



Arms Length Management Organisation: Fact Sheet

Recap on Stock Option Appraisal

1. The council is exploring options for the future financing, ownership and management of its homes because:
 - The housing finance system has changed. The council must fund all of its housing services and improvements from its rental income. It must also deal with a £240M debt allocated to it by the Government to end the previous housing subsidy system.
 - The council has a substantial shortfall in its capital resources over the next thirty years (£66M). It is unable to borrow the money needed to reduce this gap. This means that improvement programmes will be rephased and reprioritised and the difference between the homes and services offered by other Registered Providers (RPs) in County Durham and the council will become more pronounced.
 - The council wants to make social housing services and the quality of homes and neighbourhoods consistent across the County.

Single Arms Length Management Organisation (ALMO) with Area Based Arrangements

What's an ALMO?

2. An ALMO is a company set up by a council to manage all or part of its housing stock.
3. The key features of an ALMO are:
 - Ownership of the housing stock remains with the local authority.
 - The local authority remains the legal landlord.
 - Tenants remain secure tenants of the authority and there is no change in their rights such as the right to buy, right to repair and right to manage.
 - As the name implies, an arms length body has a significant degree of independence from the local authority.

4. ALMOs are normally companies which are 100% controlled by the local authority and they are usually constituted as companies limited by guarantee. ALMOs do not trade for profit, issue share capital or pay dividends.
5. The relationship between a local authority and an ALMO is defined in an agreement which sets out the obligations of both parties. This is called a management agreement and it usually covers:
 - The functions to be delegated to and carried out by the ALMO and the standards to which they are to be carried out.
 - Arrangements for reporting on performance.
 - Financial relationship and obligations of each party.
 - Length of the agreement.
6. An ALMO is managed by a Board of directors. The Board includes tenants, local authority nominees and independent members with relevant experience of social housing, regeneration, social cohesion, finance and other ALMO responsibilities.

What are the advantages of establishing a single ALMO in County Durham?

7. A key benefit of establishing an ALMO is the continued separation of the council's housing management role from its strategic function. The creation of a single ALMO should continue to enhance both of these functions. The council recognises that there are benefits to the retention of the ALMO model in County Durham. Benefits 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 and 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.
8. A single ALMO for Durham County Council's housing stock will also:
 - Preserve the excellent levels of customer involvement in social housing offered by existing organisations.
 - Make homes and services more consistent.
 - Allow council owned housing the freedom to operate as a business and contribute to the delivery of high quality homes in the County.
 - Provide a potential transfer vehicle for the future.

What will the ALMO model look like in County Durham?

9. Durham County Council is landlord for almost 19,000 homes across County Durham. Following extensive consultation with customers, staff, Board members, councillors and other key partners, the council understands the importance of local focus and accountability. So, a possible option for the future of council housing is the creation of a single ALMO with area based service and governance arrangements.
10. A single organisation (ALMO) will be created, which will retain area based offices. Area based offices will be responsible for the delivery of front line housing management services, as they are now. Business planning, performance management, overall asset management and other corporate functions will be undertaken by a central “core” of the single ALMO.
11. Strategic decision making on asset management and business development may be taken by a strategic Board, but powers and resources for the direction of housing management services will be delegated as far as practicable to local Boards, so local service delivery and accountability is protected.

What will the ALMO be responsible for?

12. The ALMO’s primary focus will be the prudent management of the housing stock. Functions which are likely to be undertaken by the ALMO include:
 - Business planning and reporting performance to tenants (regulatory requirement)
 - Stock investment decisions and repairs ordering.
 - Rent collection, dealing with arrears and debt counselling.
 - Consulting and informing tenants on matters which are the ALMOs responsibility.
 - Promoting tenant participation, including involving tenants in monitoring and reviewing service standards.
 - Enforcement of tenancy conditions.
 - Leaseholder management and other functions.
 - Managing lettings, voids and under occupations.
 - Estate management, caretaking and housing related support services.

When will I find out how this affects me?

13. The creation of an ALMO does not take as long as a stock transfer process. It may take just over a year to complete the necessary consultation and apply to the Secretary of State to allow the council to delegate responsibility for the management function to the new organisation.
14. The creation of a single ALMO will involve a lot of consultation with tenants, staff, Councillors, Board members and other local partners. We’ll

work with stakeholders to develop a detailed project plan for the creation of a single ALMO that will set out when a shadow Board will be appointed, when management structures may be in place and when new arrangements will be up and running.

15. We expect to know whether our application to the Government for a place on a stock transfer programme has been successful or not by summer 2013. If our application is unsuccessful then we will start to implement a plan for single ALMO.
16. Staff members who are affected by the creation of a single ALMO will have a legal right to be informed and consulted regarding the proposal. The current employer will begin consultation with affected employees and the recognised trade unions far enough in advance of the creation of a single ALMO so they are provided with enough time and opportunities to discuss the proposal, its implications and raise issues.
17. Over the next few months managers will put in place appropriate arrangements to undertake effective consultation with any employees that may be affected if the council's transfer application is refused and it decides to establish a single ALMO. Individual staff members will also be given the opportunity to discuss the proposal with a manager and their trade unions.

What if I'm asked a question I can't answer – who do I contact?

18. Staff and other stakeholders that come into regular contact with tenants are incredibly important to the consultation process and the successful creation of a single ALMO. You may be asked for your views. You can refer tenants to Open Communities (Independent Tenant Adviser) for independent, impartial advice on options and their implications for tenants. On 0800 0731051 or e-mail enquiries@opencommunities.org
19. If you have any questions or concerns about the creation of a single ALMO, you can contact the Housing Directions Team on 03000, 261864 or e-mail housingdirections@durham.gov.uk or contact your representative on the Steering Group, a manager in DVH, DCH or EDH or your local union representative.