

Factsheet 3: Decent Homes options and Options Appraisal

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Arm's Length Management Organisations

What is an ALMO?

An Arm's Length Management Organisation (ALMO) is a company set up by a local authority to manage its homes and make them decent.

Key Features of an ALMO

- Homes remain owned by the council, and tenants remain council tenants
- Greater role for tenants, who have places on ALMO Boards alongside council nominees and independent members.
- ALMO provides a dedicated housing management service while Council can concentrate on strategic housing functions.
- Extra resources are available from the Government for high-performing (2* and 3*) ALMOs

Background

Setting up an ALMO to improve and manage its housing stock is one of the 3 options, along with LSVT and PFI, that local authorities have to secure the additional resources they need to ensure their housing meets the decent homes standard by 2010.

ALMOs are usually companies limited by guarantee with council nominees, tenants and independent members on the Board. The ALMO operates under the terms of a management agreement with between the local authority and the ALMO.

In order to delegate their housing management functions to an ALMO, local authorities must apply to the Secretary of State for consent under section 27 of the Housing Act 1985. Before awarding consent, Ministers need to be satisfied that tenants have been consulted and show a balance of support for the proposal to create an ALMO.

Local authorities who create high performing ALMOs are eligible for additional funding from the Government to help them meet the Decent Homes target. Before a local authority can access ALMO funds, their ALMO must achieve at least a 2* good or 3* excellent inspection rating from the Housing Inspectorate.

Together ALMOs, either existing or proposed under the current three Rounds of the ALMO Programme cover just under 500,000 homes or nearly 1 in 5 of all council stock. Conditional allocations of £1.4 billion of ALMO funding have so far been made across all three programmes, covering 300,000 non decent homes.

The ALMO Success story

Round One

Eight councils were provisionally awarded £300m under the first round for expenditure in 2002/03 and 2003/4. These are Ashfield, Derby, Hounslow, Kirklees, Rochdale, Stockton, Westminster and Wigan. All eight have now had their funding confirmed following inspection by the Housing Inspectorate. Ashfield, Derby and Westminster have been awarded "excellent" (three star) ratings while the other ALMOs have been awarded "good" (two star) ratings. Ministers recently announced a further £473.4m for 2004/5 and 2005/6.

Round Two

Thirteen councils were awarded conditional funding totalling £383m under Round 2 for expenditure starting in 2003/04. These were Barnsley, Bolton, Leeds (for 6 ALMOs), Salford (since withdrawn), Blyth Valley, Brent, Carrick, Cheltenham, Colchester, Hillingdon, Kensington and Chelsea, Oldham and Waltham Forest. Brent and Carrick have been awarded "excellent" (three star) ratings while Barnsley, Bolton, Leeds (North East and West), Blyth Valley, Cheltenham, Colchester, Hillingdon, Kensington and Chelsea and Oldham have been awarded "good" (two star) ratings. So far, qualifying ALMOs under Round 2 have unlocked just over £290m of ALMO funding.

Round Three

Thirteen councils were awarded places on Round 3 of the ALMO programme. These were Barnet, Camden (since withdrawn), Easington, Gateshead, Harrow, High Peak, Islington, Newcastle, Poole, Sheffield, Solihull, South Lakeland and Warrington. Together, these councils were provisionally allocated £314.8m for 2004/5 and 2005/6, the first two years of their programmes. Ministers have awarded 11 of these Councils section 27 consent to delegate their functions to newly created ALMOs. These ALMOs are now proceeding toward inspection.

Round Four

The Deputy Prime Minister has today announced that 12 councils have been awarded places on Round 4 of the ALMO programme. These are Bassetlaw, Brent (Partial), Ealing, Eastbourne, Hammersmith and Fulham, Newark and Sherwood, Nottingham, Rotherham, Sandwell, Sheffield, Slough, and Wolverhampton. We will continue to work with two other councils - Bury and Manchester - on their proposals. In total, the bids for Round 4 are for over £2.0 billion until 2010 and cover just under 220,000 homes.

Overview

- In less than four years, the ALMO sector has grown in numbers and strength so we are now well on the way to having just under 500,000 homes under ALMO management.
- There are now 20 ALMOs who have been inspected by the Housing Inspectorate and are providing tenants with services that are 2* good or 3* excellent.
- Currently these 20 ALMOs are making use of just under £600m of additional funds to help make homes decent - currently at a rate of over 4,200 every month.
- Many ALMOs on Rounds 1 or 2 have clear programmes set down which mean they will deliver Decent Homes for their tenants well inside 2010 target date.

Housing transfer - delivering decent homes and much more

What is housing transfer?

Housing transfer is where a council transfers some or all of its stock to a housing association. It makes a major contribution towards achieving the target of making all social housing decent by 2010. Since 1988 there have been 188 Large Scale Voluntary Transfers (LSVTs) involving over 800,000 dwellings in England raising over £12.5 billion in private finance to purchase and invest in housing stock.

A local authority proposing a transfer of more than 499 dwellings must first obtain a place on an annual disposals programme approved by the Secretary of State. Councils must then develop scheme proposals and carry out informal and formal consultation with their tenants. The Secretary of State will not give his consent if the majority of tenants are opposed to transfer. This is usually established through a formal ballot of secure tenants.

Transfer is a tried and tested model which since 1988 has grown to continue as a key plank of Government policy - communities all over the country from have benefited from the investment and the real outcomes that transfer brings.

What are the benefits of transfer?

Transfer has the potential to bring about a wide range of benefits - housing renewal, improved service delivery and greater tenant involvement which puts tenants at the heart of the process and will provide them with improved and more responsive services in line with their aspirations.

Transfer provides the mechanism for enhanced community facilities and environmental improvements to an area, not just the physical fabric, but also providing opportunities for skills and training to enable people to make the most of their potential.

Facts and figures - what housing transfer has actually delivered in recent years

2001 Programme

- The 2001 LSVT Programme has now been completed. 27 transfers took place totalling around 185,000 dwellings. There were 4 negative ballots, including Birmingham, totalling 117,243 dwellings. The programme was completed on 31 March 2003.

2002 Programme

- The 2002 LSVT Programme has now been completed. 14 transfers were delivered totalling 52,967 dwellings. There were 3 negative ballots including Stockport (12,833), totalling 20,088 dwellings. The programme was completed on 31 March 2004.

2003 Programme

- There are 28 applications to transfer on the 2003 Programme totalling 129,864 dwellings. One transfer has been completed by Hartlepool Borough Council totalling 7,509 dwellings. There have been a further 11 positive ballots in Peterborough (10,120 dwellings), Purbeck (1,614), Forest Heath (2,705), Middlesbrough (13,163), Hackney (Kings Crescent)(404), Copeland(3,865), Trafford (1,100), South Norfolk (4,284) Manchester, Woodhouse Park (2,543), Wakefield (33,405), Wirral (14,500) totalling 87,703 dwellings. There are a further 10 ballots yet to take place.

2004 Programme

- Applications for a place on the 2004 programme have been received from 18 authorities for 37 transfers. These represent a total number of 114,719 dwellings.

Housing PFI (Private Finance Initiative)

What is Housing Private Finance Initiative (PFI)?

Housing PFI is the award of a long-term contract from a local authority to a PFI private sector operator that will provide additional investment in social housing to meet the Decent Homes Standard.

How does PFI work?

- The PFI operator will refurbish all the properties within the scheme up to the Decent Homes Standard and maintain them at or above that standard for the rest of the contract, typically 30 years. The Operator will also provide housing related services, such as rent collection, to the tenants. In return the Operator will receive an annual performance based unitary charge throughout the contract.
- There are two types of Housing PFI Housing Revenue Account (HRA) PFI and non-HRA PFI. In HRA PFI the local authority owns the properties and the tenants remain tenants of the local authority. Non HRA schemes are usually in the form of long-term (25-30 years) service contracts with RSLs, involving new build or acquisition and refurbishment, and continuing management and maintenance. The stock will be in the ownership of the private sector operator, and tenants are tenants of the RSL although the authority retains nomination rights.

What are the benefits of PFI?

- PFI allows local authorities to bring in private sector expertise. Risk is apportioned to the party, either the local authority or the PFI Operator, best able to understand and deal with it. It also encourages innovation in service delivery and tenant involvement.
- Housing PFI can be linked to sustainable regeneration, estate remodelling, crime reduction, training and work opportunities. It can also include more unquantifiable benefits such as improved quality of life for tenants and residents, and the knowledge that homes and services will be provided to agreed standards for thirty years.

What has Housing PFI achieved so far?

- In 1999, 8 local authorities were chosen to pioneer the Housing Revenue Account (HRA) PFI scheme as pathfinders. There are now 13 HRA PFI schemes and 6 non-HRA PFI schemes in procurement.
- HRA Pathfinders and Round 2 schemes were allocated £760m in PFI credits and are expected to refurbish around 25,000 homes.
- The most recent signings were made by Reading (HRA), Selby and Hammersmith & Fulham (both non-HRA) in March 2004
- Two schemes have already signed contracts - Manchester and Islington in March 2003. Two non-HRA schemes have also signed contracts in 1999 - North East Derbyshire and Derby City.
- There was considerable interest in the current (third) round of housing PFI, and 19 bids were submitted by local authorities.

Option Appraisal

What is an Option Appraisal?

- The Government wants to improve all Council Housing to meet the Decent homes Standard by 2010 it has set a minimum standard for all local authorities who own their own housing stock to meet by this date.
- In order for local authorities to meet the Decent Homes Target by 2010, they must first develop and complete an "Option Appraisal" to decide the level of investment needed to meet the Decent Homes Standards and to improve homes and neighbourhoods.
- An Option Appraisal process provides an opportunity for local authorities and it's tenants to review it's housing stock and agree on the most appropriate investment option/s that the Government has set out to identify additional funding to make improvements to tenants homes.
- These investment options include, setting up an Arms Length Management Organisation (ALMO), Transfer of all or some of the councils hosing stock to registered Social Landlord and Housing Associations or the use of Private Finance Initiative (PFI) to bring in additional money from private sector to deliver decent homes.
- Stock Option Appraisal plans should be agreed with tenants and must be signed off by the Government Offices by July 2005.

How does Option Appraisal work?

- The Government's guidance *Delivering Decent Homes - Option Appraisal* issued in June 2003 encourages local authorities to consult and involve tenants and other stakeholders about how they want their homes and neighbourhoods improved and managed in future. The Option Appraisal exercise must reflect clearly how tenants were consulted and involved in the decision making process and how the agreed option or options will be delivered.
- The information collected from the option appraisal exercise must include clear and robust data on the current conditions of council housing stock, the level of investment needed to undertake repairs and improvements as a minimum must meet the target and an agreed timetable for the works to be complete. It must also address the future arrangements of the council's housing services
- It should also consider where the investment programme will link up with other funding sources to deliver the wider regeneration of neighbourhoods and in particular, look at broader issues like local environment and community health and safety measures.
- As part of the Option Appraisal, local authorities must also consider any regional plans to tackle housing needs and demand issues, make provision for affordable housing and help to reduce homelessness.
- Once the Option Appraisal has been agreed and a preferred investment option is chosen it will need to be "*signed off*" by *Government Offices for the Regions*. But before the Option Appraisal is signed off, local authorities must agree with Government Offices and the Community Housing Task Force an effective communication and tenant empowerment strategy. This will set out how tenants/leaseholders and broader stakeholders will be involved in and consulted during the process and what information will be available to them. The strategy should illustrate how tenants are to be involved in the decision making process and the level of support to be provided, including recruitment of an independent advice for tenants.

What are the benefits of an Option Appraisal?

- The benefits of a good option appraisal will deliver a chosen option with an increased tenant involvement.
- It will provide further opportunities for greater empowerment to tenants where they are able to play a meaningful role in the planning and decision making process for their homes and communities.
- This process should build on the Tenants Compact already in place within the Authority.
- Greater tenant involvement in option appraisals also provide opportunities to discuss and agree tenant's priorities, expectations and aspirations for their homes, for improving the housing management services and their neighbourhoods.
- Tenants involved in the Option Appraisal process can acquire new skills and training for job opportunities in future.
- Option Appraisals is a tool for local authorities to strategically focus on delivery of the decent homes target, to review existing resources, improve services to manage tenants homes and take into the planning of this the priorities of tenants and other stakeholders to create sustainable communities
- Option Appraisal helps councils look more strategically at other housing issues like affordable housing, housing needs and demand and homelessness, as part of their role in delivery of the regional housing agenda.

Progress on Option Appraisal so far

- The ODPM's Community Housing Task Force provides a support and advice service to help local authorities, tenants and other stakeholders through this process.
- We are presently working in 156 Local Authority areas.