Championing better homes and communities

MHCLG Call for Evidence – Delegated models
NFA response
February 2025

Introduction

The NFA (National Federation of ALMOs) is the trade body which represents arms-length management organisations across England. All are not-for-profit bodies wholly owned by their parent councils, created to manage council-owned housing and deliver housing-related services. The NFA represents 15 ALMOs across the country managing around 172,000 local-authority owned properties.

As the membership body for ALMOs, we have set out some background and points below that we hope will be useful as part of the call for evidence, however we have left the questions for individual members to respond to. For more information on our submission, please email Lisa Birchall, NFA Head of Policy at lisa.birchall@almos.org.uk.

1. History of the ALMO movement and Regulatory Framework

ALMOs were first established in 2004 under the last Labour government to improve local authority housing quality and service delivery, as part of a commitment to bring all council housing up to the Decent Homes Standard by 2010. Councils which needed additional funding to improve their housing stock could choose between setting up an ALMO, a PFI or stock transfer. All these options required the local authority separating out its strategic housing function from its housing management function. At the peak of the movement, there were over 70 ALMOs across the country.

A key part of the ALMO model was strong tenant involvement in decision-making, with a third/third/third split of tenants, councillors and independents on ALMO boards, and a focus on tenant involvement throughout the organisation. Tenant involvement remains a key part of the ALMO model and something which is very much aligned with the new regulatory focus. As at December 2024, 26 per cent of ALMO board members are tenants or leaseholders; and there are a range of well-developed tenant involvement structures which ALMOs use.

The role of Independent Board members is also an important part of the model. This ensures ALMOs – and their parent local authorities – can leverage a wide range of expertise into their governance structures. As at December 2024, 41 per cent of ALMO board members are independents. 27 per cent are councillors/council nominees (with the remaining six per cent classed as 'other'.)

Inspection

Until 2011, ALMOs were inspected through the Housing Inspectorate, a part of the Audit Commission, with ALMOs given gradings after inspection. Performance was linked to Decent Homes funding, with local authorities only able to unlock funding with a two (good) or three (excellent) star rating. Prior to the ending of the inspection regime, the vast majority of ALMOs had got to two-star rating and had unlocked their funding.

The ALMO movement largely achieved its goals, with the majority of local authorities with ALMOs reaching decency. Over 20 years after being established, the remaining ALMOs are also delivering better performance than stock retained local authorities on average, which shows how successful the model has been for many local authority areas (see section on performance below).

The Housing Inspectorate was closed in 2011, and councils were given more control to make their own arrangements locally, with performance expected to be managed through local arrangements and decision-making, and ultimately through the ballot box.

As a result of this, from 2011 until the Social Housing White Paper and reforms to the Regulator of Social Housing, management arrangements between local authorities and ALMOs had started to diversify depending on a range of factors, including local context, political choices, the services delegated to the ALMO, and the existence of other local authority companies.

2. Delegated management arrangements

All local authorities with ALMOs set out management arrangements through a formal Management Agreement or Partnership Arrangement, and have a range of governance and assurance arrangements designed according to local requirements, as we stated in the NFA publication Excellence in Management and Partnership in 2021. These should include, but are not limited to:

- Explicit structures that set out clearly defined roles and responsibilities for both organisations and individuals, for service delivery, performance monitoring and reporting, and contract management.
- Clear communication and information sharing protocols, with regular meetings between ALMO and local authority staff at various levels, and elected members.
- Clear alignment between local authority objectives and ALMO objectives.
- An effective clienting function from the local authority, with clienting individuals or teams in place to monitor the ALMO; and an effective scrutiny function.
- The majority of ALMOs have councillor or council-nominees on the ALMO Board to provide a further link back to the council and level of assurance.

The new Regulator of Social Housing regulatory regime which came in force April 2024 has significantly altered the environment in which local authorities, and ALMOs, operate in; and ALMOs have welcomed the changes. This regime has come in alongside other legislation and statutory changes which were developed as a result of the Grenfell Tower Fire- including the Building Safety Act and updates to the Housing Ombudsman Service - to give a much more regulated sector than previously, focused on driving improvements and delivering good outcomes for tenants.

These changes are already having a significant impact on the local authority sector, with 28 local authorities having already received a grading from proactive or reactive engagement. It is probably still too early to appreciate the scale of the impact; however, our view is that the new regime has been positive, and early indications are that it works well with local authorities where there is an ALMO arrangement in place, as can be seen with the Barnsley Council inspection and the Shropshire pilot inspection, as well as reactive inspection work elsewhere.

The increased focus on regulation pre-2024 and over the last nine months has led to significant work in the local authority with ALMO sector. This includes:

- Reinforcement of the fact that the local authority is the Registered Provider and ultimately responsible for the delivery of housing services, with the inspection regime inspecting local authorities rather than ALMOs. This has driven an increased focus from many local authority officers and elected members onto their housing services and the ALMO Management Agreement.
- A significant focus on governance and assurance arrangements, and making sure that the local authority can demonstrate its assurance of the quality of services the ALMO delivers. In many cases, local authorities and ALMOs have undertaken external Consumer Standards/preparedness for inspection reviews, audits, or reviews of their ALMO and governance arrangements.
- There has been a lot of work undertaken to review and strengthen processes around hearing the tenant voice and making sure it is being used to develop and improve services.
- Local authorities and ALMOs have put in place new structural and governance arrangements to ensure they meet the requirements in the Building Safety Act.
- Local authorities and ALMOs have assessed themselves against the Housing Ombudsman Complaint Handling Code and updated their governance, policy and procedures in line with the code, including appointing a Member Responsible for Complaints.
- There has been a huge amount of work undertaken – and underway - to make sure that local authorities with ALMOs can demonstrate that they have a good understanding of the quality of homes and who lives behind the door, and are using that information to shape services (as is the case across the local authority sector and housing association sector).

Our considered opinion is that the legislative framework which governs the ALMO model – enforced by the new regulatory regime - is sufficient to ensure good outcomes for tenants; and provides the right balance so that local authorities can choose how they deliver their housing services, but quality is not compromised.

3. Performance

The NFA commissioned external experts Housemark to undertake an analysis of the first year of Tenant Satisfaction Measures data submitted by their members in June 2024.[1] Taking the median averages, this analysis shows:

- ALMOs outperform local authorities for the 12 perception-based TSMs
- ALMOs have continued to achieve an overall satisfaction score higher than those of the sector-wide and local authority medians.
- ALMOs compare favourably when looking at the management information measures focused on service delivery, such as Decent Homes compliance, non-emergency repairs competed, and complaints responded to within target timescales.
- A higher proportion of ALMOs are fully compliant against the five building safety metrics when compared with local authorities.

Average overall satisfaction for the services delivered is nearly 10 percentage points higher for the ALMO sector compared with the local authority sector (73.9 per cent versus 64.2 per cent). Analysis from Housemark shows that ALMOs are, on average, only marginally more expensive than local authorities on cost-per-unit (0.65 per cent) and are better value for money across many areas, including routine maintenance, major works, maintenance management and housing management.

We argue that it is the fundamentals of the ALMO model which lead to its satisfaction scores: the focus on good governance, the separation of the day-to-day housing delivery from the strategic housing function, and the involvement of tenants in the high-level governance. We also argue that ALMOs are used to having layers of accountability through their independent boards and councils, which can help to provide assurance.
The first – and only - local authority so far to receive a C1 in the proactive inspections is Barnsley Council, which has an ALMO model.

<u>Reasons for closure</u>

The number of ALMOs has dropped from its peak under the Decent Homes Programme.
There are different reasons why local authorities close their ALMO. Only in some cases has poor performance been a factor. However, some local authorities have also kept the ALMO model in

[1] This was before the publication of the whole dataset by the Regulator, but as Housemark membership covers a significant proportion of the local authority sector and all ALMOs, the results are in line with the overall dataset. The report can be provided to MHCLG on request.

cases of poor performance, recognising the value of the model and the fact that, ultimately, they are responsible for the performance of their ALMO.

A number of ALMOs were closed after Decent Homes was achieved and local politicians felt that the justification for having an ALMO no longer existed. ALMOs have also been closed down as a result of political changes locally; as a result of local authorities needing to be seen to be doing something due to a wider failure; or as part of a cost-savings drive. In our experience, very few of these decisions are taken as a result of effective engagement with tenants or with a focus on maintaining the quality of services delivered.

It is also worth noting that a number of local authorities which have recently received failing gradings from the Regulator (C3 or C4) had high performing ALMOs under the Audit Commission regime, but closed those ALMOs down and returned to direct delivery. For example:

Local Authority	Regulator judgement	Audit Commission judgement prior to closure of the inspection regime
Hackney	C3	Good 2 Star service with promising prospects for improvement (2009)
Newham	C4	Good 2 Star service with excellent prospects for improvement (2010)
Sandwell	C3	Excellent 3 Star ALMO with excellent prospects for improvement (2008)
Sheffield	C3	3 Star ALMO with excellent prospects for improvement (2010)
Stevenage	C2	2 Star ALMO with promising prospects for improvement