible outcome for local residents can be communicated in such a way as to raise the satisfaction levels with the LA as a whole. There is room for more LAs to fully exploit this positive activity and give it ongoing support, using Decent Homes as a springboard to other initiatives that directly affect the lives of residents (eg Neighbourhood Renewal programmes).</p> <p>Enfranchisement and support of leaseholders in local housing governance can be an important development in cohesive multi-tenure involvement with the possibility of adding to community cohesion.</p>

2. Supportive structures and activities

ALMOs – lessons and experience

ALMOs support other ALMOs. This is in contrast with their previous relationships as local authority housing departments. There are examples of mutually supportive structures leading to specific benefits eg procurement clubs, best value peer groups.

ALMOs maintain credibility with their tenants by ensuring as many decisions as possible can be taken at board without referring back to the LA. Time taken on protocols and terms of reference at the onset with the ability to develop them as the ALMO develops pays dividends; eg disposals and non-Decent Homes capital works.

ALMOs with longstanding structures for tenant participation especially in the development and scrutiny of services can adapt these structures to the ALMO context. There are examples of tri-partite compacts between ALMO, LA and tenant groups

Poor or misleading information associated with the ALMO needs to be taken seriously and handled at a senior level within the ALMO and the local authority with staff that are competent to deal with the press.

The relationship between the ALMO and the officers responsible for the LA's strategic functions can have a beneficial effect on the development of the ALMO within the LA's thinking and foster new ideas and linkages. The incidence of regular joint meeting and training of staff helps minimise the potential loss of knowledge for all involved.

The relationship between the LA and the ALMO is best when the HRA is not under strain or its application not under contention.

Performance management frameworks are helpful and can be used extensively throughout the ALMO. These include review against delivery plan; PI based reporting including BVPIs; and Quality standards.

IT systems have to fit the needs of the ALMO. ALMOs with inflexible IT software or lack of direct control of IT services have had difficulties in underpinning the ALMO with efficiency and reporting. They advise that retaining linkage with the LA IT system should be subject to best value review early in the life of the ALMO and not to be tied into long service contracts.

LAs with ALMOs – general considerations

The strategic programme has most effect where the decision-making powers of the ALMO board are efficient and accountable. The LA's strategic housing plan should anticipate the likely scenarios on the capital programme and ensure that the governance arrangements for decision-making are streamlined.

Involvement of local people in the development and scrutiny of services is a model that may be extended to other council services but the role of elected members within the existing council members' scrutiny structures needs clarification.

LAs should work with the ALMO to counteract any inaccuracies in press coverage.

LAs could encourage the interaction between officers and members of the ALMO and LA without feeling this compromises the 'arms length' idea.

LAs function best with their ALMOs if they are open to discussions around the HRA and looking for consensus on its use. Benefits such as street cleaning and increased security for residents need to show a demonstrable link to tenants and neighbourhoods and be linked to the ALMO in a developmental way to add to the likelihood of sustaining Decent Homes investment.

LAs use the following methods for ensuring the ALMO is on track and performing well:

- monitoring against delivery plan;
- national and local PIs;
- regular officer liaison meeting;
- joint meetings with the board; direct reporting of the ALMO to the cabinet or designated sub-groups; and
- delegation to local boards.

3. Using processes as drivers	
ALMOs – lessons and experience	LAs with ALMOs – general considerations
<p>The process of inspection can be mobilised as a framework for greater organisational change, especially if the timetable for inspection links with other organisational processes such as restructuring.</p> <p>ALMOs that anticipate a business plan for a forward strategy beyond the Decent Homes programme enables the LA and the ALMO board to see the need for alternative sources of income early in the life of the ALMO. This recognition acts as a spur to new ideas and opportunities.</p> <p>“...in 2 or 3 years’ time, once the workloads change, everyone is going to wonder where they are going and will it be difficult to retain staff. Once they have established and embedded the organisation, the doubts will manifest.” (Chair of a 3*ALMO)</p> <p>ALMOs see the business potential of managing all the operational/client side functions of the housing service.</p> <p>Board members in Rounds 1 and 2 are aware that their role (post inspection and a successful star rating) changes emphasis to incorporate more monitoring and control of the Decent Homes programme. Then it is only a short period of time before the board has to consider future viability. ALMOs with a strong identity and awareness of their environment develop a keen sense of what works for the business and make decisions on that basis.</p> <p>Boards change their emphasis depending on the period of the development of the ALMO. Some boards see their first phase as ensuring that Decent Homes money is obtained but once that has been achieved the emphasis will turn to service standards and future role of the ALMO. Chief Executives particularly emphasise their role in ensuring boards understand the LA strategy alongside the business strategy at this crucial point in ALMO development.</p> <p>ALMOs that have developed skills through the Decent Homes programme see potential in using these skills under contract for later ALMO rounds in other geographical areas and other sectors eg schools maintenance.</p>	<p>To maximise the effect of regulation as a tool for organisational improvement, ALMOs should be able to advise the inspectors of other auditing and inspection processes and have these dates taken into account to avoid overload on the ALMO.</p> <p>LAs that appreciate the business plan of their ALMO look for opportunities to support the organisation in terms of, for example, use of the HRA, support for procurement and offering new and appropriate contracts for central services.</p> <p>The future of ALMOs as viable organisations, able to contribute to the wider regeneration of the local services management agenda requires the ODPM to evaluate ALMOs as organisations at risk and propose long-term assurances on their future.</p> <p>The strategic housing function should evaluate the potential for transferring all housing operations, including call centres, homelessness and housing allocations to the ALMO as core functions.</p> <p>The development of the LA’s strategic housing and community functions needs to take account of the operational effectiveness of the ALMO. Most LAs with ALMOs rely on the Performance Indicators monitoring data and the link through a senior LA officer. This is a key LA post.</p> <p>LAs with partial ALMOs and/or range of housing management/development models need to ensure that all parties are up to date with developing policy.</p> <p>ALMO boards may be seen to potentially moving into policy issues that are felt to be the responsibility of the elected members of the council. Cultures between boards and councillors diverge and require constant attention. Initiatives such as joint training help foster links and understanding.</p> <p>Co-operation based on key strategic aims, such as the supply of affordable housing can enable councils and ALMOs to work together and foster good communication and working practice (eg Poole Partnership).</p>

<p>3. Using processes as drivers (cont.)</p>	<p>ALMOs – lessons and experience</p> <p>ALMOs have been adept in understanding the context, nature and likelihood of rising construction costs and plan accordingly.</p> <p>ALMOs report the following examples of their services to other organisations:</p> <ul style="list-style-type: none"> ● IT support to LA (repair and improvement service to LA); ● complaints management; ● anti-social behaviour casework management; ● management of temporary housing accountability services for LA general fund and HRA; ● Community Alarm for LA/RSLs; ● Right-to-buy co-ordination and housing management services to RSLs; ● Council Tax collection homelessness investigations (Leeds); and ● cleaning services to LA training and consultancy <p>ALMOs influence (but rarely lead on) wider issues including:</p> <ul style="list-style-type: none"> ● Crime and Disorder Partnerships; ● Sure Start Partnerships; ● Local Strategic Partnerships; ● child protection bodies; and ● neighbourhood management. <p>ALMOs protect Decent Homes investment through security works, additional insulation, lift refurbishment, adaptations for people with a disability.</p>	<p>LAs with ALMOs – general considerations</p> <p>Decent Homes investment does not necessarily add to local skills and local economies. There is more scope to link future Decent Homes expenditure with other local issues, such as apprenticeships and environmental improvements at a regional level for economies of scale alongside local delivery agents.</p> <p>For many LAs, especially at district council level, the ALMO is the biggest organisation representing the link of council services. LA chief executives should consider the level at which the ALMO could be of most use as a contributor to community policy as well as being seen as a provider of services.</p>
<p>4. Negotiations and partnerships</p>	<p>ALMOs – lessons and experience</p> <p>Careful consideration and setting of clear SLAs at the outset is more efficient than re-negotiating the SLA later. This should also mean less dramatic change later on.</p>	<p>LAs with ALMOs – general considerations</p> <p>LAs that have a long term commitment and knowledge of the needs of the ALMO should not act unreasonably within negotiations on the HRA and the SLAs. The needs of the ALMO need to be balanced against the needs of the LA as a whole and expenditure agreed on the basis of best value for all residents rather than of the organisations per se.</p> <p>There is scope for the ODFM to develop more guidance on the approach to discussions between LAs and their ALMOs to assist with the apparently competing concerns of maintaining LA and ALMO viability.</p> <p>ALMOs are a shared enterprise.</p>

5. Creating stable organisations	
ALMOs – lessons and experience	LAs with ALMOs – general considerations
<p>ALMO boards need time to develop and stabilise. A number of ALMOs are revising their Memorandum and Articles to allow longer periods of office for tenant board members in particular. Tenants' federations or equivalent nominating bodies may need to alter their rules also. Councillors may also fail to be re-elected and as such leave the board. This points the way to the need for succession planning within the ALMO board.</p> <p>ALMOs report that intensive and extensive training and development of board members does make a difference to the confidence and capacity of the board. It is important to indicate the volume of work that being a board member can involve at the interview (or nomination) stage. Tenant Board chairpersons can have particular difficulties in negotiating their role and forms of mentoring are been used in some cases.</p> <p>ALMOs generally benefit from a new office location and branding. The impact is initially on the staff and their identity followed by tenant and leaseholder recognition later.</p> <p>The process of ALMO development makes heavy demands on a wide range of staff. ALMOs typically talk of exhausted teams and the need to readjust the structures and workloads. Keeping morale up is identified as essential to the success of the process.</p> <p>'Activists' and 'reflectors' are required in ALMO formation.</p> <p>ALMO ballots benefit from comprehensive support from the council.</p> <p>ALMOs in areas of RSL activity understand that pay and conditions together with job satisfaction are required to incentivise ALMO staff.</p> <p>ALMOs generally show a commitment to organisational development, with the focus on training and partnership-oriented staff development. Other evidence includes:</p> <ul style="list-style-type: none"> ● evidence of 'piggy backing' staff development on IIP; ● investment in apprenticeship schemes; ● developing board members by training and mentoring; ● purchasing of training and development consultancy; ● the development of in- house management development programmes; ● individual learning plans for staff and board. 	<p>LAs need to retain some degree of housing interest and expertise at cabinet level. A continuing joint training programme or other forms of communication with the ALMO pays dividends. Openness on the real difficulties faced by many councils and a culture of co-operation is fostered by a range of devices including housing strategic forums.</p> <p>The stability and general organisational 'health' of the board is of paramount importance to the sustainability of the ALMO and the credibility of the ALMO programme.</p> <p>LAs need to take account of the potential disruption that the relocation of the ALMO may make on the other LA staff. All staff need to feel that there are benefits in the ALMO formation and that they are not being left behind especially in smaller authorities and amongst the remaining housing department personnel.</p> <p>ALMOs need time to consolidate.</p> <p>There are benefits in the senior staff of the ALMO and the strategic housing officers regularly developing and reviewing the development of the ALMO prior to ALMO status and beyond.</p> <p>ALMOs have an advantage with cross-party support and an agreement to support the ALMO irrespective of the outcome of any impending election.</p>