

Changing with the times

2015 Annual Survey – Summary Findings



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The NFA would like to thank the 39 ALMOs who completed the survey. This has enabled us to provide a summary of the scope and nature of work being undertaken by 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.

Introduction

Arm's Length Management Organisations (ALMOs), who manage local authority owned housing on behalf of their parent councils, are currently operating during a period of uncertainty as the social housing sector faces significant changes. Housing supply has become a big political issue in Britain but with deep cuts being made to local authority spending and welfare reforms affecting the people we house the operating environment has never been tougher. The deep economic downturn and austerity measures have led to an increasing need for organisations to provide additional support and advice to residents whilst simultaneously facing threats to their long-term business plans and funding. However, this survey illustrates how our members are facing up to that challenge and working closely alongside their local authority partners to build new homes, support communities and plan ahead ten to thirty years in order to best meet their local housing and regeneration needs.

Over the last ten years the sector has developed a capacity for excellent asset management, resident involvement and community development in a complex environment of mixed tenure and diversity. Working closely with their local authorities and tenants our members have shown themselves to be capable of adapting to deliver great services in tough times. They are ensuring that the basics are right whilst delivering excellent customer service and adding value to local communities through their wider social objectives, such as setting up apprenticeships or providing advice services to help tenants deal with welfare reform changes.

They are also able to produce real efficiency savings for their councils and provide great value for money for tenants by exploring and adopting new approaches to service delivery. They have saved at least £1m for their parent councils in the last year. Many more councils are now viewing their ALMOs as flexible local companies that they own and can partner with to deliver a lot more than solely housing management services.

Our 2015 Annual Survey (undertaken in autumn 2015) shows that our members are continuing to tailor services to local circumstances and are focusing on areas where they can make a real difference. This has meant more organisations taking on homelessness services and implementing initiatives to tackle worklessness reflecting the pressing issues for communities across the country as well as more organisations sharing back office services with their parent councils than previously in order to provide more cost effective services.

The survey also highlights that ALMOs and councils are building more new homes in their areas than ever before as councils and ALMOs continue to make the most of the self-financing regime and the resources at their disposal. New build numbers within the sector are up a staggering 67% even as the sector gets smaller.

The survey captures the amount and nature of stock managed by the sector as well as current and planned activity, covering areas such as; new build, finance, governance arrangements and service diversification. 39 out of 40 organisations completed the full questionnaire this year enabling the NFA to provide a good illustration of the current ALMO sector, 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: Finance and development**
- **PART THREE: Governance arrangements and management contracts**
- **PART FOUR: Service diversification**

Key findings

Key findings from the survey include:

- **ALMOs built 903 new social or affordable rented homes in 2015, a 67% increase on 2014.**
- **Including acquisitions and homes developed in partnership with others for owner occupation the sector has been involved in providing nearly 2,000 new homes across a variety of different tenures in 2015.**
- **The sector is planning to build an additional 10,633 new homes in the next 5 years, however this is just over 1,600 less than prior to the rent cut announcement in the Summer Budget.**
- **74% of our members are delivering strategic housing functions such as; homelessness assessments and housing options advice, a considerable increase from 62% last year.**
- **ALMOs continue to increase the numbers of private sector properties in management to a total of 1,721 properties last year, up by nearly 55% on last year.**
- **Half of the organisations are continuing to deliver services to wider markets to generate additional income for their councils.**
- **More councils have agreed long term management agreements with their ALMOs (25 have agreements extending past 2020).**
- **The sector has provided value for money services to their parent councils resulting in efficiency savings of at least £1m during this financial year.**
- **85% of our members have initiatives or mechanisms in place to tackle unemployment.**
- **27 (69%) have apprentices working within their organisations, totalling 280 apprentices across the sector, more if the number of apprentices hired on behalf of contractors is also included.**

PART ONE: Stock management and condition

The sector was made up of 40 organisations that were responsible for the management of over 550,000 homes across 43 Local Authorities in England. During the previous year we lost 7 ALMOs and about 100,000 homes from the sector since last year’s review due to both stock transfers and some being brought back in-house. However we welcomed our newest member, Northampton Partnership Homes, to the fold this year and continue to talk to interested councils across the country about the benefits the model can deliver. The following section provides an overview of the stock and type of properties managed across the whole of England.

Numbers of properties managed

Region	Number of ALMOs	Total Stock Managed
London and Southern	15	215,791
Midlands	10	123,308
North	11	189,621
South West	4	25,060
Total	40	553,780

Property nature and ownership

	No. of properties
LA General Needs	461,345
LA Supported Housing	20,879
LA Leasehold	67,046
ALMO General Needs	716
ALMO Supported Housing	60
ALMO Leasehold	1
ALMO Shared Ownership	203
Other	3,530

Key facts

- **A total of 553,780 properties are managed by ALMOs across England (as at 10th November 2015)**
- **Out of the 39 ALMOs which took part in the survey 11 (28%) manage stock on behalf of another social landlord around 30% (12) also manage up to 2,000 properties in the private rented sector, including private sector leasing.**
- **ALMOs manage 203 shared ownership homes across the country up from only 39 in 2014.**

PART TWO: Finance and development*

ALMOs have continued to build more new homes this year, making the most of scarce resources and opportunities within their local areas. Despite the actual numbers of ALMOs declining over the past year, the number of new homes built by the sector has increased by 67% to a total of 903 for 2015 from 542 in 2014. Over the past few years our members and their councils have been working closely together to deliver both new council housing within the self-financed HRA as well as new ALMO housing, growing their development programmes and capacity for larger new build schemes over time.

This trend illustrates that councils with ALMOs are making the most of the new opportunities that self-financing brings and will continue to do so if allowed to by central government. The survey also reveals that although there was a dip in the number of homes owned by the not-for-profit organisations, reflecting a tighter HCA bidding regime, they are now building more again in their own right as they access both specialist funding for extra care schemes or elderly accommodation and wait and pick up any opportunities within the programme to deliver.

Our members continue to innovate and look for new partners, development models and funding sources to continue their new build programmes, some working with community organisations, others with private developers. The NFA will continue to support the sharing of these new ideas and ways of working through its briefings and networking events, helping everyone to learn from each other and promote best practice across the sector.

Management of the HRA

We reported last year that around 40% of organisations had some role in managing the HRA Business Plan as the advent of housing revenue account self-financing meant that a few councils decided to take back management of the HRA from their ALMOs. There has not been a significant change in this area with 8 managing it on behalf of the council and the same number jointly managing it with their council (41% having some role in the management of the HRA). 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	8	20.5
Jointly manage the HRA with their council	8	20.5
Do not manage the HRA on behalf of their parent councils	23	59.0

New build

ALMOs built a total of 903 new social or affordable homes in 2015, a reputable 67% increase on the year before. In terms of ownership, they built 709 new council homes in 2015 compared to 508 in 2014 (a 40% increase); whilst building 194 properties for their own company which is a significant increase from 34 last year and back up to levels seen in 2013. The number of Registered Providers has stayed the same with 9 being RP's.

	Number of new homes built		Percentage change
	2014	2015	
ALMO	34	194	+471%
Local Authority	508	709	+40%
Total	542	903	+67%

The table below shows the number of new properties which have been built, acquired or developed in 2015 using various methods. The first column provides the number of new homes delivered by ALMOs including acquisitions by their own organisations and their parent local authorities, whereas the second column consists of figures which depict the number of properties developed or acquired by our members whilst working in partnership with others. The total number of properties built, acquired and developed have been broken down by the different types of tenure. Altogether, including acquisitions made by local authorities, the sector has been involved in providing nearly 2,000 new homes in 2015.

	Number of new homes built/acquired/developed	
	By ALMO and/or LA	Working in partnership with others
Social Rent	479	139
Affordable Rent	618	118
Market Rent	32	0
Shared Ownership	54	63
Outright sale	59	213
Other	16	8
Total	1258	541

Those remaining in the sector plan to build a further 10,633 new homes over the next 5 years, with the majority funding development within the HRA (27 organisations). 36% (14) will be seeking funding from the HCA and 6 will be funding development through the General Fund as well as utilizing other different funding routes including private investment.

Whilst we recognise that our members will never be volume builders, housing management organisations and their parent councils could play a much more significant role in increasing affordable housing delivery within their communities. Previous NFA research suggests that if they were allowed to make the most of their assets and business plans. Along with Councils, the sector could build at least 60,000 more homes over the next 5 years and City Economics, an independent city firm of analysts, confirmed this year in a report published in the summer.¹ The report showed that building 100,000 new social homes a year would save the government money in the long term on the housing benefit bill and create a net surplus for the Exchequer by 2035. The NFA continues to campaign for government investment in social rent even though the government's focus is on increasing home ownership. We believe this would not only deliver benefits to those households in our communities who cannot afford home ownership but also to the long term viability of the government's finances.

Recent government policy changes have made delivering new social rented homes harder rather than easier. The Welfare Reform and Work Bill contains legislation to force housing associations and local authorities to reduce their social rents by 1% year upon year for the four years from 2016. Meaning that both sectors will have less income to use to finance new build in the coming years. The Housing and Planning Bill also contains the framework to make councils sell off their high value voids with the proceeds being used to reimburse housing associations for giving Right to Buy levels discounts to tenants buying their own homes. This fundamentally takes away the control councils were given over their housing assets and resources in the self-financing settlement a few years ago, potentially undermining the positive changes that have been happening as a result of those reforms; such as better asset management and a significant increase in council house building.

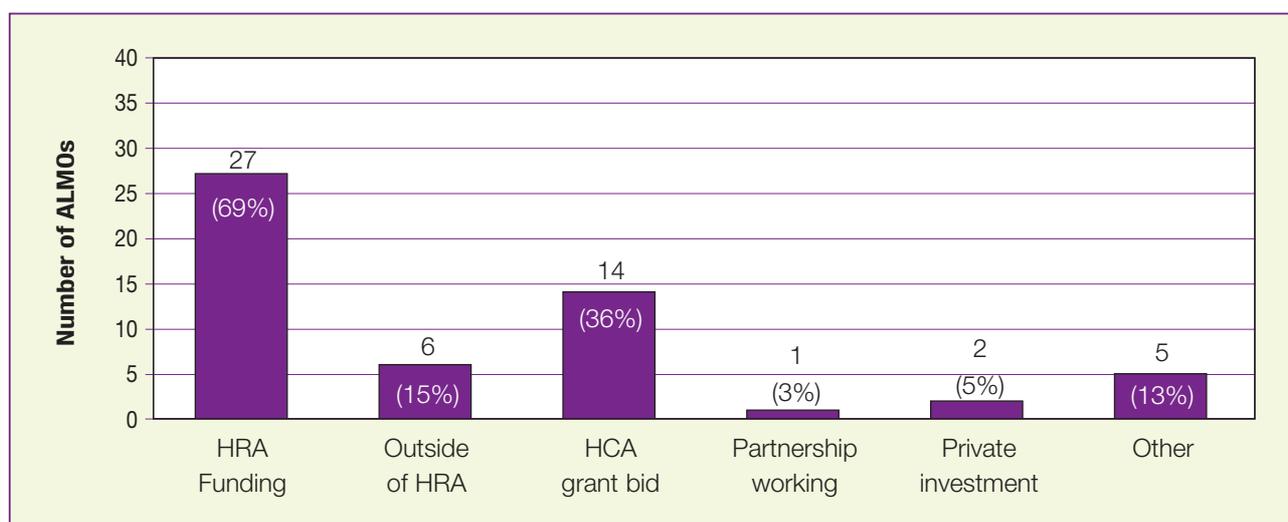
Due to the proposed rent cuts 82% of our members are having to make changes to their Business Plans and make further cuts to services or programmes to ensure savings. We asked our members to indicate the likely impact of these changes to their new build programmes and they told us that prior to the Summer Budget they had planned to supply 12,269 new properties, through new build and acquisitions, over the next 5 years but that this has now reduced to 10,633 new homes. This loss of roughly 1,600 new homes is only an indicative figure and may be reduced even further as decisions are still being made by the majority of our members and their parent councils on how to make the necessary savings within the HRA. In addition, prior to the Summer Budget the sector was intending to build 4,278 properties for social rent and since then this number has nearly halved to only 2,438 properties, indicating that many more councils will have to turn to affordable rent levels or different tenures to help make schemes stack up financially now.

Sources of funding

During 2015 just over half of new build was financed inside the HRA, and around 40% (16) from a combination of HRA funding and other sources. Only 15% was funded purely outside of the HRA, this includes two organisations using their company reserves to fund development, one of which is seeking to borrow within the General Fund, one council using its RtB receipts for one for one replacement and an ALMO obtaining funding through developer contributions.

In 2016, 85% of organisations plan to build and it is expected that most new build will be financed within the HRA again – although 15 (38%) are looking for HCA grant funding either through the council or as an independent body. A couple of members are looking at private finance and the “other” category includes plans to use section 106 funding, company reserves and for the council to utilize its Right to Buy receipts.

2016 development plans: sources of funding for ALMO development



Notes: Figures do not add to 39 (total number of participating ALMOs) as organisations will make use of more than one source of funding. Percentages do not add up to 100% because organisations may use more than one source of funding.

Acquisitions

Our members are also acquiring new properties, i.e. ex Right to Buy properties on estates, empty homes and/or abandoned commercial premises. These are bought either for the organisations itself or on behalf of the local authority. In 2015 the sector acquired a total of 300 properties, an increase from 212 properties from the previous year (42%). 15 (38%) organisations have plans to acquire further properties over the next financial year.

Key facts

- **During 2015 across the sector 903 homes have been built (ALMO and council owned), a 67% increase on the previous year.**
- **An additional 300 homes were acquired for both their own companies and their parent councils.**
- **Organisations are planning to build a further 10,633 new homes over the next 5 years.**
- **Due to the Summer Budget 82% are having to make changes to their Business Plans and make further cuts to ensure savings.**
- **Prior to the rent cut announcement the sector was predicted to build over 1,600 more new homes in the next 5 years and more of them were planned to be let at social rent levels.**
- **9 ALMOs are registered with the HCA as a Registered Provider which is the same as last year.**
- **The majority of funding for new build developed during this year has come from the HRA. This is also likely to be the main source of funding for new build within the sector in the coming years.**

PART THREE: Governance arrangements and management contracts

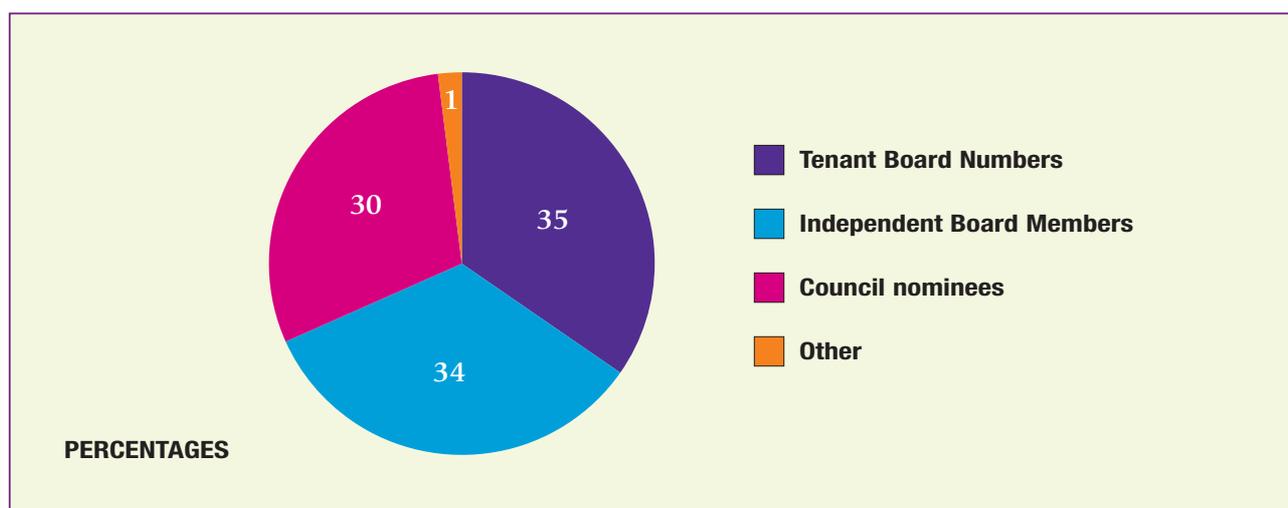
Governance arrangements

The Board structure combines challenge, support and accountability and includes residents, independent housing experts and Councillors or council nominees. The figures in this section have been taken from a survey carried out on tenant engagement, Our Homes Our Say,² in addition to the Annual Survey. The following depicts governance arrangements and management across all 40 members.

Make up of Boards

All organisations have mostly continued with the ‘traditional’ Board set-up whereby no single group is the majority with 35% tenant Board Members, 33% Independents and 30% of Councillors or Council nominees overall. There are 6 instances where there has been an increase in the proportion of Tenants/Independents and a decrease in the proportion of Councillors/Council nominees. In contrast, there are 7 cases where Boards have a higher number of Independents and a lower proportion of Tenants and Councillors/Council Nominees. Interestingly at least four organisations have their Chief Executive on the main ALMO Board and/or co-optees on the Board. The co-optees are just as likely to be a tenant as an Independent and the main reason for having co-optees on the Board is to fill a gap in skills or knowledge identified within the Board or if the Memorandum and Articles prevent having an additional Board Member who can provide the necessary skills. For example, one organisation had a co-optee who had specific knowledge of the private-rented sector and another had a co-optee who possessed technical skills which were required for a period of time. On the other hand, a young tenant co-optee was also introduced to a Board as the Memorandum and Articles prevented him from being a Board Member as the young person was not the named tenant on the lease. The practice briefing Our Homes Our Say, provides an insight into the governance and decision-making within the main board and subcommittee Boards.

Make-up of ALMO Board



The overwhelming majority of organisations have terms of office for their Board Members of 3 years (80%) 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.

*Please note this section represents findings for the whole sector (made up of 40 organisations)

2 Our Homes Our Say briefing can be downloaded from the following link www.almos.org.uk/include/getDoc.php?did=7285&fid=8436

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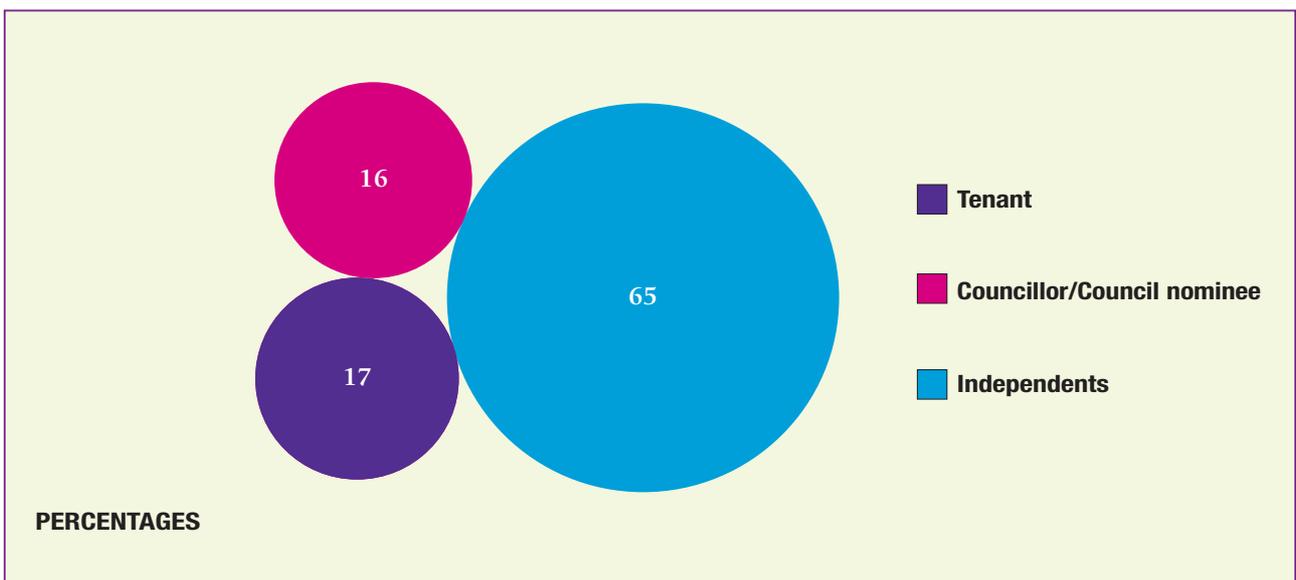
Remuneration of Chairs and Board Members

At present 35% (14 organisations) make a payment to their Board Chair and/or Board Members for their services, this is down from 46% last year. This is usually in the form of payment in the form of a salary to a Board Chair and/or Board Member except for one who provides the Board Chair with an honorarium payment if they wish to accept it. 58% reimburse out of pocket expenses and the remaining 3 organisations offer no remuneration.

Board Chairs

About two-thirds of Chairs are Independents, 20% are Tenants and 15% have a Councillor as their Chair.

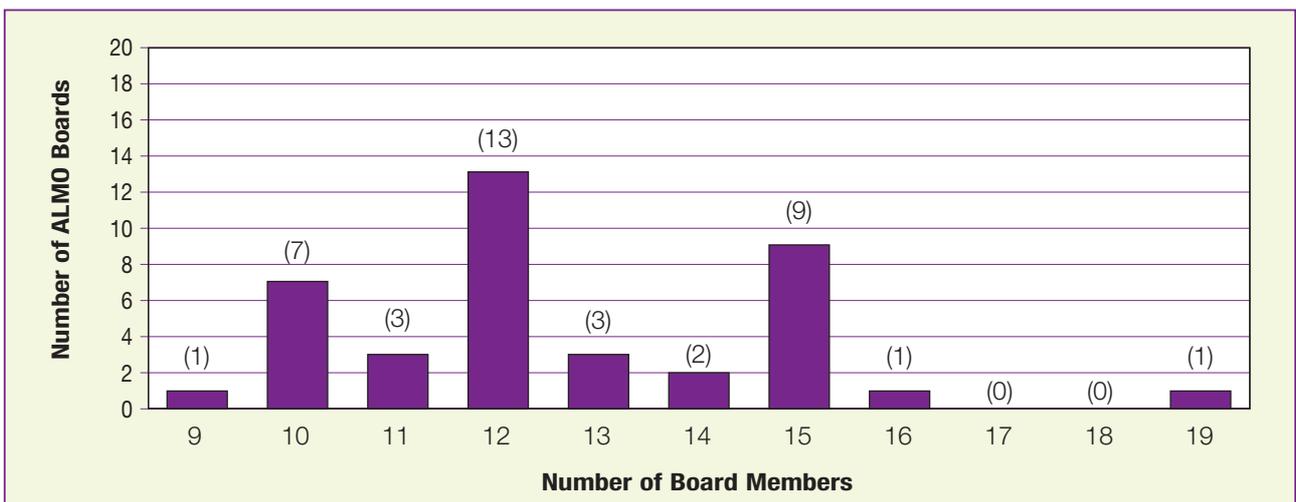
Chair



Number of Board Members

The chart below shows how many Board Members organisations have on their Boards in total. The most common Board structure is 12 board members, with the majority of members having 12 or less which is a slight reduction in the most common Board size from last year.

Number of Board Members



Management agreements*

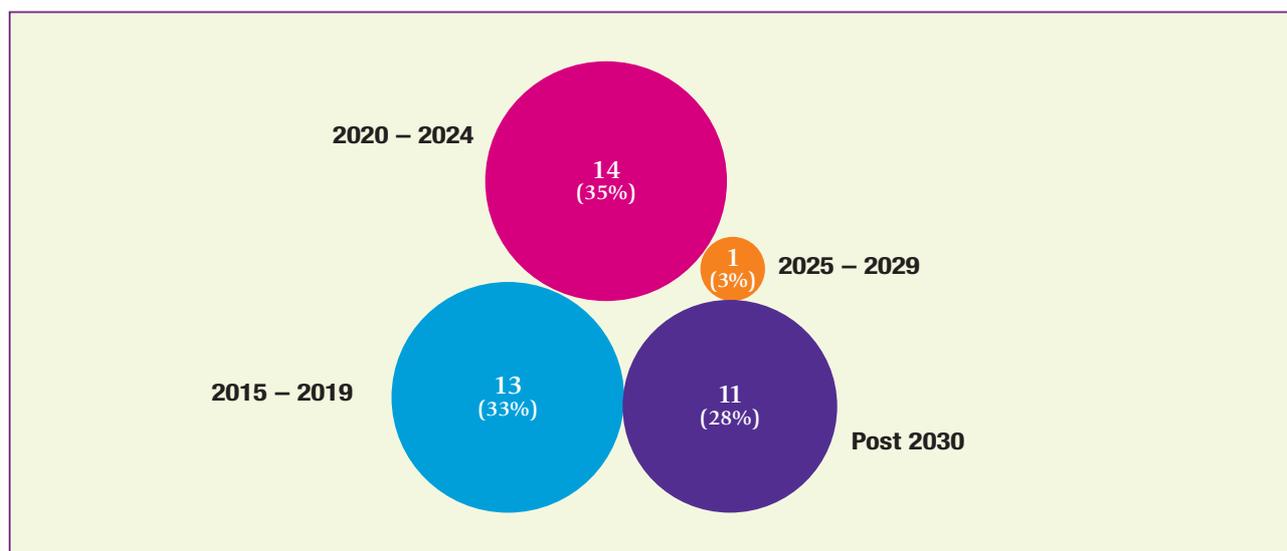
The majority of management agreements (79%) still follow the standard (18 organisations) or adapted (13) Trowers and Hamblins Model Agreement, with 15% having a partnership agreement with their LA. The remaining 3 organisations have developed bespoke agreements, incorporating elements of partnership and modular management.

Although we have lost seven ALMOs since our last annual survey, over the last 12 months 14 (36%) have had their existing management contract reviewed by their local authority with most agreements being extended for longer time frames and only one deciding to take their ALMO back in-house. A further 7 (18%) have reviews planned for 2016. Overall we have seen an increase in the number and percentage of organisations with post 2030 management agreements, from around 13% to now 28% with 11 organisations having contracts running beyond or up to 2030.

Management contract periods

This infographic sets out the current management contract expiry periods:

Period of current contract expiry



Note: this infographic only provides the management contract expiry periods for the 39 participating organisations.

Key facts

- **36% make a payment to one or more Board Members in order to secure appropriate skills and expertise. This is a 10% decrease from the previous year.**
- **80% have a three year term of office for Board Members, with many having a limit of two terms of office.**
- **Board membership is commonly structured equally between Tenant, independent, and Local Authority nominated Board Members, with most boards comprising of either 10 (18%), 12 (33%) or 15 (23%) Board Members.**

* Please note that from this section onwards the findings are representative of the 39 respondents to the Annual Survey and not all 40 members.

PART FOUR: Service diversification*

Whilst our members are primarily responsible for managing and maintaining council housing, we have reported over the past few years that many have taken on additional services on behalf of their parent council. This trend has continued with an increase across the board in the proportion of organisations providing additional services to their councils. We believe this is due to more councils now seeing their ALMOs as a flexible, local company, which they own, that can provide more than housing management services. As a result, more and more of our members are moving away from the arms-length model and are now working more closely with their parent councils to provide what is needed in their local areas.

This has meant that some councils have started to use ALMOs as a real alternative to outsourcing services which enables organisations to generate additional revenue whilst saving their parent council money. This is evident with two organisations providing project management consultancy services on behalf of their council at present. There has also been an increase in the number of organisations delivering back office services (11 from 8), and a considerable increase in those tackling unemployment⁵, so that over eighty percent provide that service (from 36%).

Provision of services in addition to housing management

Providing services	Number of ALMOs	%
Initiatives to tackle unemployment	33	85%
Lettings, allocations or housing advice	28	72%
Money advice	21	54%
Homelessness services	16	41%
PRS	12	31%
Emergency out of hours service	12	31%
Management of commercial/retail properties	11	28%
HR/back office services	11	28%
Call Centre	11	28%
Family support services	10	26%
Adult support Services	9	23%
Cross tenure ASB	9	23%
Project management consultancy	2	5%
Other	9	23%

'Other' services shown above include the management of:

- Disabled Facilities Grant
- Home visiting, call monitoring and lifeline support services
- Gypsy and Traveller sites – unauthorised encampment management

Care and support services

Despite the challenges within this sector our survey shows that the number of ALMOs providing care and support services in one form or another has slightly increased from 17 in 2014 to 18 (46%) with an additional two currently considering it. Of the 18 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	14 (36%)
Deliver services for other LAs	1 (3%)
Deliver as a market product	3 (8%)

Private rented sector services

Our members are uniquely placed to help improve standards of management and maintenance in the private rented sector and in the year just gone, have played a growing role in the private rented sector.

Around half currently work in the private rented sector, supplying services such as housing and tenancy management, repairs, gas servicing, allocations, residential lettings, furniture services, care support, community alarms and lifeline services. A third are now managing a total of 1,721 properties in the PRS, nearly 55% more properties than last year.

It is anticipated that this number will increase significantly in the near future with a further 6 members (15%) considering developing services over the next 12 months. We expect more organisations to respond to the growing problems within the PRS by developing services and ambitious programmes such as deposit and licensing schemes and landlord accreditation.

Repairs and maintenance services

Over time our flexible council housing companies have started to manage their repairs and maintenance more and more internally through direct labour organisations (DLO), rather than outsourcing it to external contractors. 23 (58%) organisations now have DLOs and three have a separate repairs or subsidiary company.

Partly due to market failure in this area in the recent past our members are deciding to reclaim the power of delivering services directly to their tenants. The decision to provide repairs and maintenance services using a DLO ensures that they have control over the quality and value for money of the work provided. Our members are also showing that efficient, well managed DLOs can deliver savings to both the ALMO and the council and improve tenant satisfaction with the overall housing management service.

DLOs also enable our members to employ workers within the community who are highly-skilled and want to invest in their area as well as apprentices at the start of their careers. This helps stimulate the local economy and reduces unemployment in the areas which they manage.

Generating additional income

Half of our members currently deliver services to the wider market as a means of generating additional income for the organisation. With a further 18% 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)
- Repairs, maintenance and gas services (5)
- Estate and grounds maintenance (4)

However again this year there is still diversity in the types of services delivered as organisations tailor their products more and more to their local communities with 10 delivering “other” services.

Additional services currently being delivered include:

- Floating housing related support
- Decorating services
- ICT support services
- Out of hours emergency call service
- Lettings agency
- Community alarm service

Becoming flexible council housing companies

As the social and economic context within which our organisations work becomes more complex and challenging most organisations are working with their local councils to make efficiency savings and provide excellent services. 26 (67%) provide additional services to their parent local authorities and in doing so have provided efficiency savings of at least £1.106m. This figure is a modest one as the majority of organisations are currently unable to quantify the exact amount of savings that will be made overall within the financial year.

Tackling worklessness

Our members are working with their parent councils on a range of shared objectives, tackling worklessness namely being one. They have continuously pledged their support to tackling unemployment within their areas and this year is no exception.

85% have initiatives or mechanisms in place to tackle unemployment. 27 (69%) have apprentices working within their organisation with currently 280 apprentices working within the sector, the number of apprentices is higher if the apprentices hired by organisations on behalf of contractors is also included. Most (93% of the 27 organisations) offer professional qualifications for successful apprentices, gaining a NVQ Level 2 or 3 upon completion. Apprenticeships tend to run on average between 1-2 years with schemes being offered by 7 organisations (18%) in more specialised trades for a duration of 3 years or more. The organisations provide apprenticeships with a view to either hire the apprentices within their own companies or find them gainful employment elsewhere by utilising their local business contacts, local authorities, colleges and recruitment agencies.

The sector is tackling unemployment in a variety of ways in addition to providing apprenticeships. The mechanisms adopted by our members include providing apprenticeships, work placements, tenancy support, skills and development training and/or volunteering opportunities. A few (4) have set up academies as formal structures where tenants can gain the necessary skills and support they require as they look for employment and one organisation has set up subsidiary as a social enterprise for the same purpose.

Key facts

- **41% are now providing homelessness services to their community, a 10% increase from last year.**
- **More organisations are providing back office services than before and a couple have started to deliver project management consultancy services to their parent councils.**
- **A third are now managing a total of 1,721 properties in the PRS, nearly 55% more properties than last year.**
- **23 (59%) have Direct Labour Organisations and 3 organisations have a separate repairs or subsidiary company**
- **50% currently deliver services to the wider market as a means of generating additional income for the ALMO.**
- **27 (69%) have apprentices working within their organisations, totalling to 280 apprentices across the sector, more if the number of apprentices hired on behalf of contractors is also included.**

The NFA team

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



Eamon McGoldrick
Managing Director

Email: eamon.mcgoldrick@almos.org.uk

Telephone: 07944 660276



Chloe Fletcher
Policy Director

Email: chloe.fletcher@almos.org.uk

Telephone: 07515 050207



Joanne Kent-Smith
Policy and Relationship Manager

Email: joanne.kent-smith@almos.org.uk

Telephone: Direct: 024 7685 1729 Mobile: 07944 458294



Manpreet Kaur
NFA Policy and Research Officer

Email: manpreet.kaur@almos.org.uk

Telephone: 024 7685 1784



Alli Ward
NFA Business Support Officer

Email: alli.ward@almos.org.uk

Telephone: 024 7685 1729

How to contact us



@nfa_almos

Email: info@almos.org.uk Website: www.almos.org.uk Telephone: 024 7685 1729