

# Arms Length Management Organisations: Early impacts and process lessons from Rounds 1 to 3

## Introduction

Arms Length Management Organisations (ALMOs) are one of three main options, alongside Large Scale Voluntary Transfer (LSVT) and the Private Finance Initiative (PFI), for local authorities (LAs) seeking the increased investment needed to bring their stock up into line with the Decent Homes Standard.

London South Bank University were commissioned to develop an evaluation framework for tracking the long term impact of the ALMO. The team also assembled the initial baseline and monitoring information for the first three Rounds of the ALMO programme. In addition, they produced a process issues report, based on in-depth discussions with ALMOs about the early experiences of ALMOs.

This summary highlights some of the key findings from the package of South Bank research. A copy of the process issues report is available on the Communities and Local Government website.

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

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## Key findings

- Overall, ALMOs are delivering significant improvements to homes, contributing to improving the quality of life and the living conditions of residents and communities in local areas.
- The impact of the Decent Homes funding has been very positive, particularly in the provision of modern facilities such as kitchens and bathrooms.
- Spend on environmental and external works has also had a significant impact on the physical environment.
- ALMOs are seen as key drivers in creating stable and sustainable communities. Better resourcing of tenant participation is improving access and social inclusiveness. ALMOs are also providing new opportunities for tenant involvement through improved representative structures.
- ALMOs have developed new partnerships involving construction and employment and are bringing together local training providers, funders and facilitators to provide genuine training opportunities for local people.
- ALMOs have led to significant organisational and cultural change. They are committed to staff, board training and development. There is an impetus to provide the best homes and services for tenants and leaseholders.

## Policy background

Arms Length Management Organisations were introduced in 2001 as one of the three options, alongside LSVT and PFI, for LAs to secure additional resources to deliver the Decent Homes target. The first ALMOs have been up and running since 2002.

An ALMO is a company set up by a local authority to manage and improve all or part of its housing stock. The Department has made additional funding available to LAs who set up ALMOs in line with published guidance under a series of annual bidding rounds. In order to qualify for additional resources the ALMO has to be rated as either 'good' (two stars) or 'excellent' (three stars) by the Housing Inspectorate.

Though ownership of the stock remains with the local authority, ALMOs have a certain degree of independence in their relationship with their sponsoring authority. However the local authority remains the legal landlord, and the tenants remain as secure tenants with no changes to their rights, which can make it an attractive option for future service delivery.

Communities and Local Government is evaluating the impact and value for money of all main housing investment programmes. London South Bank University were appointed in 2003 to develop an overall evaluation framework to collect baseline data, track progress and assess the achievements of the ALMO programme.

The research was completed in 2004, and covered the first three rounds of the ALMO programme.

- Round 1 took place in 2001, with eight successful councils forming eight ALMOs and sharing initial two-year allocations of £300m of committed spending on a total of 138,119 properties.
- Round 2, in 2002, saw thirteen successful councils forming eighteen ALMOs and sharing a further £365m in initial two-year allocations on 224,763 properties (although two councils have since withdrawn from the programme).
- Round 3 followed in 2003 with thirteen ALMOs sharing initial two-year allocations of £335m and covering 185,766 properties (although, again, two councils have since withdrawn from the programme).

Since the South Bank team completed their work, there have been three further rounds of ALMOs. These will be included in the follow-up stages of the evaluation.

## Scope of the study

The research was based on several different stages:

- **Developmental stage:** reviewing other evaluation approaches, data collection systems and developing an overall evaluation framework for assessing the long term impact of the ALMO programme.

- **Quantitative data collection stage:** working with ALMOs to collect the necessary baseline data and where appropriate annual update information.
- **In-depth qualitative work:** in eight case study ALMOs chosen to be representative of the different types of ALMOs. This element focused on the process issues connected with setting up an ALMO and early implementation issues.
- **Discussion group:** representatives from all of the ALMOs' Rounds 1-3 were invited to a day-long group discussion focusing on early issues in setting up an ALMO.
- ALMOs are also spending a significant amount on environmental works, including landscaping and a range of projects aimed at improving and maintaining the surrounding areas. This work, (for which ALMO funding has been available from Round 3 onwards) together with the external decoration of the common parts, has had a significant impact on the physical environment.
- Some ALMOs also stressed that their investment has produced improved dwellings that exceed the present Decent Homes Standard for example by replacing floor coverings, internal doors and smoke alarms (although ALMO funding is not available for these works).

## Some key findings from the baseline exercise

### Physical investment, including decent homes

- The starting position for most ALMOs was that a relatively high proportion of the stock did not meet the Decent Homes Standard. The range tended to span from 50 per cent of the stock being non-decent, up to two thirds.
- In addition, many had serious difficult to let and low demand problems at the start of their funding period. In some cases, as much as 50 per cent of the stock was identified as difficult-to-let.
- Although it is relatively early days, ALMOs have begun and will continue to deliver significant improvements to homes between now and 2010. The impact of Decent Homes funding has been very positive, particularly where the provision of modern facilities, kitchens and bathrooms has been concerned. For Round 1 the numbers of non-decent homes are substantially reduced by year three of operation. At the time of the study, progress for Round 2 showed a less clear trend, partly linked to a longer lead-in time and differing start dates.

- Sustainability spending priorities cited in ALMOs' delivery plans tend to focus on environmental works and improvements, security measures on estates, aids and adaptations for older people and people with disabilities and lift refurbishment.

### Reduction of 'difficult-to-let' properties and improvements in re-let times

- There are some early indications that ALMOs are reducing the levels of low demand and difficult-to-let properties. For some Round 1 ALMOs the levels have been reduced by up to 50 per cent.
- For Round 1 in particular, there was a general improvement in the time it takes to re-let a property.

### Community inclusion and participation

- 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 within the governance structure, especially where the chairperson is a tenant, gives a message to the organisation and the LA that tenant influence and power on decision making is taken seriously.
- ALMOs are committed to ongoing work with tenants' groups and understand that this has a key role to play in developing social capital. Apart from involvement in community panels, in tenants' and residents' associations and conducting tenant satisfaction surveys, ALMOs also recognise that, for example, new playgrounds, sports pitches, youth clubs and community venues are valuable ancillary tools in the process of building sustainable housing.

## Community safety

- ALMOs are key partners in local Crime and Disorder Reduction Partnerships and initiatives. The kinds of issues that ALMOs are focusing on, in partnership with other organisations, include problem solving in crime, tracking anti-social behaviour hotspots and areas of low demand housing, zero tolerance events, litter picking events, working with repeat offenders to support their tenancies and with drug users.
- They are also involved in the delivery of neighbourhood warden services and in developing acceptable behaviour contracts.

## Local employment

- ALMOs have developed new partnerships involving construction and employment (as part of the improvement programmes). ALMOs are bringing together local training providers, funders and facilitators to provide genuine training opportunities to local people.
- They are also developing their own workforces, expanding them in size in some cases as they introduce new services.
- In turn, building contractors working on ALMO contracts have increased their own workforces, with many jobs going to people living locally or in neighbouring boroughs.

# Some key lessons from the in-depth process issues research

The in-depth stages of the research identified a range of factors and lessons connected with the early stages of setting up and running an ALMO. These include:

## Decision making

- The key driver for opting for ALMO status was to secure funding to support the delivery of Decent Homes. For some ALMOs, tenants had previously voted against stock transfer and ALMOs do present a positive alternative, particularly in terms of local perceptions of the continuance of local accountability.

## Engaging tenants, staff and other stakeholders

- Prior to achieving ALMO status, LAs had used both existing tenant participation mechanisms and also bespoke approaches to raise awareness and gauge attitudes to prospective ALMO status.
- Experience from the early ALMOs suggests that much of the focus was on tenants and only a few ALMOs had placed as much evidence on engaging staff or stakeholders.
- In terms of establishing and developing the board and the shadow board in particular, once again, the focus was on tenants and recruiting tenants to the idea of standing for the board. A secondary area of importance has been the business of recruiting independent members. This has been done through a range of mechanisms from inviting interest to advertising. Consultants were used in some cases to support this work.

- For the early ALMOs, the process of building the structure of the new organisation is presented as taking place within an extremely stressed environment. This context is shaped by the changing role of the local authority and the anxieties surrounding this, the worries of staff and trades unions in connection with the Transfer of Undertaking Protection of Employment (TUPE) process, preparation for inspection and the issue of fitting the future ALMO into the local housing policy context.

## Governance issues

- With this going on in the background, the starting point for building the new organisation tends to be seen as firstly ‘establishing governance’ for the ALMO, and secondly securing the pattern of service devolution and the scope of the service level agreements that are to be set up to manage this.
- Partial ALMOs present particular challenges. They are ‘autonomous’ at an operational level with their own business plans, requiring a highly skilled local authority-based 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.
- The need to build governance capacity is well understood by ALMOs, although it was still too early to assess the overall effectiveness of their strategies. Applying staff development techniques to the task of building the board, first into a functioning entity and then going on from there, is seen as a priority. The basic techniques had focused on board away days, providing access to training, introducing development review processes, providing personal advice and support for board members and group training.
- The relationship with the local authority can be difficult. Particularly troublesome areas identified by ALMOs included the role of councillors, negotiations around the housing revenue account and management fee that the ALMO receives and the handling of right-to-buy sales by the local authority. That said, some ALMOs report very constructive relationships with their local authority partners.

## The role of external consultants

- Most ALMOs needed specific external legal advice on company and employment matters, on setting up the company, in relation to the drawing up of the memoranda and articles of association and the arrangements governing TUPE. In some cases separate legal advice was sought by the ALMO and by the council.
- In addition, a substantial number also took financial advice on VAT and taxation.

## Links with the community/community representation

- Some ALMOs clearly felt there was little more they needed to do to consolidate their community focus. Others were painstaking to ensure that they maintained and developed their position. Local boards and sub-boards have been a priority for some ALMOs, and alongside this is a desire to ensure that community representation is effectively extended through these delegated and/or devolved bodies.
- The establishment of ALMOs has provided the opportunity to review neighbourhood focus and effectively recast service delivery, tenant participation policies, ‘branding’ and how this is both seen and best fits with service users’ expectations and aspirations.

## Pressure points

- Key difficulties expressed in retrospect by ALMOs all relate to the quantity of development work required in a very short time, while their most frequently cited reward is the drive and focus that began to emerge between the council, board, tenants and staff who all worked together at this pressured time.

## Leadership

- 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.

## Critical themes

The process issues report also focuses on a range of themes which are particularly pertinent in an ALMO context, particularly in relation to the respective roles of the local authority, ALMOs and other key agencies. These include:

## Patterns of service devolution

- For the early ALMOs, particularly Round 1, stock repairs management, rent collection and arrears management, tenancy management and estate management and tenant participation functions pass to the ALMO.
- The local authority retains responsibility for housing strategy and homelessness and rent policy. Lettings policy is mainly retained by the local authority, although in a few cases responsibility is shared.

## Reconstructing roles with the L.A.

- 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 LAs 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 LAs as soon as possible whilst others are content to stay close to the council’s approach to housing policy and strategy; and
  - ALMOs and LAs constructively ‘re-knitting’ their relationship through positive partnering and a spirit of pioneering innovation.

## Partnerships and strategic activities

- A number of ALMOs have developed service partnerships where they provide services to other organisations. These services include:
  - IT support to the LA;
  - repair and improvement service to local authority;
  - complaints management;
  - anti-social behaviour casework management;
  - management of temporary housing;
  - accountancy services for the local authority;
  - community alarm services for the local authority and Registered Social Landlords (RSLs)/housing associations;
  - Right-to-Buy co-ordination;
  - housing management services to housing associations;
  - Council Tax collection;
  - homelessness investigations;
  - cleaning services to LAs; and
  - training and consultancy.
- There is also evidence that some ALMOs are actively playing a part locally by getting involved in strategic initiatives eg local strategic partnerships and crime and disorder, Sure Start and in a wide range of local strategic fora which cover a range of local policy issues from child protection to neighbourhood management, community strategy and anti-social behaviour.
- ALMOs are interested in setting up joint procurement groups, in particular to give the smaller ALMOs access to savings.

## Views on the inspection process

- The inspection process is experienced by ALMOs as a rigorous, thorough and pressurised event. There are a range of perceived problems and benefits linked to the inspection process. The problems include:
  - tying up too many staff for too long;

- creating pressure on the staff and the board that can be a risk in itself; and
- the time between commencing the ALMO and inspection being 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 activities; and
- increasing the pace to achieve improvements in performance over a short period of time.

## Organisational development and accountability

- ALMOs generally show a commitment to organisational development, with the focus on training and partnership-oriented staff development.
- Tenants' structures are seen as 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 local authority's housing service.
- 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'.

## Long term sustainability

- All ALMOs are concerned about the sustainability of the improvements to stock made by the Decent Homes programme. 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 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. Examples of these activities include taking on the call centre functions of the LAs and offering housing management services to RSLs in the vicinity.

- 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.
- 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.

## Next steps

The next phase of the monitoring and evaluation of started late in 2006. This includes collecting baseline information for further rounds of the ALMO programme, as well as updating and analysing annual monitoring data for all ALMOs.

## Further Information

Further information is contained in the full report: *Learning from ALMOs – The experience of the first three rounds*, available from the Communities and Local Government website:

[www.communities.gov.uk/housing](http://www.communities.gov.uk/housing)

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