

Introduction

For ALMOs, your operating environment continues to be one where complexity, uncertainty and risk are increasing. Whether that be at a national level; with uncertainty over central government housing policy resulting from relatively rapid changes in administration, at a sector level; with the implications and regulatory changes resulting from the Grenfell tragedy still working through the system, or at a local level; with many Councils still grappling with balancing shrinking budgets, while wanting to see more housing delivery in their areas.

For ALMO boards this context, particularly the confirmation by the Regulator of Social Housing (RSH) that Local Authorities are subject to its consumer standards, means it is critical that you are getting your governance right, and are providing proper oversight, scrutiny and challenge of your organisation.

Three governance things we suggest you always keep in mind, are set out in the following sections.

Governance Duties and Obligations

As a board member it is a legal requirement that in performing your role that you meet the duties set out in the Companies Act (2006), these can be summarised as:

- Acting within your powers: As set out in your constitution / articles of association
- Promoting the success of the company: Making decisions in the best interests of the organisation, noting that there is an expectation that this will be based on a 'broad evaluation' that includes a range of stakeholders.
- Acting with propriety: Including avoiding or managing conflicts of interest, and declaring all gifts and benefits
- Operating with skill, care and diligence: Bringing you relevant knowledge and skills to bear on your decision making, and ensuring you have the appropriate skills for the role
- Exercising independent judgment: Making sure you are not acting on behalf of a particular stakeholder, or interest group, and that your decision making is based on an informed view of the organisation.

Beyond these minimum legal requirements, it is the role of the board as a whole to provide strategic leadership, oversight and challenge, and to be involved in strategic review of risks.

ALMO/ Parent Relationships

The structure of ALMOs as Local Authority Trading Companies, makes your relationships key, and the board has an important role in supporting successful stakeholder management. All board directors should have a good understanding of the central parent-subsidiary (local authority-ALMO) relationship, which will be defined in your governing documents and management agreement. In particular, it is important to understand the balance between parental control and influence, rightly exerted by your Council parent, and the desirability and need for independence for the ALMO.

To make a success of this key relationship communication is critical, and work should be done to ensure that you understand your parent's expectations and are managing these. Strategy should be set collaboratively, and you need to be working with your executive team to engage early and often with your parent Council. It is also good to understand the competing agendas and needs of your parent, particularly in relation to the political cycle.

Finally, the board should consider how you manage your other stakeholder relationships, especially those with tenants. You should be thinking not just about how you keep stakeholders engaged and informed, but also how you consider their needs and preferences when making decisions.

Consumer Regulation

May 2019 saw the RSH again remind Stock-Owning Local Authorities of their obligations under the Consumer Regulation regime. While your parent Councils are ultimately responsible for compliance, as the body engaged in operational delivery ALMOs should be taking steps to ensure you are meeting the Consumer Standards. Since Grenfell, four Local Authorities having been issued with regulatory notices, including LB Lambeth receiving one just this month. We have seen these notices triggering reviews of the future of ALMOs. In this context the continued scrutiny of health and safety post-Grenfell, ensuring you understand and meet the consumer standards is imperative.

Make sure you have good sources of assurance on the regulatory requirements and receive key performance information linked to the consumer standards. Tenant involvement is a key area to watch, and as a board you should consider how you ensure you are connecting to the tenant voice in a meaningful way, and genuinely responding to feedback.

The reputation of your own ALMO and of ALMOs as a whole rests on how you approach the governance challenge.