Arms Length Management Organisations
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This Information Sheet provides a practical, short guide to Arms Length Management Organisations (ALMOs). It has been designed to answer the most commonly asked questions by tenants. The guidance paper on Arms Length Management of local authority housing, 2003 edition, is available from the Office of the Deputy Prime Minister (ODPM) web site: www.odpm.gov.uk.

What is an Arms Length Management Organisation?

An Arms Length Management Organisation (ALMO) is an organisation set up by the council to manage and improve all or part of its housing stock. ALMOs are completely separated from the council and are usually either registered as Companies or Industrial and Provident Societies in the same way as housing associations.

Two of the main aims of an ALMO are to bring the housing up to the Decent Homes Standard and provide a housing management service that puts tenants at the heart of delivery.

How do ALMOs work?

The most common form of an ALMO is as a not for profit Company Limited by Guarantee, that is governed by a Board of Directors. "Not for profit" means that there is no share dividend paid out to shareholders. Any end of year surplus money must be ploughed back into the organisation to provide improvements to services or better standards of accommodation.

The Directors of an ALMO comprise of:

- Council nominees.
- Elected tenants.
- Relevant independent experts.

None of the above groups are usually allowed to be in a majority on the Board of the ALMO.

The ALMO is delegated the job of providing housing services through a Management Agreement similar to that of Tenant Management Organisations (TMOs). The agreement by which the ALMO operates contains a wider range of functions that are delegated from the council than that given to TMOs.

What do ALMOs do?

The table opposite shows a typical split between the ALMO and the strategic functions retained by the council.
## Tenant Participation Advisory Service

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<th>ALMO delegated management functions</th>
<th>Council retained strategic functions</th>
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<tbody>
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<td>Stock investment decisions and repairs ordering.</td>
<td>Overall housing strategy, including liaison with housing associations, housing needs assessments, and cross-tenure stock condition surveys.</td>
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<tr>
<td>Rent collection, dealing with arrears, debt counselling.</td>
<td>Homelessness responsibilities.</td>
</tr>
<tr>
<td>Consulting and informing tenants on matters which are the ALMO’s responsibility.</td>
<td>Lettings policy, in consultation with the ALMO.</td>
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<tr>
<td>Promoting tenant participation, including involving tenants in monitoring and reviewing service standards.</td>
<td>General housing advice - but not that related to an individual’s tenancy.</td>
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<tr>
<td>Enforcement of tenancy conditions and similar functions for leaseholders.</td>
<td>Policy on tackling anti-social behaviour, in consultation with ALMO and with clear responsibilities and procedures for dealing with actual incidents.</td>
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<tr>
<td>Managing lettings, voids and under-occupation.</td>
<td>Owner-occupation, The Right to Buy (RTB) and carrying out RTB valuations. The administration of RTB could be by the authority or the ALMO.</td>
</tr>
<tr>
<td>Estate management, caretaking and services under the Supporting People Programme.</td>
<td>Housing benefit and rent rebate administration.</td>
</tr>
<tr>
<td>Tenant participation in developing housing policy and strategy.</td>
<td>Tenant participation in developing housing policy and strategy.</td>
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<tr>
<td>Overall policy on rents.</td>
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<tr>
<td>Programme of Best Value reviews, in consultation with the ALMO.</td>
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<tr>
<td>Determining minimum standards of service required of the ALMO and monitoring its performance.</td>
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<tr>
<td>Bidding for capital resources, taking account of the ALMO’s plans for improving and repairing the stock.</td>
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<tr>
<td>Supporting People strategy. This deals with care homes and similar needs.</td>
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What are the benefits of being an ALMO and why bother to set up a new organisation to do the council’s job?

The Sustainable Communities Plan 2003 reaffirms the Government’s commitment to the Decent Homes Standard. The Decent Homes Standard requires all local authority rented housing to be brought up to a minimum modern standard by the year 2010. The aim is to provide all tenants with double-glazing, adequate central heating, insulation and better security by that target date.

The Sustainable Communities Plan 2003 sets out three options that offer additional funding to local authorities that require this. These are an ALMO, a Private Finance Initiative and a Stock Transfer.

For the financial years 2003/04 - 2005/06, £1,994m of additional funding is being made available to ALMOs whose services have been rated excellent (three stars - 3*) or good (two stars - 2*) by the Housing Inspectorate. This is in addition to the funding in 2002/03, making a four year total of over £2.1 billion.

All three options create a separation of strategic and management functions.

Councils that do not separate these functions will not be eligible to receive increased investment through the ALMO programme.

Investment in housing through an ALMO must form part of a wider regeneration or neighbourhood renewal strategy.

Tenants and leaseholders can be actively involved in the management of the ALMO through representation on the Board. Tenants and leaseholders retain other options for participation through the local authority Tenant Participation Compact.

How does an ALMO get started?

The process starts with an Options Appraisal; the council, together with the tenants, examines which of the three options could be appropriate in their particular case to achieve the Decent Homes Standard.

Tenants must be at the heart of delivery and fully engaged in the decision making from the start. This includes tenants having access to professional independent advice. Local Authorities should make available funding for tenants to select their own independent advisor. There are a number of agencies and consultancy firms that specialise in this field.

Tenants embarking on this process can seek guidance from their local authority or the Community Housing Task Force on identifying and how to select, potential independent advisors.

Factors, which should be considered, are:

- Financial costs.
- Options on delivery of the service to tenants.
- Long term future of the housing stock and the local housing market.

An option for additional investment need not be a local authority wide solution.

Neighbourhood approaches are considered where local priorities vary within the same local authority area.
Options considered should provide a choice of two things:

1. Who manages the investment and improvements being made to the housing.

2. Who will manage the day-to-day housing service.

The aim of these choices is to provide improvements to the overall service that tenants receive.

The Government Office for the region has to approve an investment option before the council can proceed.

Within the housing option chosen there can be a number of different ways for delivering the repair work, examples are:

- Partnering with private contractors.
- Developing local skills and creating new jobs through linking with regeneration initiatives.

These, and any other options, are determined by local priorities and needs and should form part of the overall plan.

What is happening throughout the country?

Until the idea of an ALMO had been developed and piloted, the main ways to get money to fund improvement work to the housing stock was by stock transfers and Private Finance Initiatives (PFI). The ALMO option was devised to assist local authorities for which transfer might not be financially viable or attract sufficient tenant support. The Office of the Deputy Prime Minister’s Community Housing Task Force (CHTF) works with councils and tenants to provide advice and support as they develop their options appraisals.

What about tenants' rights as a secure tenant?

As an ALMO is an organisation set up by the council to manage and improve all or part of its housing stock, the ownership of the housing stays with the council. The tenants keep their secure tenancies and retain all of their rights, such as the Right to Buy, Right to Exchange, Right to Succession, Right to Repair and Right to Manage.

What happens to council workers when an ALMO takes over the management of the housing?

As key stakeholders, council employees should be fully involved in the consultation process as ALMO proposals are developed.

Council employees are protected under TUPE regulations (Transfer of Undertakings (Protection of Employment) Regulations) and the Government has issued guidance to councils to protect public sector staff.

Council workers employed by the ALMO are given new contracts with similar terms and conditions as those with their former employer. New employees should also have similar terms and conditions to avoid a two-tier workforce developing.

What happens if the ALMO fails to deliver a good service to the tenants?

The council is still responsible for overseeing and monitoring the work of the ALMO and should be aware of any problems that arise. The first course of action would be for the council to seek remedial action from the ALMO through its Management Agreement. Should something go badly wrong the council
can terminate the Management Agreement and take back control of the management if the ALMO is consistently performing poorly.

ALMOs are inspected by the Housing Inspectorate before they can qualify for additional funding. A business or delivery plan has to be produced showing what the ALMO expects to achieve, including performance targets. The performance targets are monitored by the council and the ODPM. It is expected that the ALMO will be subject to further inspections from the Housing Inspectorate. However, at the time of writing, guidance had not been issued on how often inspections would take place.

What opportunities are available for tenant participation within an ALMO?

Tenants can become involved in an ALMO in a number of ways, right from the Options Appraisal stage:

- Being involved in an Option Appraisal through a Working Group, Commission, or Tenants’ Jury.
- Being elected to the Board or Shadow Board of the ALMO.
- Being elected to the Tenants’ Federation or other umbrella organisation to negotiate with the ALMO.
- Participating in consultations throughout the setting up and running of the ALMO through a Tenants’ and Residents’ Association.
- Becoming involved in a project group or working group, such as Service User Review Groups, when the ALMO has been set up.

An ALMO Board is usually established through some form of election process. This might be by geographic area election of tenant representatives or could be through an election from existing tenants’ organisations. An example would be a tenants’ association or federation.

The council will have a Tenant Participation Compact that details the way tenants can get involved. Arrangements under an ALMO should not conflict with the Tenant Participation Compact and will also include:

- A system for electing tenants to the Board that is representative and democratic.
- Provision to ensure that “hard to reach” groups are not overlooked in terms of representation and involvement (for instance, people with a disability, ethnic minority groups and people living in rural communities).

TMOs can take on increased responsibilities and become an ALMO. An example of this is Kensington and Chelsea TMO (a very large borough-wide TMO) which has set up an ALMO.

Options Studies funded under the Tenant Empowerment Grants (Section 16) programme could be used to help individual tenants’ groups decide what options would work in their neighbourhood. Information can be obtained from the ODPM on how to apply for an Options Study.

There could be job or training opportunities for tenants within the setting up of an ALMO where there are links to regeneration or neighbourhood renewal, for instance, jobs in the building and construction industry.
### Case Studies

Questions were asked of two ALMOs based in local authorities, one response is from a tenant board member at Derby Homes and the other is from a senior officer with Leeds North West Homes.

#### 1. What was the start date for the ALMO?

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<tr>
<th>Derby Homes (Tenant Board Member)</th>
<th>Leeds North West Homes (Senior officer)</th>
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<tbody>
<tr>
<td>“The official start date was April 2002 and the shadow start date was September 2001.”</td>
<td>“The ALMO’s in Leeds were created on the 1 February 2003.”</td>
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#### 2. How was tenants' support of the ALMO assessed?

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<tr>
<td>“We held public meetings, the Derby Association of Community Partners - DACP (Tenants’ Federation) sent a newsletter to all tenants and Derby City Council sent a newsletter to all tenants too. DACP and Derby City Council visited all Community Panels. The DACP General Meeting had a vote that was unanimous for an ALMO. We also balloted all tenants. There was a 48% turnout of which 88% were in favour. All leaseholders were balloted, with a similar turnout.”</td>
<td>“Of all Council tenants balloted, 32,000 responses were received, of which 29,000 (approximately) voted in favour of ALMO creation. The turnout was just over 39% of those eligible to vote.”</td>
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#### 3. What is the size of the housing stock managed by the ALMO?

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<td>“15,250 homes.”</td>
<td>“Approximately 11,600 council homes in Leeds North West Homes.”</td>
</tr>
</tbody>
</table>
### 4. What is the scale of the improvement programme and what is the timescale for the improvements?

**Derby Homes (Tenant Board Member)**

“There will be new bathrooms and kitchens for most tenants as well as PVC windows and doors for all tenants.

Gas central heating for the tenants with either no heating or older systems that need replacing.

A re-roofing programme is being brought forward through the ALMO and all homes will reach the Decent Homes Standard by 2006.”

**Leeds North West Homes (Senior officer)**

“Dedicated revenue repairs budget and capital programme of works, plus additional Supplementary Credit Approval (Public borrowing that is subject to a 2-star rating), to bring homes to decency by 2009.

Currently only 50% of homes in Leeds North West Homes meet the decency standard.”

### 5. Does the work include any demolition or environmental work?

**Derby Homes (Tenant Board Member)**

“We are doing a feasibility study on demolishing a few blocks of flats so there are no decisions being taken yet.”

**Leeds North West Homes (Senior officer)**

“Any proposals to demolish have to be agreed with the Strategic Landlord function (the council retains ownership of the assets); the actual delivery and business improvements such as street cleaning, grounds maintenance, are subject to review through Service Level Agreements, currently existing with our internal partners.”

### 6. What is the composition of the Board of Directors?

**Derby Homes (Tenant Board Member)**

- 4 Tenants
- 1 Leaseholder
- 2 Liberal Democrat Councillors
- 2 Labour Councillors
- 1 Conservative Councillor
- 5 Independents

**Leeds North West Homes (Senior officer)**

- 7 Tenant Board Members (including the Chair)
- 5 Elected Members
- 5 Independents (full time professionals, e.g. chartered accountant, director of Housing Association, director of regeneration partnership)

### 7. What arrangements are in place for election and appointment to the Board?

**Derby Homes (Tenant Board Member)**

“At the first board meeting tenants and independents drew lots to see who would serve 1, 2, or 3 years.

**Leeds North West Homes (Senior officer)**

“Tenant Board Members - elections held in the Neighbourhood Housing Office areas, nominations received via the Tenant...”
**Tenant Participation Advisory Service**

The tenants are elected by all the tenants living in Derby Homes. Derby is split into 4 areas for the vote, each having its own representative. The leaseholder is elected by all the leaseholders. Derby City Council nominates the Councillors. Involvement Committee, at the 2nd AGM all such members will retire. Independent Board Members - eligible persons can be appointed by ordinary resolution in a General Meeting; retirement rules, as per that of Tenant Board Members.

### 8. What is the split of management functions delegated to the ALMO?

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<td><strong>Senior officer</strong></td>
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<tr>
<td>“The ALMO is responsible for just the housing management side such as rent collection and arrears, repairs, and dealing with anti-social behaviour.”</td>
<td>“The ALMO collects the rental income on behalf of the council; manages the day-to-day revenue repairs, controls the capital programme, reports on performance, reviews internal trading arrangements - can outsource where business case can be proved. The council retains ownership of the assets, sets the rent and monitors the Right to Buy programme.”</td>
</tr>
<tr>
<td>Derby City Council still manages Private Sector Housing, Housing Benefit and Homelessness.”</td>
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### 9. How are conflicts of interest managed between the Council and the ALMO, in respect of council appointees to the Board?

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<tr>
<td>“Perhaps Derby Homes have been lucky, we have not had any conflicts.”</td>
<td>“Any declarations of interest are made in advance of Board papers being discussed and Members can be excused from discussion of the agenda item, if conflict arises (e.g. material/financial advantage).”</td>
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### 10. What opportunities exist for Tenant Participation within the new structure?

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<tr>
<td>“Tenants are on the Board and there is the Service Users’ Group as well as the DACP and Customer Panels for tenants to be involved in as well.”</td>
<td>“Tenant Board Members are in the majority on the Board; Housing Forums, investment and Annual Conferences emphasise the partnership working, when related to revenue repairs and capital programme of works.”</td>
</tr>
</tbody>
</table>
11. What are the staff arrangements for the ALMO?

**Derby Homes (Tenant Board Member)**
“After a couple of weeks staff were TUPEd (Transfer of Undertaking (Protection of Employment) Regulations) to Derby Homes.”

**Leeds North West Homes (Senior officer)**
“Staff were TUPEd (Transfer of Undertaking (Protection of Employment) Regulations) to the organisation from the Neighbourhoods and Housing Department.”

12. How are leaseholders interests represented?

**Derby Homes (Tenant Board Member)**
“Leaseholders have their own member on the Board.”

**Leeds North West Homes (Senior officer)**
“One Tenant Board Member is actually a leaseholder.”

13. How is the ALMO incorporated and who are the members or shareholders?

**Derby Homes (Tenant Board Member)**
“The Member is Derby City Council, they are the only shareholder.”

**Leeds North West Homes (Senior officer)**
“The ALMO is a separately registered company, but wholly owned by Leeds City Council.”

Further Reading

ALMO Inspections: the delivery of excellent housing management services, 2003, Audit Commission, 1 Vincent Square, London SW1P 2PN
Tel: 020 7396 1448

Guidance on arms length management of local authority housing - 2003 edition
ODPM Free Literature, PO Box 236, Wetherby, West Yorkshire LS23 7NB
Tel: 0870 1226 236