

# **ARMS LENGTH MANAGEMENT ORGANISATIONS**

## **GOVERNANCE RESOURCE PACK**

**August 2004**



*Community Housing Task Force*

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## **Background**

This resource pack focuses upon governance because it is an essential prerequisite for efficient and effective delivery of services. It is the prime duty of each Board to ensure good governance. Achieving the highest standards of performance depends on it. Creating sustainable and vibrant communities depends on it. Accountability for the proper use of unprecedented amounts of public money depends on it.

A Board that is confident in its governance and control arrangements will be confident to embrace the risks associated with change, but to focus on governance. Boards will need to use their time wisely and non-executive directors, particularly, will need to resist the pull of “operational matters and “fire fighting”. The term non-executive director has been used throughout the governance resource pack to generically refer to the tenant/councillor and independent members of ALMO Boards.

Over the past 10 years numerous reports have been written regarding governance and the role of the Chair and Non-Executive Director. One thing all the reports agree upon is the need for effective and robust governance arrangements in order to deliver efficient and effective organisations and to prevent corporate failure. As a result of this, expectations of the Non Executive Director has understandably risen as stated within the Higgs Report:

“Non-executives are the custodians of the governance process. Expectations of NEDs have risen as increased business complexity has made it more difficult for individual (customers) effectively to hold management to account”

Review of the role and effectiveness of non-executive directors, Derek Higgs, 2003 – [www.dti.gov.uk/cld/non\\_exec\\_review](http://www.dti.gov.uk/cld/non_exec_review)

We have aimed to help Boards by drawing together the multiple strands of ALMO governance to provide the essential foundation of good governance. Most material is not new but we hope that by drawing it together in this way we will help to refocus Boards on their prime role and responsibilities.

## **Note on the use of this Governance pack**

A word of warning. **This resource pack is not a complete “how to do it” manual but rather a guiding set of principles.** It follows that it is not intended to replace other Corporate Governance Frameworks or other detailed financial, operational, risk or governance guidance. It is intended to reinforce the essential role of good governance into a single high level guide.

This resource pack is intended to provide help to authorities and ALMOs in developing their own arrangements for good governance. Its use is not mandatory and the Office of the Deputy Prime Minister cannot be held liable for the use of any of its parts or for the use of examples of best practice.

The recommendations in this resource pack should always be cross-referenced with your own organisation’s constitution. Governance arrangements should be reviewed regularly to ensure they comply with best practice and are fit for purpose.

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ALMOs and authorities must take care to adapt the information to their own specific circumstances, to ensure independent legal advice is considered and to ensure the appointment and training of a Company Secretary to develop best working practices in this field.

Updates and further modules to this resource pack will be produced over time. If you have any examples of good practice you wish to share, ideas for developments or wish to participate in an ongoing Governance support group please contact:  
[peter.mchugh@odpm.qsi.gov.uk](mailto:peter.mchugh@odpm.qsi.gov.uk)

This resource pack was produced by Peter McHugh of the Community Housing Task Force with thanks to a wide range of contributors.

### **Arms Length Management Organisations (ALMOs)**

The Housing Green Paper<sup>1</sup> introduced the concept of the Arms Length Management Organisation. Using powers under Section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993) local authorities were given power to delegate responsibility for management of their housing to a “not for profit” local authority company. ALMOs are therefore organisations discharging important community services in a manner specified by the local authority under a service level agreement. However, they also operate within the legal framework of a private company - albeit one that is wholly owned and not for profit. This will present special challenges for ALMO Boards that perhaps did not exist either for local authorities or the private sector.

This resource pack draws on lessons and good practice examples from the National Housing Federation<sup>2</sup>, local authority and wider public sector practice.

Setting up the ALMO with the right governance structure is fundamental to supporting the main purpose of the ALMO, which is to:

- ❑ Deliver decent homes & sustainable communities.
- ❑ Deliver high quality housing services.
- ❑ Help councils meet the strategic challenges of their area.
- ❑ Utilise the freedoms and flexibilities the ALMO structure offers to be innovative in housing management delivery.

For ALMOs to achieve these objectives requires the right structures but the Board of Directors will also be required to demonstrate **leadership and vision**.

Robust systems of governance are essential if ALMOs are to rise to the challenges laid out in the Sustainable Communities Plan announced by the Deputy Prime Minister John Prescott in February 2003. ([www.communities.odpm.gov.uk](http://www.communities.odpm.gov.uk))

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<sup>1</sup> Housing Green Paper published in April 2000 and was followed by the Guidance on Arms Length Management of Local Authority Housing published in April 2001

<sup>2</sup> The National Housing Federation produce advice on governance for Registered Social Landlords

## **1 The Board**

### **1.1: Terms of Reference for the Board**

A generic definition of “governance” which ALMOs will note is mentioned below:

“ The systems and processes by which Boards lead, direct and control their functions in order to achieve organisational objectives and by which they relate to their partners and the wider community”.

The duty of the Board is to add value to the organisation, enabling it to deliver decent homes, sustainable communities and service improvements. It does this by providing a framework of good governance within which the organisation can thrive and grow.

The Boards role is to provide active leadership of the organisation within a framework of controls, which enable risk to be assessed and managed. The control framework consists of three overlapping systems:

- Controls assurance: a process designed to provide evidence that ALMOs are doing their “reasonable best” to manage themselves so as to meet their objectives and protect tenants/staff/local authority and stakeholders against risk.
- Performance management: the way in which the Board controls the quality, effectiveness and efficiency of services and policies.
- Risk management: a system that is used to identify and control the risks to the achievement of the organisation’s objectives.

The Board has ultimate responsibility for the governance practice of the ALMO. The Board’s central role is to direct an organisation’s work - that is to determine strategic direction, deliver the terms of the management agreement, and approve overall expenditure and policies.

The Board should:

- Set the vision – *where or what does the organisation want to do.*
- Set the objectives - *the stages for reaching the vision.*
- Define the strategy – *the details of how the organisation will deliver the objectives.*
- Define the core values – *how should the organisation act and behave.*

Management, that is the implementation of the above, should be delegated to the paid staff. The Board must provide active leadership. The word leadership is open to many interpretations however in the context of this resource pack it shall be taken to mean the following:

“ Leadership is the art of getting things done by enabling others to do more than they could or would do otherwise.”

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In carrying out their leadership role it should be noted:

- ❑ All Board members should take collective responsibility for decisions made by the Board. Each member should act only in the interests of the organisation and not on behalf of any constituency or interest group.
- ❑ To discharge their responsibilities for the direction of the organisation, Board members should have or acquire a diverse range of skills, competencies and experience. These should cover the following broad areas:
  - working as an effective team to take strategic decisions for social outcomes;
  - direct knowledge of the needs and aspirations of the communities and people served;
  - general business, financial and management skills;
  - other relevant skills, such as legal, property, development, and public affairs;
- ❑ Each Board member should be given a formal letter specifying the Board member's obligations, a copy of the Code of Conduct and should sign a copy to indicate acceptance.
- ❑ Boards should regularly review the effectiveness of their own Governance arrangements. A checklist of key areas is provided in the in Annex 1 for information.

The minimum duties of the Board should be to:

- ❑ Define and ensure compliance with the values and objectives of the organisation.
- ❑ Agree the annual Delivery Plan with the local authority.
- ❑ Establish policies and plans to achieve the Delivery Plan and meet the agreed objectives.
- ❑ Approve each year's budget and accounts prior to publication.
- ❑ Establish and oversee a framework of delegation and systems of control.
- ❑ Agree policies and make decisions on all matters that might create significant financial or other risk to the organisation, or which raise material issues of principle.
- ❑ Monitor the organisation's performance in relation to these plans, budgets, controls and decisions taking decisive action to correct under performance and to achieve continuous improvement.
- ❑ Appoint (and, if necessary following legal advise, dismiss) the Chief Executive; and
- ❑ Satisfy itself that the organisation's affairs are conducted lawfully and in accordance with generally accepted standards of performance and propriety.

## **1.2: Role Description – Board Member**

### **Purpose of the Board**

To add value to the organisation, enabling it to deliver decent homes, sustainable communities and service improvements. The Board shall set the organisations strategic aims, ensure the necessary financial and human resources are in place for the organisation to achieve its objectives and to devise robust systems of risk control and performance management.

In carrying out the above, the ALMO shall effectively delegate the day to day management of the organisation to the Chief Executive and his/her staff.

The Higgs report set out the duties of non-executives in the private sector, however it is clear many of the duties and responsibilities equally apply to ALMOs and other public and voluntary sector organisations. The main priorities for Board members as envisaged by Higgs were as follows:

### ***Strategy***

Non-executive directors should constructively challenge and contribute to the development of strategy.

### ***Performance***

Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

### ***Risk***

Non-executive directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible.

### ***People***

Non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and when necessary removing, senior management and in succession planning.

But for non-executives on ALMO Boards there is an additional responsibility which can be summarised as:

### ***Accountability***

Non-executive directors have a responsibility to ensure the Board acts in the best interests of tenants and the local community. Collectively the Board must ensure the interests of tenants and the community remain at the heart of its discussions. In carrying out the above responsibilities the ALMO is ultimately accountable to its Parent Authority.



### **Functions of the Board**

- ❑ Ensure compliance with the Management Agreement between the ALMO and Council.
- ❑ Define and ensure compliance with the delivery plan through the agreement of:
  - Policies for action
  - Budgets
  - A framework of delegation and system control including performance monitoring
- ❑ Ensure the affairs of the ALMO are conducted lawfully and ethically and within the terms of its constitution.
- ❑ Ensure arrangements are in place for urgent decisions to be made in between meetings.
- ❑ Appoint the Chief Executive.
- ❑ Appoint the Company Secretary.

### **Collective Board responsibilities**

- ❑ Acting in the interests of the ALMO and not on behalf of any constituency or interest group.
- ❑ Acceptance of collective responsibility for decisions made.

### **Responsibilities of Non-Executive Board Members**

- ❑ Support the vision and values of the ALMO.
- ❑ Constructively challenge and contribute towards the development of the strategy
- ❑ Scrutinise the performance of management in meeting objectives and monitor the reporting of performance
- ❑ Satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust
- ❑ Exercise care and skill in carrying out their functions – the level of care will be determined by the adopted constitutional framework.
- ❑ Identify personal training and development needs and seek opportunities for development - attending appropriate training events as required.
- ❑ Ensure personal interests do not come into conflict with the general responsibilities of being a Board member.

### **1.3: Role Description - Chair**

The role of the Chair is **pivotal** to the success of the Board. In general there is a strong correlation between the quality of the leadership by the Chair and Chief Executive and the success of the organisation. Conversely, where an organisation is not delivering, then questions can legitimately be asked about the quality of the Board leadership.

The key responsibilities of the Chair identified by Higgs and modified to reflect the particular role of an ALMO Chair are:

- Leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda;
- Ensuring the provision of accurate, timely and clear information to directors;
- Ensuring effective communication with tenants, staff and stakeholders;
- Arranging the regular evaluation of the performance of the Board, its committees and individual directors; and
- Facilitating the effective contribution of non-executive directors and ensuring constructive relations between executive and non- executive directors.

#### **Leadership**

As leader of the Board, the Chair has the overarching responsibility for ensuring that under his/her guidance the organisation meets its planned objectives for service delivery and has a clear understanding of its culture and its values.

Whilst the Chair leads the Board, the Chief Executive leads the executive team and takes responsibility for their achievements. A strong and appropriate relationship between the Chief Executive and the Chair is therefore essential to the performance of the Board and the organisation. The Chair needs to be a source of support for the Chief Executive, both in their personal development and in the development of the organisation.

However at the same time, the relationship must accommodate constructive debate and challenge and should not become a “cosy” partnership that becomes impossible for non- executives to question.

A suitably skilled and effective Vice Chair should also be appointed for the purposes of business continuity and to provide cover in the absence of the chair.

#### **Setting the agenda for the organisation**

It is the duty of the Chair to ensure that the Board has a delivery plan and strategies in place, which properly reflect both the Local Authority and the ALMOs ambition for delivering decent homes, sustainable communities and service improvements. Such plans should be informed by tenant needs and aspirations.

### **Keeping the Board informed**

The Board can only be effective if it is well informed. The Chair needs to facilitate the proper flow of information between executives and non-executives, between the Board and its parent authority, and between the ALMO and its tenants and stakeholders.

Chairs are in a special position because of their greater involvement with the Chief Executive and knowledge of the organisation. They should use their position to ensure that the non-executives receive all the information they need to make informed decisions on forward plans and strategies. The Board also needs to receive assurances that the control systems are in place and are working effectively and will need to agree a reporting cycle for its finance and performance, audit and risk management committees.

It is for the Chair to ensure that Non-executives receive regular updates on the results and outcomes of performance and strategies. It is essential that such information is timely and sufficiently comprehensive, but without including unnecessary detail that the Board does not need and which would only serve to waste the time and resources of the company.

### **Performance review**

It falls to the Chair to conduct the annual performance review of the Chief Executive and the non-executive board members. This should be a formal annual responsibility for which the Chair should receive training to enable these reviews to be conducted in a fair, consistent and supportive way. An effective performance review enables individuals to understand their performance, identify training and development needs, and thereby increase their contribution to the organisation. For chairs and non-executives good performance is critical to their reappointment.

The Board as a whole should develop a framework for formally reviewing the effectiveness of its business management and the work of its committees. This will, in part be through annual reporting mechanisms, but it is often useful for the Board to step back from these mechanisms and take an overview of the added value, which it brings to the organisation.

### **The Board Meeting**

It is the Chair's responsibility to ensure that the Board meeting agenda takes account of the full business of the Board and reflects the proper role of the Board and its members.

It is particularly important that the agenda concentrates on proper issues of strategy and review and does not take up Board time on operational issues that are properly the responsibility of the executive team. Trust needs to be developed to enable the non-executives to let the executive team take forward the work programme, safe in the knowledge that proper governance procedures are in place to monitor and safeguard the interests of the Board. Trust will also enable the executive team to appreciate the non-executives as partners in an enterprise and not in the words of Higgs, as "an alien policing influence", which is why the assurance processes are so important. It is also important for the Board to be clear how reports from external auditors and inspectors are to be dealt with as part of the assurance process.

Thought should be given to the balance between reporting and analysing past performance – what happened and why – and examining the critical levels which a Board has open to it to influence the future –“what do we need to do and when do we need to do it?” Boards at the forefront of improvement, modernisation and change recognise they need to ask themselves a different set of performance questions to those traditionally asked.

The Chair needs to facilitate and encourage scrutiny and debate by the Board. To do that, he or she needs to ensure that they are fully informed, have enough time to discuss the issues, and are brought into the debate with proper consideration given to their views. They should not feel that they are forced into rubber stamping proposals from the executive team which they have neither the knowledge nor time to understand or debate. Neither should the Board become engaged in matters of operational details, which should properly be left to the executive team.

Good chairing skills are essential in enabling the Board to feel less inhibited about discussing contentious or controversial issues in either public or private forums.

The Chair should also be careful to ensure that his or her supportive relationship to the Chief Executive does not obstruct effective scrutiny by the board.

In addition to the responsibilities of a general Board member the Chair must:

- ❑ Ensure efficient conduct of Board business and General Meetings ensuring the appropriate involvement of all Board members.
- ❑ Establish a constructive working relationship and provide support to the Chief Executive including carrying out an appraisal where delegated by the Board.
- ❑ Where delegated by the Board to take urgent decisions in between meetings considering advice of the Chief Executive and consulting with Board members as appropriate.
- ❑ Ensure the Board receives professional advice.
- ❑ Maintain an overview of the composition of the Board recommending action to remedy deficiencies.
- ❑ To represent the ALMO as appropriate.

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**1.4: Person Specification – Chair**

	<b>Essential</b>	<b>Desirable</b>
<p><b>Commitment</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The ALMOs vision and values</li> </ul>		
<p><b>Experience</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Significant involvement in public service/people centred organisations</li> <li><input type="checkbox"/> Chairing groups of people</li> <li><input type="checkbox"/> Governance role within large organisations</li> <li><input type="checkbox"/> Experience of large scale projects/programmes</li> </ul>		
<p><b>Knowledge and skills</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Social housing and modernisation and change agenda for public services</li> <li><input type="checkbox"/> Leadership</li> <li><input type="checkbox"/> Ability to chair meetings impartially encourages all participants to make a contribution and to reach consensus.</li> <li><input type="checkbox"/> Listening and verbal communication skills.</li> <li><input type="checkbox"/> Good grasp of strategy and ability to delegate.</li> <li><input type="checkbox"/> Ability to manage personal and corporate relationships.</li> <li><input type="checkbox"/> Ability to display energy and confidence in public.</li> <li><input type="checkbox"/> Effective networking skills and the ability to build partnerships and alliances.</li> <li><input type="checkbox"/> Awareness and understanding of diversity and equality issues.</li> </ul>		
<p><b>Circumstances</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Time to attend Board meetings, training, informal meetings and events</li> </ul>		

Given the pivotal role of the Chair, ALMOs should ensure a person specification outlining key competencies and skills is utilised to recruit a suitably qualified Chair and Vice Chair.

### **1.5: Tenant/Leaseholder Members of the Board**

The establishment of the ALMO has created a new dynamic between councils and their tenants and councils and tenants representatives in particular. For tenant/leaseholder Board members this has changed from “the councils must” to “we must”. Therefore being a tenant representative is very different from being a tenant board member.

The Management Agreement signed by the Board includes responsibilities for service delivery and for the Tenant Compact. The relationship between tenants/leaseholder representatives and the ALMO may be a partnership, but clarity is needed over the responsibilities and duties of each partner.

The Articles of Association of the organisation will define the responsibilities of Board members including tenant/leasehold Board members. On the Board all members are equal and do not represent any particular constituency of interest. As a Company Director Board members must vote in the best interest of the organisation. In reaching decisions at a Board meetings, tenant/leaseholder board members can raise concerns of tenants/leaseholders on issues, but are prevented from being mandated to take decisions in particular way by other external organisations they are members of.

Tenant/leaseholders Board Members are not on the Board in lieu of consultation and involvement of other tenants and leaseholders; they are equal partners in all the decisions of the Board. This means tenant/leaseholder members have equal responsibility for service delivery success and failures, the expenditure of resources and the recruitment and deployment of staff.

In entering this new relationship between tenants/leaseholders and the ALMO particular attention should be paid to the Terms of Reference, Articles of Association and Register of Interests including:

- ❑ Ensuring tenant/leaseholder Board members neither receive favourable or unfavourable treatment in terms of housing management in particular allocations and transfers of property, reporting repairs or nuisance and the recovery of rent or housing benefit arrears.
- ❑ Declaring membership of tenants/leaseholders associations and representative organisations.
- ❑ The same consideration should be given over declaring interest as Council representatives and their membership of Cabinets/ Scrutiny committees that deal with the ALMO business, as for tenant/ leaseholder Board members and their membership of representative tenant organisations.
- ❑ Declaration of interest and participation in budget decisions on modernisation and capital programme should be consider where tenants are members of associations in areas affected.

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- ❑ Protocols should be agreed in advance for tenant/leaseholder Boards members who act as advocates or representative for particular issues. For local authority this might be termed constituency work. This should include training on dealing with issues, acting as advocates for constituents in complex structures, holding advice surgeries. It should include the difference between investigating legitimate policy or performance failure and promises to deliver outcomes.
- ❑ Clear and defined policies will help tenant /leaseholder Board members identify performance failure that can be remedied and policy failure that needs reviewing.
- ❑ Ensuring that the ALMO continues to consult and involve tenants/leaseholders in all areas of decision making and tenant/leaseholder Board members do not become a substitute for effective and full consultation.

Membership of the Board by tenants should not be seen as the summit of tenant participation. A strong tenant's federation is important, as is participation in the management of the Board.

Depending upon their history and culture organisations might develop protocols for ensuring tenant/leaseholder members remain "grounded". These might include

- ❑ A method of dialogue between association and local Board members.
- ❑ Membership and attendance at association meetings as a tenant and not as a Board representative.
- ❑ Restrictions on the number of times a tenant can stand for elections to the board.
- ❑ Again, ensure no favourable treatment in service is afforded to board members. For example reporting repairs via the Chief Executive rather than through repairs call centres.

### **1.6: Board Review and Renewal**

Boards should ensure their continuing effectiveness; this needs clarity of purpose, and a focus on performance and renewal. Boards should consider and implement succession-planning arrangements, to ensure a planned and orderly renewal of the Board over a period of years. In doing so, they should bear in mind the need to reflect the organisation's commitment to equality of opportunity in the composition of the Board. In particular it should:

- ❑ Carry out a regular review of its own strengths and weaknesses in order to ensure its continuing effectiveness.
- ❑ Carry out regular equal opportunities monitoring of the Board to ensure it reflects the community it represents and positive recruitment principles are followed where there is under representation.
- ❑ Ensure that new members are recruited or elected on a systematic and continuous basis, and thus avoid bigger changes at infrequent intervals.
- ❑ Ensure the recruitment and selection policies do not exclude a wider pool of potential skills through the imposition of geographical or other restrictions on members.
- ❑ Publish how new members are recruited.
- ❑ Set and publish standards on the required qualities, skills and experience of Board members. In so doing, particular consideration should be given to the financial and legal skills required for the Board.
- ❑ Set maximum terms of office for individual Board members, the Chair and other officers of the Board.
- ❑ Agree the period since the last term of office before an individual is eligible for re-election or reappointment.
- ❑ Use a range of recruitment techniques to secure a wider choice of candidates and attempt to identify potential Board members who may have no connection with the organisation or existing Board members.
- ❑ Appraise the training needs and provide induction training for new members and ensure that effective arrangements are made to maintain and enhance the skills and motivation of all Board members. Ensure that all Board members fully understand their role and responsibilities.
- ❑ Have a regular Board member appraisal system to ensure all Boards members comply with the code of conduct and constitution.



**1.7: Checklist for the Recruitment of Independent Board Members and Arising Casual Vacancies (In Accordance With the Constitution)**

- Identify skills, knowledge and experience gaps of Board against current and future requirements.
- Consider gender, race, and age profile of Board identifying under represented.
- Design person specification for approval by Board.
- Consider appropriate recruitment media dependent upon person specification e.g. Local centres: libraries, community centres.
- Shortlist candidates against relevant person specification criteria
- Interview drawing out information relating to person spec not gleaned from application form – clarify roles and responsibilities of position including the consideration of potential and significant conflicts of interest
- Select candidate and seek confirmation of position and understanding/acceptance of role description.
- New member to declare other interests to the Secretary in accordance with the constitution.
- Report and minute approval of appointment at Board.
- Enter details in Register of Members and Secretary.
- Notify the Registrar of Companies within 14 days of appointment.
- Identify induction and training programme.

### **1.8: Expenses for Board Members**

Memorandum of Associations and Articles of Association approved by the Government presently prohibit the payment of Board members. Guidance on Arms Length Management of local authority housing 2003 edition (Directors of Arms length Companies para 2.9) states "...ALMO Board members are not paid but may receive expenses". This position is presently being reviewed following the outcome of the Housing Corporation consultation programme regarding the payment of RSL Board members.

The payment of legitimate expenses is permitted and it is for each organisation to develop an expenses policy. Organisations should provide adequate financial reimbursement to ensure that no Board member is disadvantaged financially from attending the Board meetings or other designated events of the Board.

Expenses policies should include:

- Definitions of the organisations business that expenses will be paid.
- Special consideration for members with mobility problems including the provision of taxis.
- Carers (to include care of elderly, infirm or children of school age) allowance that differentiates between meetings and overnight events.
- Agreed rates of payment for the use of member's own car.
- Agreement on the use of public transport.
- Consideration of the use of taxis for evening meetings where fear of crime is a concern.
- Reimbursement of telephone, computer and mobile calls.
- Payment of all reasonable expenditure when Board members are requested to attend events/ training/conferences on behalf of the Board.

Low- income friendly policies should be considered to ensure that participation in the Board activities does not infringe on Board members cash flow and income. These might include:

- Attending events away from home can be expensive and considerations of a reasonable daily allowance to ensure Board members attending conferences and training events are fully able to participate.
- For certain events expense and or tickets /bookings etc should be available in advance.
- Ensuring that there are no restrictions on the frequency of reimbursements and that arrangements are made to ensure swift repayment.

### **1.9: Committee Structures**

Most ALMOs will have committees or area structures to oversee specified areas of the organisation's work, occasionally larger Boards will have committees responsible for specific functions. Below are the principles that should apply to the work of committees.

- ❑ Organisations should periodically review the committees reporting to the Board.
- ❑ Committee structures should be clear and avoid duplication of work or effort.
- ❑ Each committee should have clear terms of reference approved by the Board and should report regularly to the Board.
- ❑ Organisations with a dispersed geographical coverage should have structures, which facilitate and encourage local participation and decision making.
- ❑ Paid staff of an ALMO should not chair any of its committees.
- ❑ The responsibilities of committee chairs should be defined in documents approved by the Board.
- ❑ In the case of dispute, the Board's decisions must override those of any committee; but the Chair of the committee responsible for audit should have the right to report any such decision to the external auditors (and where necessary to the local authority as the sole shareholder), after discussion at the Board about this proposed course of action.
- ❑ Each Board should ensure that specific arrangements are made to cover the following responsibilities:
  - audit matters
  - standards and ethics
  - appraisal and remuneration of the chief executive
- ❑ In smaller ALMOs, the Board itself may carry out all of this work.
- ❑ The membership of committees should be disclosed in the annual report.
- ❑ Committee structures should be simple to minimise servicing attendance by Members. Simple and clear structures assist with the clarity of reporting lines and make decision making more transparent.

### **1.10: Area Structures in ALMOs**

To be effective, ALMOs work must be informed by and responsive to tenants' needs. This is more likely to be achieved if the housing stock is managed in relatively small units. An indicative upper limit of 12,000 properties was used for Rounds 1&2 of the ALMO programme. Whilst this no longer applies, authorities proposing to make ALMOs responsible for large holdings will still wish to consider the merits of separate management for smaller groups of properties.

This could be achieved by setting up several separate ALMOs, by subsidiary ALMOs within a group structure, or through area boards as sub-committees of a single ALMO. In each case decision-making powers and resources should be delegated as far as practicable to the subsidiary bodies or area boards so that local needs can be fully taken into account, with directors and board members drawn from the same range of interests as for a company.

Group structures are complex legal arrangements and independent expert advice should be sought to ensure good governance arrangements. The defining characteristics of an ALMO area structure should be:

- ❑ Clear contractual and constitutional arrangements between either the group or the area and the main board each working to common strategies devolved from the Delivery Plan.
- ❑ A relationship between main board of Directors of the organisation and area board members and vice versa, where influence but not control can be exercised.
- ❑ Performance reporting structures that include both the main and Area Boards.
- ❑ A structure where the main boards has overall responsibility for the performance of the organisation including responsibility for the Management Agreement, the Delivery Plan and negotiations, with the council.
- ❑ Area Boards with clear and real delegated responsibility.
- ❑ Area Boards developing and managing their own business plans that support the overall organisation plan.
- ❑ Area Boards that are able to influence the overall strategy of the organisation.
- ❑ Area Boards that can in consultation with local tenants set capital programmes within the constraints of the Delivery Plan.
- ❑ Area Boards that can adjust or set policies and procedures to reflect local priorities within agreed frameworks.
- ❑ Area Boards whose membership has no one group council nominees, tenants or independents in a majority.

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A protocol clarifying how the Articles and Memorandums of Association will operate between the organisation and any area boards is useful. This agreement or protocol might include:

- ❑ Any limitations on power of main board to appoint /remove area board members.
- ❑ Respective responsibilities of the main board and area boards relating to management, policy etc.
- ❑ Services to be provided by the organisation to area boards and vice versa.
- ❑ Forms of Service Level Agreement if appropriate for each category of services.
- ❑ Selection and the role of the Chief Executive in relation to area boards.
- ❑ The Articles and Memorandums of Association will set out the power of the main board to deal with disputes but a mechanism for conciliation and resolution of disputes between boards is preferable to the use of constitutional powers.

### **1.11: Organised Meetings**

Effective conduct of the Board business is vital to good governance. Without suitably clear and incisive documents, no Board can hope to make wise decisions. It is also a principle of good governance that all Board members should contribute to making decisions, which may involve the organisation in significant financial or other risks, or which, raise material issues of principle. Very occasionally, such decisions will be required urgently between meetings and the systems must be robust enough to deal with these properly.

- ❑ Board decisions should, wherever possible, be based on full agendas and documents circulated to members well in advance of meetings.
- ❑ Board Members should receive succinct reports, which focus upon strategic rather than operational issues.
- ❑ Consideration needs to be given to the time that Board members have to read and digest reports. It is recommended that where possible Board papers are despatched 5 working days prior to the Board meeting.
- ❑ Board agendas need to reflect the relative importance of key papers and a reasonable time allocation should be given to papers, which require discussion/debate and decision.
- ❑ Points for decision should be clearly identified in those documents.
- ❑ Board reports should provide sufficient information to enable informed decision making. Information should be presented as cogently as possible.
- ❑ Boards should ensure they operate in an open and inclusive manner. Holding meetings in public and using a range of easily accessible venues throughout their area of operation are useful mechanisms for optimising the involvement and engagement of the public.
- ❑ ALMOs should consider how they want the Board meetings to work and adopt standing orders on:
  - formality of the meetings
  - officer attendance protocol
  - details and presentations
  - access to the public and publicity for meetings
  - name and place badges
  - locations and time of meetings
  - refreshments

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- ❑ Decisions should be clearly recorded in the minutes.
- ❑ The Board should make an annual assessment of how effective it is in conducting its business.
- ❑ Urgent decisions should be taken in accordance with predetermined arrangements as set out in the organisation's constitution or standing orders.
- ❑ These arrangements should place on the Chair the responsibility, in the case of key decisions, to ensure that all the Board members are consulted whenever possible by telephone, email or fax etc. The fact that Board members were consulted and the views expressed should be formally recorded.

## **2 Propriety, Openness and Equality of the Board**

### **2.1: Openness**

ALMOs should be open and accountable organisations. Transparency in decision making is recognised as an important element in demonstrating that individuals are treated fairly.

As new organisations ALMOs will need to balance the difficult task of being open and accountable and at the same time respecting confidentiality. This task will not be easy and ALMO Boards should establish clear guidelines but might need to review many issues on a case by case basis.

An openness and confidentiality policy should include:

- The information the ALMO will make available concerning its work, its Board and its employees.
- The details of which organisational information will be accessible for example personnel file, tenancy files, policies etc.
- Providing appropriate and informed information to major stakeholders.
- In what circumstances personal information will be provided both internally and externally including:
  - What information will be kept confidential?
  - Rights of access for the individual
  - In what circumstances information will be disclosed
  - Informed consent of the person concerned
- Who can speak on behalf of the organisation to the press etc
- Identification of which minutes and Board papers are confidential and the authorisation and penalties for release of those papers to third parties.
- A section detailing whistle blowing for staff and Board members



## **2.2: Code of Conduct for Board Members**

“It is essential that people who work for any organisation have guidance on what behaviour is acceptable and what is not. But a code is useless if it just hangs on the wall. Organisations need to draw up their own codes, management and staff need to be committed to them, and they need to form part of the working ethos”

Taken from Lord Nolan: Integrity at Work

ALMOs will receive substantial amounts of public funding and need to demonstrate the highest standards of conduct and probity. From 2002 many authorities have been adopting a Code of Conduct which clearly details what is acceptable behaviour and what is not acceptable.

In adopting the Code of Conduct organisations should pay particular attention to ensure clauses within the code of conduct are compatible with their Articles and Memorandums of Association.

A model code of conduct can be observed through the ALMO template documentation. Copies of the template documentation can be obtained by contacting Beverley Duhaney, Decent Homes Division, ODPM, 2J5 Eland House, Bressenden Place, London SW1E 5DU, tel: 0207944 3715 or fax 020 7944 3559 or email [beverley.duhaney@odpm.gsi.gov.uk](mailto:beverley.duhaney@odpm.gsi.gov.uk)

(Note, the template documentation shall be updated and amended periodically as required)

### **2.3: Audit**

ALMOs will have audited accounts and as part of the Management Agreement the Council will expect to see a copy of the accounts and the management letter from the external auditor. As public organisations the annual accounts of ALMOs should be made as public as possible.

The Management Agreement is a self-monitoring document and the ALMO need to ensure there are sufficient safe guards, checks and monitoring arrangements. It is therefore essential that the Board have internal audit systems in place to ensure the organisation has sound financial controls, accounting policies; complies with legislation, the management agreement and other standards and policies.

- The responsibility for audit remains with the Board. This responsibility can be discharged to an audit or other committee.
- Given the complexity and volume of activity it is recommended that each ALMO establish an Audit Committee reporting to the Board with responsibility for ensuring effective internal control.
- The audit committee should have an overview of
  - internal control
  - financial control
  - Internal audit
  - external audit including appointment
- The audit committee should be a small focused committee, which should include Board members with expertise other than finance.
- Internal audit is a formal process that reviews, checks and reports on all aspects of an organisation business and as such should have direct access to the Board.
- The Board should consider and adopt the appropriate parts of the Housing Corporation Code of Audit Practice.

## **2.4: Equality**

ALMOs have a responsibility to serve the whole community equally. Equality of opportunity needs to be a core objective of the organisation and therefore the Board.

In promoting good governance on equality the Board should ensure:

- ❑ Their own membership reflects the community they represent
- ❑ Recruitment to the Board, committee or advisory structures is fair and transparent and positive action principles are followed where there is under representation
- ❑ That training for Board members on equality issues is provided and taken up
- ❑ That employment and recruitment policies and procedures for staff are fair and open and positive action principles are followed where there is under representation
- ❑ That training for all staff members on equality is provided and attendance is monitored

That regular reports are received on the effectiveness of the equality policies including monitoring and analysis of information on employment, services of the ALMO, the use of contractors and recruitment to the governance structure.

### **3 Management by the Board**

#### **3.1 Performance Management**

Performance management is essential in order to ensure that the organisation is focused upon its key priorities and continues to deliver improvements in services.

Performance measurement can contribute to effective services:

- What gets measured gets done – but you must ensure these are the right measures
- If you don't measure results, you can't tell success from failure
- If you can't see success, you can't reward it
- If you can't reward success, you probably rewarding failure
- If you can't see success, you can't learn from it
- If you can't recognise failure, you can't correct it
- If you can demonstrate results, you can achieve earned autonomy.

(Adapted from Osborne & Gaebler, Reinventing Government (Perseus Books 1992))

The Local Authority and the Housing Inspectorate will assess the ALMOs performance. To establish your performance the ALMO will need a sound performance management system. The system should clarify how performance is measured, identify a lead responsible for performance management and link the performance and risk management strategies. Challenging performance information or asking the executive directors at board meetings to account for their running of the business is an important part of the role of Board members and will help with identifying how the ALMO is performing.

### **3.2 Performance Management – Case studies**

The below mentioned case studies are taken from the Audit Commission “Improvement drivers in local authority housing” published in March 2004.

#### **1) Hounslow**

##### ***Summary***

London Borough of Hounslow  
Responsive repairs/ALMO  
Local authority stock size – 15,000

##### ***Key events***

In just 8 months, Hounslow improved its inspection score from fair/one star with uncertain prospects for its repair service, to “good”/two stars with promising prospects for the ALMO inspection.

##### ***Key improvements***

- Access to the repairs service had been extended, neighbourhood wardens had improved security on estates and void turnaround times were cut.
- Customer satisfaction had risen, especially for victims of racial harassment
- Corporate aims and objectives had been developed and were understood and shared with the staff and residents association
- “Foundation plan for excellence” and improvement plan were produced
- The board was demonstrating strong leadership and vision. Management reports were of a high quality and were being widely disseminated to staff.
- Work on diversity issues had been excellent

##### ***The drivers for improvement***

Setting up the ALMO undoubtedly offered the chance to improve services by providing a fresh impetus and new ways of working. The new organisation produced a “foundation plan for excellence” that established strategic objectives and key actions, along with monitoring arrangements, for its initial period. An improvement plan takes these forward in more detail.

The inspectors found the board and management team had engendered a strong and positive sense of identity for Hounslow Homes and that those involved had a sense of pride in belonging to a new organisation.

The inspectors noted that the relationship between the housing department and Hounslow Homes had already moved away from formal client/contractor to something based upon trust and partnership. Performance monitoring had been maintained.

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The inspectors were impressed with the quality of management information reports and noted that performance management cascaded throughout Hounslow Homes and was well understood by staff.

## **2) Brent**

### ***Summary***

London Borough of Brent  
Housing management services/ALMO  
Local Authority Stock size – 10,400

### ***Key events***

The inspection rating for the housing management services in Brent increased from good/two star service with promising prospects to excellent/three star service with excellent prospects for improvement within a period of 26 months.

### ***Key improvements***

- The service became linked to strategic objectives more effectively.
- Users were actively involved at all stages of service delivery.
- Resources were focused upon identified priorities.
- Weaknesses found and recommendations made in the previous inspection had been tackled.
- Work with external partners was established.
- Extensive use was made of new technology to aid performance improvement.
- A comprehensive range of information about performance was widely accessible and effectively monitored.

Managers at all levels can access a wide range of information on performance whenever it is required. Performance management is made easier by this comprehensive range of information. Monitoring of performance and contracts is routine and includes regular reporting to service users, committees and the BHP board. Monitoring of BHP performance by the council is also well established and involves both regular meetings of officers and formal reporting through the councils Housing Investment Programme submission.

### ***General comment on performance management***

Performance management is another essential ingredient for success. The best performers have comprehensive systems in place that cover:

- Action plans
- Milestones
- “traffic light” information systems
- improved performance indicators (for rent collections and re-lets for instance); and
- named officers with patch responsibilities

Members must ultimately lead a councils performance management system. Sound and comprehensive information systems are an essential element of effective performance management.

### **3.3 Benchmarking**

To find out how your ALMO’s performance compares with others it is advisable to seek benchmarking data. Benchmarking is important in helping the ALMO identify where local performance is difference from expected standards or comparative performance. Such information should be used to constructively challenge the performance of the ALMO and to develop strategies for continuous improvement. HouseMark provide a bespoke benchmarking service specifically dedicated to the ALMO movement.

Performance Management checklist for action by the Board could include the following questions:

1. How well is your Organisation performing in delivering key targets/sustainable communities/implementing major investment projects?
2. Which are the priority areas you need to improve?
3. Is your ALMO improving its performance – e.g. key targets for services to improve, resources required to deliver improvements?

### **3.4 Risk Management**

Risk is the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and to execute its strategies successfully.

It is essential therefore that Board decisions are taken using all available information on possible outcomes – this is risk management. The main principle underlying controls assurance is that every ALMO should be assured that it is managing all risks as effectively as is reasonably possible within the resources available. This requires organisations to continuously review risk and the controls in place to mitigate risk through a process of critical self-assessment to assure itself and others that systems are in place and working effectively.



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There are many different types of risk, some of which are cross cutting. For ALMOs some of the key risks to be aware of may include:

- Financial Risks – for example, not having sufficient funding to meet all your commitments, potentially resulting in a projected deficit at year-end.
- Performance Risks – for example a failure to achieve or retain the requisite star rating could result in the ALMO being unable to draw down the financial resources necessary to deliver decent homes and sustainable communities.
- Reputation Risks – for example arising from adverse publicity about a failing within the ALMO.
- Legal Risks – for example, due to a lack of understanding, performance failure or implementation of legislation.

There are often 5 common strands to the role of a Board member when Risk issues are discussed at Board or sub committee level:

- If appropriate, ask why the risk was not identified before there was an incident or before the risk otherwise emerged – e.g. can the ALMOs risk management processes be improved?
- Challenge assumptions in any remedial action plan, including the timescale (are they too late or unrealistic?), the resources (are they sufficient and affordable?), and consider if the proposed actions will really address the risk.
- Review and monitor the results of all this. Ask why action has not been achieved by the planned date and what remedial action is now necessary?
- Ensure there is a process for sharing the understanding of risk in the ALMO and related organisations and learning from the experience of others
- Make sure the implications relating to risk for all areas of the ALMO are fully understood

### ***Controls Assurance***

This is a process designed to provide evidence that ALMOs are doing their reasonable best to manage themselves so as to meet their objectives and to guard against risk. Controls Assurance provides assurance that effective controls are in place. It has two main elements.

First, are the Controls Assurance standards, which bring together the main legislative and regulatory requirements, placed upon ALMOs. These help Boards to set up systems and develop capability to assess risk and review controls.

Second, is the self-assessment of risks in the operating systems of the organisation. By being assured that the employees of the organisation are routinely assessing risks against prescribed standards and through the maintenance and updating of the risk register, the Board can be assured that the organisation is doing its reasonable best to achieve its objectives and to protect against risks of all kinds.

Risk Management checklist for action could include the following questions:

1. Do you/Does your organisation know what risks it faces?
2. Do you/Does your organisation know what structures and processes your ALMO has in place to identify these risks?
3. Are you satisfied that your ALMO has a robust response to manage and minimise such risks?
4. Do you and your Board know the significant risks facing your partners in delivering decent homes and sustainable communities?

### **3.5: Framework for Delegation to Staff**

It is essential for the effectiveness of the ALMO that the key responsibilities of the most senior officer, and delegated authority to be given to staff are clearly set out. ALMOs are new organisations and the scheme of delegation from the council might be a useful starting point. However, Boards and senior managers have the opportunity to introduce new schemes of delegation, giving more strategic responsibility to the Boards, and more management responsibility to the senior management.

- There should be a clear separation of responsibilities between the Board and the Chief Executive (or senior manager).
- Any responsibilities not delegated remain the responsibility of the Board.
- The Chief Executive should have the responsibility to operate plans and policies approved by the Board and they should also be able to delegate this responsibility further to other members of staff.
- Schemes of delegation should be regularly reviewed and areas of high risk should be rigorously examined.
- The delegation should allow for matters that require urgent decisions and the delegation should be clear about the circumstances that this will be used in.
- Regular meetings of staff for example senior management team should have specific terms of reference with powers and responsibilities defined
- Schemes of delegation in plain English that are user friendly and easy to follow will encourage both the staff and Board to use them.

For the purposes of clarity, focus and effectiveness it is advisable to compile a separate and specific document detailing schemes of delegation.

It is essential that new Board members be provided with training on their roles and responsibilities and that of the Executive Team. This should form part of the induction programme and run as refresher courses on a periodic basis. A lack of clarity over the responsibilities of both Board members and the Executive Team requires addressing at the outset of the ALMO and on an ongoing basis as required.

### **3.6: Executive Recruitment**

The Board is responsible for ensuring that the executive team has the appropriate balance of skills, knowledge and attitudes to manage the ALMOs affairs.

The initial appointments will require the Board/ Shadow Board and Council to consider a wide range of issues including:

- ❑ Defining the right mix of skills required by the executive team for a new type of organisation.
- ❑ The impact of TUPE applicable to senior staff identified as having a right to transfer from the local authority.
- ❑ The advantages and disadvantages of identifying key posts such as that of Chief Executive as suitable for an open recruitment exercise. There is a wide range of legal, financial, human and strategic factors relevant to the consideration of this issue and the Board should seek appropriate advice.
- ❑ Executive recruitment requires good planning, external appointees generally require three or more months notice and the timing of the appoints should allow the executive officer time to develop the new organisation with the Shadow Board prior to signing the Section 27 agreement. However, any posts created prior to the delegation will require the local authority to create additional establishment costs.

It is recommended that vacancies for senior positions are advertised externally as testing the wider market will help to ensure the ALMO has access to the best available person for the job.

### **3.7 ROLE OF COMPANY SECRETARY**

- ❑ Organise, attend and note Board and General meetings.
- ❑ Understand and ensure the Board and Directors act within their authority as outlined in the Memorandum and Articles of Association, the contractual agreement with the local authority and the agreed Delivery Plan.
- ❑ Ensure Board members have access to Professional Indemnity insurance.
- ❑ Develop and maintain a good working relationship between the Chair and the Board.
- ❑ Maintain statutory registers and complete statutory return.
- ❑ Ensure that the correct, full name of the company is displayed outside every company office on business stationery and on the company seal, if there is one.
- ❑ Ensure the company's full, correct name is shown on cheques and company stationery together with the company's place of registration, registered number and address of registered office.
- ❑ Maintain records of changes to articles of association.

The company secretary is not required to perform all the statutory duties personally. He/she is responsible for seeing that they are done.

Standard forms and returns are available from Companies House.

**Annex 1: Good Governance - A Self Audit Check List for an ALMO Board**

It is the Board of the Arms Length Management Company with whom the council has used powers under Section 27 of the Housing Act 1985 and signed a management agreement to carry out activities on behalf of the council.

The Government has provided additional financial support for the high performing arms length management organisations. It is the Board of the ALMO that must provide leadership to ensure that high standards of service are delivered and that continuous improvements in housing services occur. The Board must lead by example in the way it manages itself as a group and as individuals and how it discharges its responsibilities. This cultural ethos goes hand in hand with the legal responsibilities.

The Board has clearly set out constitutional and legal duties under the Articles of Association and the Memorandum of Association (Companies Act 1985). It is therefore essential that the Board exercises their duties well and effectively to ensure the objectives of the organisation are met.

The Council and the Audit Commission will want an ALMO to be able to demonstrate that it has in place effective systems to deliver the high standards of governance to discharge the financial responsibilities and management freedoms the council has delegated. It must be able to demonstrate that it is a viable and properly managed organisation and that it is promoting standards of probity and enhancing the reputation of local authority.

Finally the Board must be able to demonstrate that it is an effective organisation that knows how well it is performing and what are its strengths and weaknesses.

**Checklist for Board of Arms Length Management Organisation**

**1. Properly Governed**

The ALMO operates according to its constitution.

- *The Board meets regularly and acts within its constitution and all relevant legislation.*
- *The Board has established effective arrangements to ensure compliance with all applicable statutes and regulations.*

The Board should be effective with a wide range of expertise –supported by appropriate systems of governance and control;

- *The Board has made a senior executive (Company Secretary) –not necessarily the chief executive, responsible for ensuring that Board procedures are followed and that all applicable statutes and regulations, and other relevant statements of best practice are complied with.*
- *The Board has a wide range of skills, expertise and up to date knowledge and regularly assesses its performance as a Board.*
- *The Board identifies gaps in knowledge and takes positive action to ensure on going training and development.*
- *The Board is diverse and reflects the community it represents.*
- *Individual Board members act in a personal capacity*
- *Organisational management structures reflect the objectives set out in the Delivery Plan.*
- *A Code of Conduct for the Board and staff is in place including a payments and hospitality policy.*
- *The Board has established appropriate mechanisms to ensure that prejudice, bias or conflicts of interests do not influence members and employees of the body.*
- *Make publicly available the names of all Board members, together with their relevant other interests.*

The Board should work with the council in an open and co-operative manner. It should notify anything that might be a breach of these requirements or affect the ability of the ALMO to fulfil its obligations

- *The Board must consider any areas where there is a need for improvement and actions agreed with the council.*
- *There should be an agreed disputes mechanism in place with the council.*

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The Board should maintain the highest standards of probity in all its dealings and act at all times to maintain the good reputation of the council.

- *Approved terms of reference for committees and delegation are in place.*
- *Sound procurement practices are in place and partnerships with other organisations are clearly defined and documented.*
- *There are internal control systems and the Board regularly reviews their effectiveness.*
- *External audit reports are considered and acted upon by the Board.*
- The Board has established a remuneration committee to make recommendations on the remuneration of the management team.

## **2. Financially Viable**

The ALMO operates the highest standards of financial management and probity at all times

- *Accounts and returns are submitted on time and demonstrate the ALMO is and will remain solvent.*
- *Financial policies and procedures are in evidence. And the Board has timely and accurate financial information to inform its decision making process.*

The Board protects the public investment it is responsible for.

- *The Board has established formal procedural and financial regulations to govern the conduct of its business.*

The ALMO must operate as a viable business

- *The ALMO business plan demonstrates its priorities and strategy for achieving its objectives including commitments to the council, tenants and other stakeholders.*
- *The ALMO operates a risk management framework that effectively identifies and then manages any risks that might prevent the ALMO meeting its objectives.*
- *The ALMOs business planning is informed by asset management information, which is reviewed regularly.*



### **3. Properly Managed**

The Board regularly review activities and policies including new business opportunities and a clear case is developed for the proposed or existing direction

- *Any material changes of direction are considered by the Board contained in the Delivery Plan and reported to the council*
- *The ALMO must have management arrangement resources, systems and skills that are appropriate for the circumstances, scale and scope of the operation. Ensuring their activities are;*
  - *Monitored*
  - *Best value*
  - *And are backed by proper systems of assurance for internal control*
- *The Board receives reports on all areas of the ALMO performance.*
- *The Board has established clearly documented management processes for the development, implementation and review of policy and for decision-making, monitoring, control and reporting. That services and structures are regularly subject to challenge and the principles of best value and that the ALMO can demonstrate via benchmarking that its services compared to other similar organisations are competitive*

#### **4. Engaged and Communicating**

The ALMO seeks and is responsive to tenants and residents views and consult with other external organisations in carrying out its duties.

- *Regularly provides tenants with the opportunity to comment on the ALMOs performance.*
- *Enables tenants to play and active part in decision making.*
- *Information about the ALMO is regularly published and distributed to tenants and other stakeholders.*
- *An effective complaints procedure is publicised and operated.*
- *The ALMO uses a range of methods of consultation consistent with the Tenant Compact.*
- *Tenants are supported and encouraged to play an active part in the Board and all other management activities.*
- *The Board support existing TMO's and encourage the establishment of new ones.*
- *Meetings of the Board are open and accessible.*
- *Tenants and other stakeholders have access to the AGM and all reports to the AGM.*
- *Report publicly the processes for making appointments to the Board.*



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**Annex 3: Sample Board Monitoring Form for New Members**

<b>NAME:</b>	<b>DATE:</b>
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**1. Skills and Experience**

The Board needs to ensure that collectively its members have the skills necessary for it to manage the organisation. Please indicate your own assessment of your skills and experience against each of the headings below by ticking the appropriate box and completing the evidence/comments section. If more space is required, then please use a separate sheet.

Levels of Skills and Experience			
Good – A	Reasonable – B	Some - C	Little/None - D
<b>Meaning:</b>			
<b>Good</b>	Understand the area well having had personal experience of it, up-to-date on current issues and developments and able to take the lead in any discussion on the area.		
<b>Reasonable</b>	Understand the area and able to contribute to discussions with knowledgeable observations and questions.		
<b>Some</b>	Understand generally the area and able to contribute to discussions with common sense observations and questions.		
<b>Little/None</b>	Unfamiliar with the area and able to contribute to discussions with questions of clarification.		

	A	B	C		Evidence/Comments
<b>A. General Business and Management</b>					
• Strategic Decision-taking					
• Business Planning					

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• Staff Management					
• Working as an Effective Team					
• Corporate Governance					

	A	B	C		Evidence/Comments
<b>B. Local Authority Housing</b>					
• Housing Issues in xxxx					
• Needs and Aspirations of Residents and their Communities					
• Equal Opportunities					
• Tenant Empowerment					

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C. Specific Areas					
<ul style="list-style-type: none"> <li>Community Relations and Needs</li> </ul>					
<ul style="list-style-type: none"> <li>Management of Property and Contracts</li> </ul>					
<ul style="list-style-type: none"> <li>Finance and Treasury</li> </ul>					
<ul style="list-style-type: none"> <li>Legal</li> </ul>					
<ul style="list-style-type: none"> <li>Management of Information Technology</li> </ul>					
<ul style="list-style-type: none"> <li>Public Relations and Presentations</li> </ul>					

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<ul style="list-style-type: none"> <li>Working with Local Authorities</li> </ul>					
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**2. Other Skills**

Do you have other skills/experience not previously listed, which you think would be useful in your role as a Board Member?  
If so, what are they and how do you think they could be used?

**3. Qualifications**

Please list your qualifications below

**EQUAL OPPORTUNITIES**

XXX ALMO is committed to providing equality of opportunity for all in the services and employment it provides, regardless of race, colour, ethnic or national origin, disability, religion age, gender, health, marital status or sexual orientation. In order to promote active policies and to eliminate discrimination, the organisation wishes to monitor Board member recruitment. We therefore request your co-operation in completing the appropriate boxes below *(please tick one box in each section)*:

I would describe myself as:

Section 1	Section 2	Section 3
Asian <input type="checkbox"/>	Black <input type="checkbox"/>	Male <input type="checkbox"/>
Caribbean <input type="checkbox"/>	White <input type="checkbox"/>	Female <input type="checkbox"/>
African <input type="checkbox"/>	Other <input type="checkbox"/>	
South-East Asian <input type="checkbox"/>	Mixed <input type="checkbox"/>	
British/European <input type="checkbox"/>		
Irish <input type="checkbox"/>		
Other <input type="checkbox"/>		

Do you suffer from any disability as stated in the Disabilities Discrimination Act '96? Definitions of disability are attached.  
If yes, please state what the disability is:

### **THE DEFINITION OF A DISABILITY**

The Disability Discrimination Act 1995 (DDA) states that “ a person has a disability ... if they have a *physical or mental impairment* which has a substantial and long-term *adverse effect* on their ability to carry out *normal day-to-day activities*”. If an individual is to be protected under the DDA, he or she must satisfy the four main conditions (*in italics*) of the definition of disability under the Act.

#### **Physical and Mental Impairment**

*Physical impairment* is not defined by the DDA, but includes impairments that affect the senses, e.g., hearing or sight.

*Mental impairment* is defined as impairment resulting or consisting of a mental illness only if the illness is a clinically *well recognised* illness. This could include manic depression, schizophrenia and severe extended depressive psychoses. A clinically well-recognised illness is an illness that is accepted to exist by a body of respected medical practitioners, e.g., World Health Organisation.

A mental impairment as defined in the **Mental Health Act 1983**, can fall within the definition of a mental impairment in the DDA, but this does not mean that a mental impairment that falls within the definition of a mental impairment in the DDA, must also fall within the definition of mental impairment in the Mental Health Act, to be a mental impairment under the DDA.

#### **Normal day-to-day Activities**

Impairment is to be taken to affect the ability of the person concerned to carry out normal day-to-day activities only if it affects one of the following:

- a) mobility
- b) manual dexterity
- c) physical co-ordination
- d) continence
- e) ability to lift, carry or otherwise move everyday objects
- f) speech, hearing or eyesight
- g) memory or ability to concentrate, learn or understand
- h) perception of risk of physical danger

#### **Disabilities Controlled by Medication or Special Aids**

Generally, an individual with a disability is protected by the DDA, even if he or she successfully controls or corrects his or her disability (for example, individuals with epilepsy controlled by medication). However, an individual with a sight impairment, which is corrected by spectacles, contact lenses or any other means, will not be protected by the DDA. The mere use of medication or special aids does not automatically indicate the presence of a disability as defined in the DDA.



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**Annex 4: Sample Board Members Appraisal Form**

<b>NAME:</b>	<b>DATE:</b>
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**1. Skills and Experience**

The Board needs to ensure that collectively its members have the skills necessary for it to manage the business of the organisation. Please indicate your own assessment of your skills and experience against each of the headings below by ticking the appropriate box and completing the evidence/comments section. If more space is required, then please use a separate sheet.

*Note; please adapt this matrix to suit the objectives and aims of your organisation*

Levels of Skills and Experience	
Good – A	Reasonable – B
Some – C	Little/None - D
<b>Meaning:</b>	
<b>Good</b>	Understand the area well having had personal experience of it, up-to-date on current issues and developments and able to take the lead in any discussion on the area.
<b>Reasonable</b>	Understand the area and able to contribute to discussions with knowledgeable observations and questions.
<b>Some</b>	Understand generally the area and able to contribute to discussions with common sense observations and questions.
<b>Little/None</b>	Unfamiliar with the area and able to contribute to discussions with questions of clarification.

	A	B	C		Evidence/Comments
<b>A. General Business and Management</b>					
• Strategic Decision-taking					
• Business Planning					

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• Staff Management					
• Working as an Effective Team					
• Corporate Governance					

	A	B	C		Evidence/Comments
<b>B. Local Authority Housing</b>					
• Housing Issues in xxxx					
• Needs and Aspirations of Residents and their Communities					
• Equal Opportunities					

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<ul style="list-style-type: none"> <li>• Tenant Empowerment</li> </ul>					
<b>C. Specific Areas</b>					
<ul style="list-style-type: none"> <li>• Community Relations and Needs</li> </ul>					
<ul style="list-style-type: none"> <li>• Management of Property and Contracts</li> </ul>					
<ul style="list-style-type: none"> <li>• Finance and Treasury</li> </ul>					
<ul style="list-style-type: none"> <li>• Legal</li> </ul>					
<ul style="list-style-type: none"> <li>• Management of Information Technology</li> </ul>					

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<ul style="list-style-type: none"> <li>Public Relations and Presentations</li> </ul>					
<ul style="list-style-type: none"> <li>Working with Local Authorities</li> </ul>					

**4. Other Skills**

Do you have other skills/experience not previously listed, which you think would be useful in your role as a Board Member?  
If so, what are they and how do you think they could be used?

**5. Qualifications**

Please list your qualifications below

**6. What parts of your role as a Board Member do you think you?**

- (a) Do best?
- (b) Do less well?
- (c) Fail to enjoy?
- (d) Have difficulty with?

(When considering this section, think about all of the different aspects of being a Board Member, such as attending/participating in meetings, sitting on working parties etc., fostering good staff relations, attending promotional events and representing the organisation externally)

**7. Training and Development Needs**

Can you think of any training or other personal development that would help you in fulfilling your role as a Board Member? When listing, please indicate your preferred means of achieving e.g. individual coaching, external courses, reading material, change of Boards, increased responsibility.

**8. Other Comments**

Please use this space to record any additional remarks, notes, questions, suggestions or other comments you wish to make.

**CHAIR'S COMMENTS**  
**(To be completed by the Chair after the review)**

**9. Agreed Training and Development Needs**

Give details of any training or personal development needs agreed with specific objectives, priorities, appropriate timescales and preferred means of achieving.

**10. Action Planner**

Any other agreed courses of action, objectives or plans should be recorded below.

What is to be achieved? measured?	When is it to be achieved by?	How will it be
--------------------------------------	-------------------------------	----------------

**11. Additional Chair's Remarks (if any)**

**Signature of Chair** ..... **Date** .....

**Signature of Board Member** ..... **Date** .....

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**EQUAL OPPORTUNITIES**

XXX ALMO is committed to providing equality of opportunity for all in the services and employment it provides, regardless of race, colour, ethnic or national origin, disability, religion age, gender, health, marital status or sexual orientation. In order to promote active policies and to eliminate discrimination, the organisation wishes to monitor Board member recruitment. We therefore request your co-operation in Sections A, B, and C (please tick one box for each section):

I would describe myself as:

Section A	Section B	Section C
Asian <input type="checkbox"/>	Black <input type="checkbox"/>	Male <input type="checkbox"/>
Caribbean <input type="checkbox"/>	White <input type="checkbox"/>	Female <input type="checkbox"/>
African <input type="checkbox"/>	Other <input type="checkbox"/>	
South-East Asian <input type="checkbox"/>	Mixed <input type="checkbox"/>	
British/European <input type="checkbox"/>		
Irish <input type="checkbox"/>		
Other <input type="checkbox"/>		

If you suffer from any disability as stated in the Disabilities Discrimination Act '96 (definitions of disability are attached) please tick box

If yes, please state what the disability is:

**THE DEFINITION OF A DISABILITY**

The Disability Discrimination Act 1995 (DDA) states that “ a person has a disability ... if they have a *physical or mental impairment* which has a substantial and long-term *adverse effect* on their ability to carry out *normal day-to-day activities*”. If an individual is to be protected under the DDA, he or she must satisfy the four main conditions (*in italics*) of the definition of disability under the Act.

**Physical and Mental Impairment**

*Physical impairment* is not defined by the DDA, but includes impairments that affect the senses, e.g., hearing or sight.

*Mental impairment* is defined as impairment resulting or consisting of a mental illness only if the illness is a clinically *well recognised* illness. This could include manic depression, schizophrenia and severe extended depressive psychoses. A clinically well-recognised illness is an illness that is accepted to exist by a body of respected medical practitioners, e.g., World Health Organisation.

A mental impairment as defined in the **Mental Health Act 1983**, can fall within the definition of a mental impairment in the DDA, but this does not mean that a mental impairment that falls within the definition of a mental impairment in the DDA, must also

fall within the definition of mental impairment in the Mental Health Act, to be a mental impairment under the DDA.

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- j) manual dexterity
- k) physical co-ordination
- l) continence
- m) ability to lift, carry or otherwise move everyday objects
- n) speech, hearing or eyesight
- o) memory or ability to concentrate, learn or understand
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### **Disabilities Controlled by Medication or Special Aids**

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## **Appendix 5**

### **Future Role for Parent Authority**

A key benefit of setting up an ALMO is the separation of the local authority's housing management role from its strategic housing function. The creation of the ALMO should enhance both these functions, and the Secretary of State will look closely at ALMO proposals to see how this will be achieved. The benefits of separation for housing management include:

- a separate organisation with a clear focus on the housing management role
- involvement of a wider range of people, including tenants, in decision-making, helping to encourage innovative thinking
- a more business-like approach to managing the stock, concentrating on delivering high quality services offering value for money and responding to the needs of tenants

The local authority shall retain its strategic and enabling role and generally responsibility for dealing with issues such as homelessness, allocations and private sector housing. These functions are underpinned by statutory requirements and the Secretary of State will need to be satisfied that their delivery is not jeopardised by the setting up of an ALMO.

When setting up an ALMO, authorities will need to consider carefully how they will discharge their functions under homelessness legislation. The local authority can contract out most of their homelessness functions however they cannot contract out their requirement to possess a homelessness strategy. Where functions are contracted out, the responsibility for ensuring they are carried out remains with the authority.

The local authority remains responsible for the administration of housing benefit. However, ALMOs may verify housing benefit claims on behalf of the local authority where this is carried out under a contract between the local authority and the ALMO and robust monitoring and audit arrangements are in place.

It is essential for the local authority and the ALMO to be completely clear and unequivocal regarding their respective roles and responsibilities. The management agreement is a useful tool for providing the clarity and focus in respect of this issue. It is important however for awareness raising and training to be provided to staff, Board members, the local authority and key stakeholders to ensure collective understanding of new roles and responsibilities and how they are achieved.



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Golden Gates Housing (Warrington) developed a briefing for key stakeholders which addressed this issue by way of a member briefing which covered the following areas:

- What is Golden Gates Housing – detailing a breakdown of stock,/board of directors/definition of an ALMO and details of the Management Agreement
- What role does the council now have?
- What do the changes mean for councillors?
- What functions Golden Gates Housing is responsible for?
- What the changes mean for tenants and leaseholders?
- What do the changes mean for staff?
- How is Golden Gates Housing Funded?
- How will the performance of Golden Gates Housing be monitored?
- What if things go wrong?
- Statement of Golden Gates Housing's Vision, Mission, Aims, Wider Aims & Values

As a new organisation, it is incumbent upon the ALMO to clearly communicate to stakeholders its role and responsibilities. The starting point for the communications strategy should be the parent authority as a failure to address this key issue at the formation of the ALMO could lead to significant difficulties later on.

## **Appendix 6**

### **Personal Effectiveness for Potential Board members**

There are a number of programmes in the market place for developing the effectiveness of potential Board members. One such programme is run by PEP who have been working with ALMO Boards as part of the Innovation into Action grant Programme sponsored by the ODPM and managed by the Chartered Institute of Housing.

It is recognised that taking part in an election or selection process to become a tenant board member can be challenging and daunting for many individuals and this can have a negative effect on those applicants coming forward. The approach taken is therefore to offer support to potential board members to make them better able to challenge for a place on the Board and to encourage those whose lack of confidence or experience may have previously prevented them from putting themselves forward.

The PEP project is being piloted over 2 years with Barnsley ALMO – Berneslai Homes. In year 1, the focus was to raise the profile of Board membership with all tenants. The course itself is split into 5 modules aimed at helping participants develop a better understanding of themselves, increase their confidence and demonstrate how they could use their qualities to be effective board members.

The modules cover a variety of themes, but include:

- Perceptions
- Confidence and Communications
- Behaviour
- Language and Listening

The course lasts for 5 weeks and is supported by one off training session on the roles and responsibilities of board members and an open invite to attend board meetings.

Some comments from participant include:

*I had always thought negatively about myself and that I couldn't do things, now I think. "I can do"*

*The course taught you a lot about yourself, e.g. how I express opinions and the best way to do it...*

*I grew more confident each week!*

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For further information on the PEP programme contact:

Chris Brown or Liz Welsh  
PEP Ltd  
3<sup>rd</sup> Floor  
City Point  
701 Chester Road  
Manchester M32 0RW  
TEL: 01942 489 393  
Email: [chris.b@pep.org.uk](mailto:chris.b@pep.org.uk)/[liz.w@pep.org.uk](mailto:liz.w@pep.org.uk)

Regardless of what training package is utilised, it is important to note that Board members shall require help and guidance in developing and fulfilling their role. Whilst traditionally extra support has been targeted at tenant board members it is important to note that council nominees and independent members will probably also require some training, mentoring and guidance to fully realise their potential.

**Appendix 7.**

**Guidance on Governance**

In addition to this resource pack there are many other sources of guidance and assistance to help ALMO boards achieve the highest standards of governance. Listed below are a number of publications, which highlight board effectiveness across the spectrum of social housing.

Guidance on Arms Length Management of Local Authority Housing 2003 edition - website: [www.odpm.gov.uk](http://www.odpm.gov.uk) or Tel: 020 7944 3715

National Federation of ALMOs - ALMO profile series and Governance Workshops – email [almos@hfta.co.uk](mailto:almos@hfta.co.uk) or Internet [www.hqnetwork.org.uk](http://www.hqnetwork.org.uk) Tel: 01723 350022

Treading the boards: a self-assessment framework for board performance (Housing Corporation, 2001)

In control: the voluntary board members handbook (NHF)

Competence framework for board members of registered social landlords (Central Consultancy Services Ltd, 2001)

Competence and Accountability – Code of Governance for members of the National Housing Federation

A Simple Step Guide to Recruitment – The office of the Commissioner for Public Appointments – email [ocpa@gtnet.gov.uk](mailto:ocpa@gtnet.gov.uk) or Internet [www.ocpa.gov.uk](http://www.ocpa.gov.uk)