

Community Ownership Information Pack

Final Report

April 2001

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1 INTRODUCTION AND BACKGROUND

- 1.1 The Scottish Parliament's new Housing Bill aims to provide a framework for addressing Scotland's housing needs, in particular within the context of developing 'community ownership' of social housing. 'Community ownership' in social housing is also part of the current New Housing Partnerships agenda which promotes opportunities for the transfer of local authority housing stock to alternative social landlords.
- 1.2 To provide supporting information for these initiatives, the Scottish Executive commissioned DTZ Pineda Consulting to prepare a 'Community Ownership Information Pack'. The pack is to set out, in a concise and "user friendly" manner, facts and evidence on the experience of public housing stock Large Scale Voluntary Transfers (LSVTs) in Scotland and the rest of the UK. The study remit was to:
- Collate and interpret evidence on the experience of housing stock transfer focusing on issues such as rent commitments, tenant and staff satisfaction, tenant participation and achievement of business plan projections.
 - To present the information in the form of a briefing pack that outlines the key facts in a manner that is conducive to the wide audience that is interested in stock transfer in Scotland, including tenants, housing professionals and the general public.

HOUSING STOCK TRANSFERS – THE QUESTIONS TO BE ADDRESSED

- 1.3 The study approach involved setting and answering a set of hypothetical questions that may be posed by either an individual person or body interested in the process and outcomes. The questions were as follows.
- Why is the government promoting New Housing Partnerships based on 'community ownership' and the transfer of council housing stock?
 - What tenanted housing stock transfers have taken place in the UK in recent years?
 - What type of tenancy agreement was offered to transferring tenants?
 - What has happened to rents under recent housing stock transfers?
 - What was the level of projected/actual housing investment for major repairs and improvements?

- Were specific customer-service level standards/guarantees offered through the transfer?
- What is the level of satisfaction among those tenants who have been affected by transfer?
- What opportunities for tenant representation & participation (community ownership) were made available through the stock transfer?
- How have the organisations that acquired stock through stock transfers performed?
- Is the transferred housing stock still available to meet housing needs?
- What has been the extent and experience of the staff who have transferred with the housing stock to a new organisation?

METHODOLOGY

- 1.4 The study has focused on the actual outcomes of LSVTs as opposed to opinion and commentary on the process and practice. Given the relatively short time available for the assignment, the study has focused on facts and evidence on LSVTs that could be readily accessed, collated and presented in the report.
- 1.5 The information required to answer the study questions was obtained using a mix of secondary and primary research methods, comprising the following key elements:
 - a desk-based review of current and existing literature on LSVTs in both England and Scotland
 - access to information from Scottish Homes, Scottish Executive and Department of the Environment, Transport and the Regions LSVT databases
 - a short questionnaire distributed to over 60 social landlords in Scotland who had acquired stock through LSVTs
 - access to a small number of Scottish Homes files on individual LSVTs for the purpose of conducting case studies
- 1.6 At the outset of the study it was agreed that the primary research would concentrate on the Scottish experience of stock transfer, while the secondary analysis would cover both the English and Scottish experience.

1.7 The study timescale has introduced some limitations:

- there has been a reliance on data that was easily accessible, generally data that have already been collected in electronic databases - there is a wealth of data held in paper format that it was not possible to consider systematically
- the collection and collation of, in particular, primary data was limited
- the social landlord survey mainly focussed on LSVTs of Scottish Homes stock
- the information on local authority stock transfers for the case studies was limited to reliance on the information gleaned from the questionnaire
- the study focussed on collection and collation of information, rather than on in-depth analysis
- there are a number of inconsistencies between/within datasets and definitions which have not been resolved (mainly affecting financial data).

1.8 However it is our view that these limitations are relatively minor in the context of the study objectives. The study has collected together a large amount of relevant information on LSVTs in Scotland that, prior to this study, had not been collated or readily available to those stakeholders interested in the process and outcomes of housing stock transfers in Scotland.

REPORT STRUCTURE

1.9 The remainder of this report is divided into two sections. Section 1 contains an individual chapter for each of the eleven questions outlined above. The aim of each chapter is to present the evidence and information collected during the study.

1.10 Section 2 provides an overall summary of the information from each chapter drawing out the key points and provides the basis for the 'Community Ownership Information Pack'.

1.11 Appendices and a bibliography are also provided at the end of the report.

2 NEW HOUSING PARTNERSHIPS AND COMMUNITY OWNERSHIP

INTRODUCTION

- 2.1 The 32 local authorities in Scotland currently own and manage approximately 573,000 dwellings, equivalent to 25% of the total Scottish housing stock.
- 2.2 The Scottish House Condition Survey of 1996 estimated that the cost of comprehensive repairs and improvements to Council housing is around £2.1bn (£1.5bn and £0.6bn respectively). At the same time as facing this investment need, councils in Scotland have a consolidated housing debt of £3.67bn. This debt has been accrued over many years, to finance new house building as well as repairs and improvement to properties. The average debt per property is estimated at £6,472. The result of this is that across Scotland 33% of councils' rental income from tenants is used to service housing debt.
- 2.3 In essence local authorities in Scotland are faced with the resource pressures associated with the physical investment needs of their stock, the costs of providing efficient and effective housing services and this historical debt burden that they are required to service.

GOVERNMENT POLICY & NEW HOUSING PARTNERSHIPS

- 2.4 In order to address these issues the government is promoting New Housing Partnerships (NHPs). This policy was introduced in October 1997 with the stated principal aim to:

"foster close collaboration between local authorities and their partners ... to secure additional investment and promote good quality housing in the social rented sector"

- 2.5 The main objective of the policy is to encourage council's to examine the opportunities for increasing investment in their housing stock primarily through the housing stock transfer route.
- 2.6 The policy also places the concept and implementation of 'community ownership' at its heart. The policy is to promote and reflect the priorities of tenants, primarily through enhancement of local control by giving tenants more responsibility and input into the decisions regarding the ownership and management of their homes.

2.7 The primary planks of the policy include:

- putting tenants in the lead through community ownership
- tackling under-investment in Council housing through the generation of private finance to complement public sector investment
- tackling the historic council housing debt across Scotland
- contributing to wider government objectives promoting social inclusion and area regeneration
- achieving these objectives through partnership between councils, tenants, the wider community and the private sector.

2.8 Since 1997 the government has committed £350 million of public housing investment through NHPs in three phases with the current round of funding up until the year 2002. The main criteria against which funding allocations were to be made included:

- projects had to be the result of collaboration between councils and other interested parties
- projects would have to deliver community empowerment with the focus on housing stock transfers to achieve this
- projects had to be consistent with individual council's overall housing strategy
- projects had to generate private finance to maximise the impact of public investment.

COMMUNITY OWNERSHIP

2.9 The Government's Green Paper¹, published in February 1999, states that all housing policies in Scotland should be based on:

- working in partnership
- ensuring participation of tenants and local communities
- harnessing the resources of the private sector to meet the objectives of Government

¹ The Scottish Office (1999) Investing in Modernisation - An Agenda for Scotland's Housing

2.10 The Green Paper envisages that these objectives will be achieved through the promotion of "community ownership", using resources provided through the NHP initiative. It clearly states that community ownership would be achieved through the transfer of public sector stock to alternative community landlords at a price that reflects the value of the stock. Through the NHP initiative, stock transfer is considered to bring with it the following benefits:

- increasing essential investment into existing stock and promoting new development
- promoting 'community ownership' by allowing tenants a greater say in how their housing is provided and managed
- introducing a new reign of competition into the market based on private sector principles
- creating a culture of partnership working between local authorities, RSLs and other agencies
- increasing diversity of tenure, social inclusion and sustainable/balanced communities.

2.11 The view of community ownership is based on the Scottish experience of public sector housing large scale voluntary transfers (LSVTs) over the past decade, where a significant amount of, in particular Scottish Homes, housing stock has been transferred to housing associations and other Registered Social Landlords. This has resulted in significant growth of the RSL sector and the direct involvement of tenants in decisions regarding the ownership and management of their homes. The Green Paper includes specific provisions that:

- the housing should be owned by a non-profit making body on which there is tenant, local authority and community representatives
- there should be effective tenant involvement in key decisions
- housing should be available, and continue to be available, to be let at affordable rents to those in housing need, including the homeless and other vulnerable groups
- there should be guarantees for transferring tenants regarding rent increases, tenancy rights, and repairs and improvements to housing stock
- all transfers of stock require a tenant ballot, thus ensuring that tenants have the final decision on the future of their homes.

THE FUTURE FOR ‘COMMUNITY OWNERSHIP’

- 2.12 There are currently seven local authorities in Scotland who are progressing whole scale stock transfer in order to meet their housing and wider objectives. These council’s are diverse ranging from smaller island or rural authorities to large urban ones including:
- Aberdeen City – 27,600 dwellings²
 - Comhairle nan Eilean Siar – 1,999 dwellings
 - Dumfries and Galloway – 12,993 dwellings
 - Glasgow – 89,606 dwellings
 - Orkney – 909 dwellings
 - Scottish Borders – 7,480 dwellings
 - Shetland – 2,145 dwellings
- 2.13 As well as this, a large number of councils in Scotland are currently undertaking Option Appraisal studies for their housing stock. In general, these studies examine the future ownership and management options for their stock, looking specifically at stock transfer as one of the options. Others are also considering smaller scale development and regeneration partnerships, many of which include an element of stock transfer.
- 2.14 It is clear therefore that the implementation of ‘community ownership’ is viewed as an important piece of the government’s current housing policy in Scotland. The move towards implementing stock transfer as a means of achieving ‘community ownership’ has led to a number of Scottish local authorities considering this option for their own housing stock.

² All stock figures are estimates as at 30 September 2000 (Source: Scottish Executive Statistical Bulletin Housing Series (2000) HSG/2000/6, October 2000)

3 EXTENT OF LSVT ACTIVITY IN UK

INTRODUCTION

- 3.1 In the past decade or so there has been increased public sector housing stock transfer activity in both Scotland and England. The majority of this activity can be broadly defined as tenanted housing stock owned by a public sector landlord that has been transferred to an independent alternative social landlord, such as a housing association. The transferred stock continues to be utilised as social rented housing. These are generally known as Large Scale Voluntary Transfers (LSVTs).
- 3.2 Not all transfers are through LSVT. A comparatively small number of transfers of vacant properties to alternative social landlords or developers have taken place. Some stock has also transferred in Scotland through the ‘Tenants Choice’ scheme, which allows individual council tenants to transfer the ownership and management of their property to another social landlord. This pack, however, focuses on the past and current experience of LSVTs.

LSVTs

- 3.3 In both Scotland and England there are a range of public sector landlords who have divested themselves of their housing stock through LSVTs in recent years. These are:
- local authorities (Scotland and England)
 - Scottish Homes (Scotland)
 - New Town Development Corporations (five of these in Scotland³).
- 3.4 There has been a significant number of dwellings transferred through LSVTs. This activity catalysed in the late 1980s through the introduction of the 1988 Housing Act⁴ with specific provisions that encouraged LSVTs. To date, approximately 578,000 public sector dwelling in Scotland and England have been subject to LSVTs. The vast majority of this stock has transferred to RSLs, who are subject to regulation and monitoring by either Scottish Homes (Scotland) or the Housing Corporation (England). However, in Scotland a significant proportion of the new town stock was transferred to the local council where the stock was located.

³ The five new towns are Glenrothes, Livingston, East Kilbride, Cumbernauld and Irvine.

⁴ This housing legislation affected both countries and primarily related to the RSL sector and also LSVTs.

- 3.5 In Wales and Northern Ireland there has been little or no LSVT activity. However, in Wales, the new Assembly is encouraging local authorities to examine all the options open to them for housing investment and meeting their housing objectives, including LSVTs. The Northern Ireland Housing Executive, the main social landlord in Northern Ireland, has not identified LSVT as part of the current housing policy agenda.

ENGLAND

- 3.6 The Large Scale Voluntary Transfer (LSVT) Programme in England has been running since 1988 and is concentrated on local authority stock. To date, a total of 133 transfers have taken place to 107 alternative social landlords with the support of the tenants and the approval of the Secretary of State for the Environment, Transport and the Regions. Overall, 491,000 dwellings have been transferred to RSLs through LSVTs, including those assisted by the Estate Renewal Challenge Fund (ERCF)⁵.

Main LSVT programme (excluding ERCF transfers)

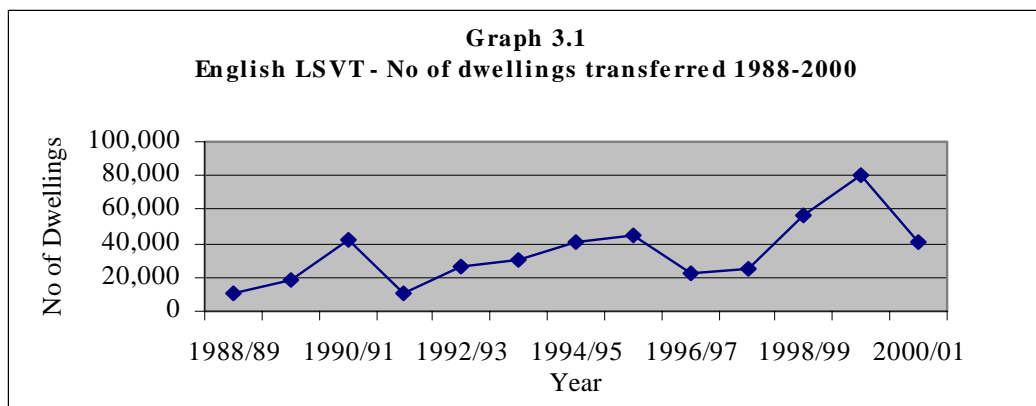
- 3.7 Table 3.1 demonstrates that there is a trend towards increased LSVT activity in England, particularly in terms of the number of transfers per year, which rose from a handful in the early years to 17 in 1999-2000. There may also be a trend towards larger transfers: the average number of dwellings involved in transfers over the full period was 4,387 units, but this rose to around 4,700 in 1998 and 1999, and reached nearly 9,000 for those transfers already completed in 2000/01.

⁵ The ERCF was a specific initiative introduced by the government to promote housing and regeneration objectives in run-down areas. This primarily focused on facilitating LSVTs and providing 'dowry' funding where negative value transfers were apparent.

Financial Year	No of transfers	No of units	Total purchase price		Loan facilities at transfer		Ratio of loan facilities to transfer price
			Total £m	Per unit £	Total £m	Per unit £	
1988/89	2	11,176	98.4	8,805	130.70	11,694	1.32
1989/90	3	18,126	127.30	7,023	164.00	9,047	1.29
1990/91	10	41,831	389.30	9,306	667.90	15,966	1.72
1991/92	2	10,791	92.10	8,535	176.50	16,356	1.92
1992/93	4	26,325	238.00	9,041	319.00	12,118	1.34
1993/94	10	30,103	270.50	8,986	455.30	15,125	1.68
1994/95	13	40,510	406.30	10,030	745.44	18,401	1.83
1995/96	12	44,595	477.80	10,714	963.17	21,598	2.02
1996/97	5	22,248	192.50	8,652	419.50	18,856	2.18
1997/98	7	24,405	259.67	10,640	488.20	20,004	1.88
1998/99	12	56,072	483.94	8,631	938.00	16,728	1.94
1999/00	17	80,405	179.81	2,236	1191.00	14,813	6.62
2000/01*	5	40,915	233.25	5,701	633.00	15,471	2.71
Total	102	447,502	34,48.87	108,300	7291.71	206,177	2.11

Source: Department of the Environment, Transport and the Regions, February 2001

* Note - the transfer programme for 2000/01 is not yet complete. According to the 2000 Disposals Programme a further 21 transfers will take place totalling approximately 155,000 units



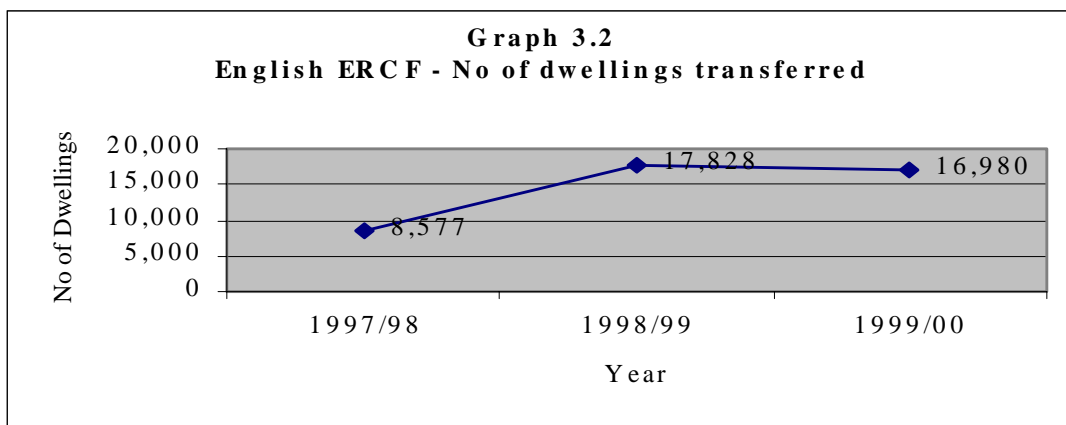
ERCF Programme

3.8 Between 1995-2000, the Government introduced and implemented the Estate Renewal Challenge Fund (ERCF) initiative. The initiative provides funding to facilitate negative value transfers of local authority stock in areas where social exclusion issues are prevalent and exacerbated by poor housing. This was primarily large urban estates dominated by local authority housing (particularly in the Greater London area). Over the course of the initiative a total of 31 LSVTs have taken place, allowing the transfer of 43,385 units.

Table 3.2
English Local Authority LSVTs (ERCF Programme 1998-2000): Summary Table

	No of transfers	No of units	Transfer price (grant)		Loan facilities at transfer		Ratio of loan facilities to transfer price
			Total £m	Per unit £	Total £m	Per unit £	
1997/98	9	8,577	126.71	14,773	192.40	22,432	1.52
1998/99	12	17,828	144.24	8,091	285.40	16,009	1.98
1999/00	10	16,980	197.65	11,640	290.05	17,081	1.47
Total	31	43,385	468.60	34,504	767.85	55,522	1.64

Source: Department of the Environment, Transport and the Regions, February 2001



Rural or Urban Transfers

3.9 There is some variation in the historical pattern of LSVTs in England. In earlier years, a substantial proportion of the transfers was from the more rural councils (accounting for 27 LSVTs prior to 1998). However since 1998 the focus has shifted to the urban centres such as Greater London and other Metropolitan Council areas with around 48 transfers affecting the more urban areas. ERCF transfers by their very nature have also tended to be focused on deprived urban areas.

LSVT Tenant Ballots

- 3.10 All LSVTs are subject to a tenant ballot as part of the consultation process. The relevant ministers in the DETR must be satisfied that a ballot has been undertaken and that tenants have voted in favour, before they will give consent for the stock transfer to proceed. By the end of 1999 there had been 148 tenant ballots in England, of which 74% were in favour of transfer⁶.

Mainstream (excluding ERCF) programme

- Turnout for ballots ranged from 58% to 91% of tenants, with an average of 75%.
- The vote in favour of transfer ranged between 43% and 97%, the average was 71%.

ERCF transfer programme

- The ballot turnout ranged from 62% to 91% of tenants, again with an average of 75%.
- The vote in favour ranged from 50% to 96%, with an average 76%.

- 3.11 The slightly higher average proportion of 'yes' votes under the ERCF may simply be a reflection of the poorer housing conditions on estates that the programme was focused on.

SCOTLAND

- 3.12 The extent of LSVTs in Scotland varies significantly from England. Overall the numbers of transferred public sector housing stock as well as the size of each individual transfer have been smaller in Scotland. The main LSVT programme in Scotland has been running since the early 1990s when Scottish Homes, the national housing agency, adopted and implemented an active policy of transferring the ownership and management of its housing stock to RSLs. However the LSVT programme in Scotland has also involved both local authority and the former new towns housing stock.

⁶ Perry, J. (2000) 'The end of council housing?' in Housing Finance Review 2000/2001 Eds Steve Wilcox, JRF, York

3.13 In total, approximately 89,300 public sector dwellings have been transferred to alternative social landlords. The largest proportion of this stock (75%) has been transferred to RSLs with local authorities acquiring large numbers of new town stock prior to their dissolution in 1996. Excluding the new town transfers (27,000 dwellings) there have been approximately 272 transfers in Scotland (65,000 dwellings), an average of 234 units per transfer. A summary breakdown of LSVTs in Scotland is as follows:

- Scottish Homes – 90 LSVTs since 1991 totalling 43,189 properties
- Local Authorities – 182 LSVTs⁷ since 1986 totalling 21,537 properties
- New Towns – number of LSVTs circa 1995-96 totalling 24,508 properties.

Scottish Homes LSVTs

3.14 In addition to the 90 LSVTs of Scottish Homes stock, there has been 13 Vacant Possession transfers totalling 678 dwellings and 2,031 individual transfers under the Tenants Choice scheme. Therefore the total number of stock transferred is nearly 46,000 units. This figure represents approximately 58% of the national housing agency's original stock of 74,500 dwellings⁸. The vast majority of the stock transferred to date has been acquired by registered housing associations or housing co-operatives, including 37 new social landlords. The largest LSVT to date is that undertaken in Fife in 1996/97 where 2,786 properties were transferred to Fife Special Housing Association.

3.15 The table below (3.3) summarises Scottish Homes LSVTs. It shows that the greatest amount of Scottish Homes stock transfer activity was between 1995 and 1999, accounting for 57% of all LSVTs. In the most recent year, while there has only been six transfers completed, a significant proportion of stock was transferred.

⁷ Some of these may be periodic transfers of small numbers of properties and also vacant possession transfers

⁸ A further 28% of the total stock has been sold to individual tenants through the RTB

Financial Year	No of transfers	No of units	Total Capital Receipt (£m)	Average Receipt per dwelling (£)
1991/92	1	1191	£5.003m	£4,201
1992/93	4	495	£1.562m	£3,156
1993/94	8	2414	£19.263m	£7,980
1994/95	6	4567	£23.060m	£5,049
1995/96	17	6215	£44.432m	£7,149
1996/97	17	8942	£74.689m	£8,353
1997/98	14	8874	£59.775m	£6,736
1998/99	13	4677	£37.503m	£8,018
1999/00	4	1795	£8.503m	£4,737
2000/01	6	4019	£20.686m	£5,147
Total	90	43189	£294.476m	£6,818

Source: Scottish Homes LSVT Database, February 2001

Local Authority LSVTs

3.16 Since 1986 there have been 182 local authority LSVTs in Scotland totalling approximately 21,537 properties. Unlike England, Scottish local authority LSVTs have tended to be small-scale, neighbourhood-based transfers with specific regeneration objectives. This is partly borne out in the pattern of receiving landlords, with 61 of the transfers having been to locally-based housing co-operatives. There has only been one LSVT that mirrors the scale of English LSVTs: the transfer of 2,104 dwellings that were formerly owned by Berwickshire District Council to Berwickshire Housing Association, completed in August 1995.

Year	No of transfers	No of units	Average Size of Transfer
1986/87	7	620	89
1987/88	3	1109	370
1988/89	13	1905	147
1989/90	9	451	50
1990/91	18	1353	75
1991/92	27	3083	114
1992/93	28	2634	94
1993/94	15	1656	110
1994/95	14	1983	142
1995/96	9	3150	350
1996/97	4	491	123
1997/98	5	247	49
1998/99	12	2458	205
1999/00	12	144	12
2000/01*	6	253	42
Total	182	21537	118

Source: Scottish Executive Property Disposals 1986-2001
* Please note that the transfer programme for 2000/01 is not yet complete (up to 08/12/2000)

- 3.17 The geographical spread of local authority transfers also differs from the English experience. Over 50% of LSVTs have involved Glasgow City Council, which has transferred over 12,000 properties in their area via LSVTs. City of Edinburgh (1,380), North Lanarkshire (1,569) and West Dunbartonshire (1,179) Councils have also transferred significant numbers of their housing stock via LSVT.
- 3.18 It has not been unusual for landlords acquiring local authority housing to have been involved in more than one transaction. For example, Williamsburgh Housing Association in Paisley has received stock from 12 separate transfers totalling around 275 units. Similarly Wester Hailes Community Housing Association⁹ in Edinburgh has received a total of 559 units through 14 transfers.
- 3.19 As table 3.4 illustrates the average transfer size has been 118 units. Whilst the total number of units transferred reached their peak in the mid-1990s, transfers have remained small and community-based. The largest transfer to date (excluding Scottish Borders) was 568 units from North Lanarkshire Council to Clyde Valley Housing Association in 1999.

New Town LSVTs

- 3.20 The five new towns in Scotland are Glenrothes, Livingston, East Kilbride, Cumbernauld and Irvine. Approximately 27,000 units of new town stock were transferred prior to wind-up of the new town development corporations in 1996. Approximately 82% of the stock was transferred to local authorities. The remaining 18% was transferred to a number of housing associations. The actual process largely involved tenanted (ballot) transfers, with a small number of trickle transfers of vacant stock.

LSVT Tenant Ballots

- 3.21 All LSVTs in Scotland are subject to a tenant ballot as part of the consultation process. While this is not a statutory requirement, the relevant Minister in the Scottish Executive must be satisfied that a majority of tenants support the proposal before giving consent for the stock transfer to proceed.

⁹ This association has recently changed its name to Prospect Community Housing

- 3.22 All of Scottish Homes LSVTs have involved a tenant ballot, resulting in 150 ballots having been undertaken since 1991. Ninety-two per cent have been in favour of transfer, with only 12 ballots where tenants rejected the transfer proposals. Of these 12 failed ballots, half occurred in the year 1997-98, and 5 have subsequently recorded a 'yes' vote for a subsequent transfer proposal.
- 3.23 The turnout for ballots has ranged from 61% to 100%, with the average tenant turnout being 75%. On average across Scotland 78% of tenants voting have voted 'yes' for LSVT proposals with only 22% recording a 'no' vote.

4 TENANCY AGREEMENTS

- 4.1 Transfer may result in changes to the type of tenancy agreement that tenants are entitled to¹⁰. This is inevitable where council tenants or Scottish Homes tenants, who have secure tenancies, transfer to a housing association/registered social landlord, where tenants are entitled to assured tenancies. However, transferring tenants will have aspects of their existing tenancy agreement preserved through contractual rights. Additional contractual rights may be incorporated into the assured tenancy agreement offered to new tenants of the association.
- 4.2 The Housing Association Survey conducted for this study, asked receiving landlords about the tenancy agreements offered to transferring and new tenants.
- 4.3 The majority (30) of associations noted that the LSVT tenants had a secure tenancy at the time of transfer.

Type of Tenancy	Number
Secure tenancy	30
Assured tenancy	1
Secure & Assured	1
Other	0
Total	32

Source: Housing Association Questionnaire

- 4.4 The most common tenancy post-transfer for LSVT tenants was the SFHA model tenancy with additional contractual rights (16 of the 32 associations). This is generally regarded as the most comprehensive tenancy agreement to be offered to tenants of registered social landlords. The next most common tenancy agreement was an assured tenancy with contractual rights (12 associations). The remaining five associations offered tenants either an assured or SFHA tenancy *without* any contractual rights.

¹⁰ The Housing Bill, that is currently being considered by the Scottish Parliament, seeks to introduce a Scottish Secure Tenancy that will bring all tenants of social housing onto the same tenancy agreement.

Table 4.2	
Type of Tenancy after Transfer	
Type of Tenancy	Number
SFHA model + contractual rights	16
Assured tenancy + contractual rights	12
Assured tenancy	3
SFHA model	2
Total	34
Source: Housing Association Questionnaire	

- 4.5 The contractual rights included in the agreements covered the preserved right to buy and rights of succession; as well as amendments to the repossession process.

Table 4.3	
Contractual Rights	
Contractual Right	Number²
Preserved RTB	30
Succession	24
Amendments to repossession process	8
Other ¹	1
Source: Housing Association Questionnaire	
Notes:	
1: Compensation for service failure	
2: Numbers sum to greater than 32, as tenancy agreements could include more than one additional contractual right	

- 4.6 Research by The Scottish Office into tenant views post-transfer¹¹, included questions on tenants' perceptions of their comparative tenancy rights. The research found that almost all former Scottish Homes and former local authority tenants felt that there had been no change to their 'security of tenure' following transfer. Less than five per cent felt that their rights had been weakened following transfer.

¹¹ The Scottish Office CRU (1997) Transfers of Local Authority and Scottish Homes Housing - A Study of Tenants and Staff Attitudes

Table 4.4		
Tenants' perceptions of tenancy rights		
	Ex- Scottish Homes	Ex-local authority
Rights strengthened post transfer	5%	3%
About the same	89%	87%
Weakened post-transfer	4%	1%
<i>Base n = 1010</i>	<i>560</i>	<i>450</i>
Source: CRU Research, 1997		

- 4.7 English practice on tenancy agreements for LSVT tenants has been somewhat different. Research commissioned by the DETR to evaluate the performance of LSVT registered social landlords found that most local authority LSVT tenants moved onto an assured tenancy, without additional contractual rights on transfer¹².

¹² DTZ Pidea Consulting (1997) Evaluating the Performance of LSVT Housing Associations

5 RENTS UNDER HOUSING STOCK TRANSFER

- 5.1 There are a number of issues that may be considered in relation to rents under housing stock transfer. Firstly, we must question the extent to which rents under transfer compare to that which would have been offered without transfer. Secondly, consideration should be given to the extent to which rent guarantees are used and more importantly, fulfilled. Finally, do rent differentials exist between LSVT and non-LSVT stock, and if so, are housing associations moving towards a rent convergence strategy.
- 5.2 Evaluation of Scottish transfers has focused mainly on the transfer of Scottish Homes stock. Research carried out by ODS looked at the experiences of fifteen case studies, comprising of six newly formed and nine existing social landlords¹³.
- 5.3 In all cases, acquiring landlords were found to have given transferring tenants guarantees for the level of future rent increases. The majority of these were set at levels of inflation plus one per cent (RPI + 1%). The guarantee periods set were variable and ranged from three to thirty years. The research also noted that associations that had existed prior to transfer had significant variations between the rents for the transfer stock and those for their existing stock.
- 5.4 The ODS report did conclude that there was a general pattern of Scottish Homes rents and transfer rents being broadly similar. However, Scottish Homes rents were growing by 2% in real terms and, therefore, divergence is more likely in the future. Certainly when the annual Scottish Homes rent increases are considered for the period 1989/90 to 2000/01, the average rent increase is RPI + 3%. Increases range from RPI + 0.4% through to RPI + 6.3%, and are summarised in table 5.1 below. If the majority of rent guarantees offered are at RPI + 1%, it can be concluded that 'transfer' rents will on the whole, be lower than those paid by remaining Scottish Homes tenants.

¹³ ODS (1999) An Evaluation of Scottish Homes LSVTS

Year	Rent increase as 'RPI+'	Total rent increase
1989/90	RPI + 2.9%	9.7%
1990/91	RPI + 6.3%	14.0%
1991/92	RPI + 6.3%	14.5%
1992/93	RPI + 4.5%	9.0%
1993/94	RPI + 6.0%	9.0%
1994/95	RPI + 2.0%	6.0%
1995/96	RPI + 2.0%	4.2%
1996/97	RPI + 0.4%	4.0%
1997/98	RPI + 1.9%	4.0%
1998/99	RPI + 1.9%	5.5%
1999/00	RPI + 1.9%	5.0%
2000/01	RPI + 1.0%	2.2%

Source: Scottish Homes Initiatives Unit

- 5.5 Other work has provided a more subjective analysis of rents following stock transfer. Scottish Executive research reviewed the opinions of both former Scottish Homes and local authority tenants¹⁴. This concluded that 38% of former local authority tenants felt that they get better value for money from rent since transfer. Fifty-five per cent felt that it was the same whilst only 7% felt it was poorer.
- 5.6 Less satisfaction was expressed by former Scottish Homes tenants - only 24% felt that they get better value for money from their rent since transfer, whilst 62% felt it was the same and 15% felt it was poorer. Forty per cent of both former Scottish Homes and local authority tenants were aware that landlords had made promises on rent levels, with 90% and 88% respectively feeling that these had been kept.
- 5.7 The Housing Association Survey also found rent guarantees to be a common feature within stock transfer. Thirty-one of the acquiring landlords offered rent guarantees at the time of stock transfer. A significant number of these (nine) offered long-term commitments of 30 years, and the maximum annual rent uplift guaranteed in all these cases was RPI + 1%.

¹⁴ Scottish Office CRU (1997) Transfers of Local Authority and Scottish Homes Housing

- 5.8 A further eight associations offered ten-year rent guarantees, again with the majority offering RPI + 1% as the annual uplift. Thirteen gave a five-year commitment to rents, ten of which were RPI + 1%. Only one association offered rent increases at RPI only, but this was for a rent guarantee period of only four years. Table 5.2 summarises these findings.

Table 5.2 Rent Guarantees		
Length of commitment	Number	Level of annual rent uplift
4 years	1	@ RPI only
5 years	13	Ten @ RPI + 1% Three @ RPI + 1.5%
7 years	1	@ RPI + 1%
10 years	8	Six @ RPI + 1% Two @ RPI + 2%
30 years	9	All @ RPI + 1%
Source: Housing Association Questionnaire		

- 5.9 In all but one case, rent uplifts were maintained. In this case, the rent guarantee was breached to finance essential security features.
- 5.10 The survey also examined the actual annual rent increases compared to that which was offered in the rent guarantee. In four cases, the annual uplift was lower than promised within the guarantee, and in a further 13, increases were in line with the guarantee¹⁵.
- 5.11 Of the thirty-two associations, seven had never undertaken any cost reflective improvements, five stated that all such improvements had been made within the core rents, whilst a further nine had made cost-reflective improvements according to the business plan. Four stated that improvements had been made both within core rents and as cost-reflective improvements within the business plan.

Table 5.3 Rental increases for cost reflective improvements	
Cost reflective rent increases	Number of responses
No repairs initially classed cost reflective have been made	7
Improvements have been contained <i>within core rents</i>	5
Improvements/rent increases in line with business plan	9
Mix of 2 & 3: some in core rents, some rent increases	4
No response	7
Total	32

¹⁵ 14 of the survey responses gave information on the annual uplift according the actual percentage increase in the rent figure - this ranged from 2.55% to 5% - so it was not possible to determine whether this conformed to guarantees or not. 1 association did not answer the question.

Source: Housing Association Questionnaire

- 5.12 Many of the associations had LSVT stock only, so the question of whether rents compare favourably to existing tenants was not applicable. Of the others, nine stated that LSVT rents were higher than existing tenants, whilst only four stated that LSVT rents were lower than existing tenants. The remaining five considered that rents were roughly the same.

LSVT rents compared to existing tenants' rents	Number
Higher	9
Roughly the same	5
Lower	4
LSVT stock only	14
Total	32

Source: Housing Association Survey

- 5.13 Overall, thirteen housing associations highlighted that rents between LSVT and existing tenants were different. Of these only three planned to move towards rent convergence within the next five years.
- 5.14 The four Scottish Homes case studies enabled the comparison between projected and actual rent increases. This information is summarised below and in Table 5.5.
- Association A had a contractual rent commitment of RPI+1% for ten years. This also included provision for cost-reflective rent increases.
 - Association B has no rent monitoring information in the contract for the 1994 transfer (survey form says commitment was RPI+1% for ten years)
 - Association C has contractual rent increases at RPI+2% (10years), RPI+1% (11-20 years) and then RPI only (21-30 years)
 - Association D appears to have separate rent commitments for two LSVT stock areas – RPI+1% for 4 years for some stock and RPI+1% for 5 years for other. However, in years 5 and 6 for the respective stock areas the projected rent increase is RPI+5%.

Table 5.5 Projected & Actual Rent Increases								
Contract year	Association A		Association B		Association C		Association D	
	Project	Actual	Project	Actual	Project	Actual	Project	Actual
1	3.5%	3.5%	N/A	N/A	4.9%	4.7%	4.2%	4.2%
2	4.6%	4.6%	N/A	N/A	5.2%	5.2%	3.5%	3.5%
3	3.8%	3.8%	N/A	N/A	4.5%	4.5%	4.6%	4.6%
4	2.8%	2.8%	N/A	N/A	5.6%	4.8%	3.8%	3.8%
5	N/A	N/A	N/A	N/A	4.8%	3.8%	RPI+1% and RPI+5%	N/A

Source: Scottish Homes

English Experience

5.15 Research by the Department of the Environment evaluated five case study authorities pre-stock transfer¹⁶. There was a view that, had the stock remained under local authority control, there was a high risk of rent increases. These were expected in response to:

- Housing Revenue Account subsidy withdrawal
- Inadequate capital resources
- Increasing Revenue Contributions to Capital Outlay

5.16 The study concluded that the main motivation for transfer was to avoid the risk of high rent increases were the stock to remain under local authority control. Further research¹⁷ focused on what actually happens to rents post-transfer. It was found that, in general, the rent guarantees compared favourably with the increases that would have been levied by the councils over the same time period.

¹⁶ Department of the Environment (1996) Joint Study on Stock Options: Summary Report', KPMG, commissioned by DoE and the Housing Corporation

¹⁷ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, Department of Environment, London, pp48-49

- 5.17 Whilst transfer tenants may be offered similar rents to remaining local authority tenants rents, Mullins et al noted a clear differential between the rents of transfer tenants and re-let¹⁸ tenants. Guarantees protected the rent levels of transferring tenants. However, new tenants' rents were calculated under Housing Corporation models, and were considerably higher. A report by DTZ Piedad Consulting backed this research and concluded that re-let tenants, in general, were being charged a higher rent compared with transferring tenants¹⁹.
- 5.18 Therefore, although studies conclude that rent guarantees are on the whole being delivered by English RSL's, rent differentials exist between LSVT tenants, existing tenants and re-let tenants. The DTZ report noted that some associations sought to converge guaranteed rents with non-guaranteed rents through increases but that this brought with it other problems.
- 5.19 Mullins et al also concluded that convergence strategies posed a particular issue post-transfer. As a result of an association's drive to achieve rent convergence, transfer tenants faced significant rent rises. Furthermore, in most of the case study authorities examined, business plans had been revised. This was to accommodate an increase in transfer tenant rents' post-guarantee period and effect an earlier convergence than previously planned. This was designed to recoup early business plan losses, to facilitate repairs and maintenance expenditure and protect assured tenants from steeper rent increases²⁰.
- 5.20 The recently published Housing Green Paper²¹ introduced rent reform policies and proposed limiting rent increases to RPI only. Although affordability is a key issue, an RSL must also remain financially viable and provide a quality service. Further research²² produced jointly by HACAS Chapman Hendy and KPMG concluded that in order to meet such commitments, the average rate of underlying increase in RSL rents should be RPI+0.5%, not RPI plus 0%. It is anticipated that even such proposals will be an area of concern and debate.

¹⁸ Re-let tenants are households allocated tenancies with the acquiring landlord post transfer. These tenants will not be protected by the same rental guarantees.

¹⁹ DTZ Piedad Consulting (1997) Evaluation of Performance of LSVT Housing Associations p45

²⁰ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, Department of Environment, London, pp48-49

²¹ Department of Transport and Environment (2000) Quality and Choice: A Decent Home for All

²² KPMG & HCAS Chapman Hendy (2000) Assessing the Impact of Housing Green Paper Rent Reform Policies on Individual Registered Social Landlords, Department of the Environment

6 HOUSING INVESTMENT IN MAJOR REPAIRS AND IMPROVEMENTS

INTRODUCTION

- 6.1 One of the common factors in LSVTs in both England and Scotland has been that specific repairs and improvement programmes are included within the acquiring landlord's business plan. This is linked to the anticipated level of investment required to undertake necessary works. The ability of the new landlord to undertake improvements is also a major consideration for tenants and an influencing factor in LSVT voting patterns.

SCOTLAND

- 6.2 In the housing association questionnaire respondents were asked how the investment in the LSVT stock compared to the initial business plan. Table 6.1 shows that the majority of respondents (16) felt that it is 'about the same' with smaller numbers indicating that it is 'higher' (six) or 'lower' (four).

Comment	Number
Higher	6
About the same	16
Lower	4
6 non-responses to this question	
Source: Housing Association Questionnaire	

- 6.3 Of those associations that reported that investment is 'higher' the main reasons for this focused on issues such as additional or understated costs, bringing forward improvement programmes or other business plan commitments and under-estimating RTB income. Those that reported investment is 'lower' included as their reasons cost savings, programme slippage or delays due to involvement of owner-occupiers in common improvement works.
- 6.4 Only 6 associations reported that a proportion of their investment in the LSVT stock had been funded through cost-reflective rent²³ increases. The proportion of the total stock investment that had been funded in this way ranged from 4% to 35%.

²³ Cost-reflective rent increases are where the costs of a specific improvement to an individual property result in a higher rent payable to reflect the higher physical standard of housing.

6.5 In the four Scottish Homes case studies the following was identified:

- Association A has two contractual commitments relating to central heating installation (over a 2-year period) and planned maintenance (over a 10-year period). The actual spend for both elements was higher than the projected spend although the central heating programme was subject to slippage which meant that it was not completed until year 3 after the transfer.
- Association B has contractual commitment for carrying out improvement works with the actual spend 72% higher than the projected spend.
- Association C has contractual commitments to spend on improvements and planned maintenance. Actual spend on improvements seems significantly lower than the projected spend (approximately 41% lower).
- Association D has contractual commitments to spend on major repairs/improvement and planned/cyclical/reactive maintenance over a 5-year period. Overall actual spend per unit is lower than the projected spend.

ENGLAND

6.6 The evidence relating to England comes primarily from the literature review. The main issues identified are outlined in the following paragraphs.

6.7 A study in 1995²⁴ reported that repairs programmes were sometimes adjusted to compensate for business plan deficits (largely resulting from lower RTB sales than anticipated). Rescheduling of the works was expected to ensure that all works would be completed, but possibly slightly later than initially expected. Enhancements to the responsive repairs service were evident in most of the case studies undertaken (although the study notes that such improvements may have been made had LSVT not gone ahead). This general perception of overall improvement in repairs was backed up by tenants' views of the repairs service and the follow-up stock condition survey conducted as part of the study.

²⁴ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, DoE, London, pp49-51

6.8 A study by DTZ Pineda in 1997²⁵ raised several issues with regard to LSVT investment programmes including:

- RSLs reported a lack of reliability in the pre-transfer stock condition survey and the resulting investment programmes.
- the level of spend and in the types of works actually undertaken differed significantly from that indicated by the stock condition survey.
- Most associations spent less on repairs in the early years than expected as a result of:
 - failure to gear up for sufficient levels of spending in the year following transfer
 - an over-estimate of the volume of repairs and maintenance required
 - financial requirements to reduce expenditure.

6.9 However even given these issues most associations argued that their expenditure profiles recovered within the first five years after transfer.

²⁵ DTZ Pineda Consulting (1997) Evaluation of Performance of LSVT Housing Associations, pp45-47

7 CUSTOMER-SERVICE STANDARDS OFFERED THROUGH TRANSFER

INTRODUCTION

- 7.1 Promises on customer service standards form a major part of many transfer proposals. Such standards are vitally important as a means of meeting tenant priorities and ensuring involvement in the transfer process. It is anticipated that commitments will vary depending on whether the transfer is made to a new or existing landlord.
- 7.2 All housing associations surveyed offered specific service standards to tenants during the transfer process which were beyond those required by Scottish Homes Registration and Supervision. The most common way of promoting these was through informal routes, such as inclusion in the literature distributed to tenants. Including service standards within the business plan proved to be almost as popular. These findings are summarised in table 7.1.

Table 7.1	
Service Standards Offered During Transfer Process	
Mechanism	Number of associations
Informally to tenants i.e literature	26
Included in business plan	22
Included in sale & purchase agreement	5
Same standards as existing tenants	2
None	2

Source: Housing Association Questionnaire

- 7.3 A more detailed analysis of the survey data revealed that:
- Four associations had included service standards in literature to tenants but they had not been included in either the business plan or the sale and purchase agreement
 - Two associations had not offered any service standards beyond those already offered for their existing stock
 - One association had included service commitments in the literature to tenants and the sale and purchase agreement but not in the business plan
 - Only four associations had included service commitments in the literature, the business plan *and* the sale and purchase agreement.
- 7.4 From the range of service standards offered, acquiring landlords were least likely to offer standards in relation to rent collection and voids management. Conversely, they were most likely to offer standards in relation to tenant participation.

Table 7.2 Types Of Service Standards Offered	
Service Standards	Number of Associations
Rent collection	19
Voids management & re-lets	19
Repairs service	25
Tenant involvement	28
Estate management	22
Local office provision	23
Other	0
Source: Housing Association Questionnaire	

7.5 Only seven associations reported that service standards had 'always' been achieved, whilst a further 21 stated that they had 'mostly' been achieved.

Table 7.3 Achievement Of Service Standards	
Delivery of service standards	Number of Associations
Always	7
Mostly	21
Rarely	0
Never	0
Not applicable	4
Total	32
Source: Housing Association Questionnaire	

7.6 There was a range of reasons for not always achieving service standards, with the main reasons being:

- Housing Benefit administration & technical rent arrears
- Lack of tenant involvement
- Hard to let housing/void levels
- Delay in major repairs
- Reliance on outside contractors.

7.7 Research on the wider Scottish experience has been mainly focused on the views of tenants, rather than objective evaluation of transfer commitments compared with actual outcomes. Scottish Executive research found that²⁶:

²⁶ Scottish Office CRU (1997) Transfers of Local Authority and Scottish Homes Housing

Ex-local authority tenants

- 46% of former local authority tenants indicated that their new landlord had promised improvements to their homes
- 27% reported that some improvements had been carried out and of these, 96% were satisfied with the work.

Ex-Scottish Homes tenants

- 41% of former Scottish Homes tenants indicated that their new landlord had promised improvements to their homes and of these 55% reported that some improvements had been carried out and 86% were satisfied with the work.

England

- 7.8 The evaluation of LSVTs by the Department of the Environment (DoE) concludes that all aspects of housing management services are difficult to monitor with any certainty, as changes would have occurred even if the LSVT had not. Nonetheless, it reports that services have been either maintained or improved following LSVT, relative to non-transferring authorities²⁷.
- 7.9 The DTZ Pieda report²⁸ found that very few commitments were made in relation to service delivery levels. It was revealed that certain service standards were provided. However, these were not mentioned in the pre-ballot literature. The study did indicate improvements in service delivery, such as feedback mechanisms, tenant involvement and quality initiatives, yet service standards were generally low prior to transfer. A number of associations had built new offices, but this was considered by the associations to have no effect on performance against targets.

²⁷ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, Department of Environment, London, pp48-49

²⁸ DTZ Pieda Consulting (1997) Evaluation of Performance of LSVT Housing Associations p45

8 TENANT SATISFACTION

INTRODUCTION

- 8.1 The transfer of stock to an alternative landlord may have implications for the level of tenant satisfaction. Variations in satisfaction may also occur depending on whether the transfer is made to a new or existing landlord.
- 8.2 Overall, tenant satisfaction should not only be a concern during the actual transfer period, but also be a long-term goal for the acquiring landlord. Satisfaction is generally monitored through tenant satisfaction surveys and therefore survey design must allow the comparison of satisfaction across time.
- 8.3 Where the transfer has been made to an existing landlord, differences in the satisfaction levels expressed by LSVT and non-LSVT may be revealed. Transfer may, for example, have a negative effect on the non-LSVT tenants.
- 8.4 Tenant satisfaction was a primary concern of the housing associations taking part in the survey. Twenty-six ran tenant satisfaction surveys and those who did not were currently in the process of developing this type of monitoring. Of the 26 that did run tenant satisfaction surveys, the majority (21) did not distinguish between LSVT and non-LSVT tenants.
- 8.5 Five associations returned copies of their tenant satisfaction surveys and in general high levels of satisfaction were evident. The following is a summary of the information gathered:
- *Association 1 (existing)* - 83% stated that they were fairly satisfied with the landlord overall and 4% were very satisfied. Thirty per cent were either dissatisfied or very dissatisfied with the repairs service, whilst 35% were fairly satisfied and 35% answered 'don't know'.
 - *Association 2 (existing)* - The majority of tenants (89%) consider the quality of service provided by the association to be good or very good. Where improvements had been carried out, 76% were very or fairly satisfied with the work.

- *Association 3 (newly created)* - Overall 87% of tenants express satisfaction with the service provided by the association and 88% think it is a good landlord. Eighty-three per cent are satisfied with the overall repairs service and 84% with the design and layout of their home. The majority of tenants (89%) consider the quality of service provided by the association to be good. Where improvements had been carried out, 76% were satisfied with the work.
- *Association 4 (newly created)* - Overall 90% of respondents express satisfaction with the service provided and 89% think the association is a good landlord. Since stock transfer from Scottish Homes the majority of tenants at the time think there has been no real change in services although nearly a third think services have improved.
- *Association 5 (newly created)* - Satisfaction with the landlord focused mainly on the provision of information and 92% stated that this was fairly or very good. Seventy-two per cent state that they are either fairly or very satisfied with the repairs service provided by the association. Satisfaction with the overall design of the home is very high, with a total of 91% of tenants stating that they are either very or fairly satisfied.

Wider Scottish Experience

- 8.6 Scottish Office research²⁹ evaluated ten transfer case studies, looking particularly at the attitudes and experiences of tenants. The satisfaction of former local authority and Scottish Homes tenants was evaluated separately.

Local Authority Tenants – satisfaction measures

- 37% of former local authority tenants were either more or much more satisfied with their home since transfer.
- In “development-led” transfers satisfaction with individual homes was nearly 80%.
- 67% of tenants felt that their neighbourhood was much the same as before transfer with 25% of the view that it was either better or much better.
- 50% of former local authority tenants felt that the service they received from the landlord since transfer compared to the service prior to transfer was about the same - 42% said that they were more or much more satisfied with the service they received from the new landlord.

²⁹ The Scottish Office Central Research Unit (1997) Transfers of Local Authority and Scottish Homes Housing – A Study of Tenants and Attitudes

- 5% of former local authority tenants indicated that they were less or much less satisfied with the service from the new landlord.
- 47% of former local authority tenants felt that their new landlord provided a speedier service than the Council - 43% felt that it was the same.
- 39% of former local authority tenants felt that tenant involvement had improved since transfer – 54% felt it was the same and 6% were less satisfied with this aspect of the service.

Former Scottish Homes Tenants – satisfaction measures

- 40% of former Scottish Homes tenants were either more or much more satisfied with their home since transfer (scores were generally higher in case studies where improvement works have been carried out).
- 65% of tenants felt their neighbourhood was much the same as before with 17% expressing more satisfaction with their neighbourhood – 18% were less satisfied.
- 49% of tenants felt that the service had remained the same with 41% saying that they were more or much more satisfied – 9% indicated that they were less or much less satisfied.
- 53% felt that the speed of service was the same with 34% feeling that it was speedier than Scottish Homes.
- 27% of tenants felt that tenant involvement had improved since transfer - 61% felt it was the same and 9% were less satisfied with this aspect of the service.

Table 8.1		
Tenant Satisfaction		
	Ex- Scottish Homes	Ex-local authority
More/much more satisfied with home since transfer	40%	37%
More satisfaction with neighbourhood	65%	25%
More or much more satisfied with service	41%	42%
Speedier service	34%	47%
Improvement in tenant involvement	27%	39%
Base n= 1010	560	450

Source: CRU Research, 1997

8.7 Scottish Homes also collects details of tenant satisfaction levels in the RSL sector. Statistics for 1999/2000 revealed that³⁰:

- 88% of RSL tenants think their RSL is fairly good or very good at keeping them informed about the RSLs activities and services
- 71% think their RSL is fairly good or very good at taking account of tenants' views over matters which concern them
- 89% are fairly or very satisfied overall with their RSL as a landlord
- 81% are fairly or very satisfied with the repairs service provided by their RSL
- 89% are fairly or very satisfied with the overall design and layout of their home

ENGLISH EXPERIENCE

8.8 A DTZ Pieda survey undertaken in 1999³¹ detailed the views of tenants from six LSVT case study areas. The study also permitted the comparison between the views of transferring tenants and new tenants. The key findings of this study were as follows:

Landlord Satisfaction

- 85% of tenants were satisfied with the new landlord
- There was found to be little difference in landlord satisfaction levels for transferring and new tenants, despite the fact that in England new tenants were generally paying higher rents.
- Similar to the Scottish results, satisfaction rates were highest in the areas where improvement works had been completed
- Satisfaction rates were higher among tenants who had voted in favour of transfer, than those tenants who had voted against.

8.9 Using information from the Survey of English housing, the study also compared the satisfaction levels of the case study LSVTs with those for registered social landlords and councils as a whole. It was found that RSLs achieved the highest satisfaction levels (46% very satisfied, 40% fairly satisfied), followed by the case study LSVTs (41% and 44%) and lastly the local authorities (33% and 46%).

³⁰ Scottish Homes (2000) Registered Social Landlord Statistics 1999/2000

³¹ DTZ Pieda (1999) Views of the LSVT Process

- 8.10 However, it is important to note that the profiles of the stock is not comparable, specifically due to the disproportionate number of Shire counties within the case study areas, where satisfaction levels would be expected to be higher.

LSVTs: Satisfaction with Home

- 86% of LSVT tenants were satisfied with their home.
- Where improvements had been made to their home, tenants displayed higher levels of satisfaction - 95% compared with 75%.
- No difference in the satisfaction rates for transferred and new tenants was noted.

Repairs

- The levels of satisfaction in relation to repairs was 79% for LSVTs, 84% for RSLs and 66% for local authorities. It was noted that the transfer stock was in similar condition to that remaining in council ownership, but has had considerably higher levels of investment in the post-transfer period.
- 67% of LSVT tenants were satisfied with the repairs service (39% very satisfied, 28% fairly satisfied). This was a higher figure than for councils (28% and 36%), but lower than for RSLs overall (47% and 30%).

Delivery of Promises and Perceptions of the Service Pre and Post Transfer

- 79% of tenants felt that all, or some, of the landlords' pre-transfer promises had been delivered whilst only 9% felt that the landlords had failed to deliver on their promises (others didn't know/answer).
- 38% think the overall quality of service is better than under the council, 47% about the same 9% worse than under the council (others didn't know/answer).
- 34% think the overall quality of housing management is better than under the council, 52% about the same 7% worse than under the council (others didn't know/answer).
- The most common reasons for improvements in housing management related to improved speed and quality of the repairs service and improvements to homes.

9 TENANT REPRESENTATION, PARTICIPATION & COMMUNITY OWNERSHIP

INTRODUCTION

- 9.1 One of the main factors in the government's current policy of encouraging LSVTs is to open up the opportunity for increased 'community ownership' of social housing. This would primarily be enhanced through promoting opportunities for tenant representation and participation. It is important to acknowledge that there are differences between tenant representation and participation. The information presented here is based on the prevailing evidence on both tenant representation and participation with regard to LSVTs and their outcomes.

SCOTLAND

- 9.2 Forty-five percent of RSLs (excluding Abbeyfield Societies) have a tenant majority on their governing body with a further 41% having at least one tenant involved in the governance of the RSL³². More specifically on LSVTs, a research study carried out on behalf of the Scottish Office in 1997³³ reported that:
- 22% of those former local authority tenants surveyed were share-holding members of their housing association or co-operative
 - 4% of former local authority tenants surveyed were members of the management committees of the housing association
 - 3% of former Scottish Homes tenants surveyed were members of the management committee or Board of their landlord

³² Scottish Homes (2000) Registration & Supervision Report 1999-2000, November

³³ Scottish Office (1997) Transfers of Local Authority and Scottish Homes Housing, ODS

9.3 Most of the associations responding to the questionnaire said that they had offered specific tenant involvement and/or governance arrangements as part of the LSVT process. However this generally seemed to be at an informal level to tenants through inclusion in the pre-transfer literature (25 associations). Fifteen responded that they had included these arrangements in the business plan and only eight had included them in their sale and purchase agreement. Some of the mechanisms that were cited by the associations are:

- representation on the management committee or Board
- information provision (newsletters etc)
- annual tenant meetings
- support to tenant groups and establishing tenant panels
- input into decision-making over specific development proposals.

9.4 According to the returns from the questionnaire, tenant representation on the governing body of those associations involved in LSVTs ranges from 10% up to 70%. The table below (9.1) shows that all but one of the associations had some level of tenant representation on their management committee or Board. The overall split shows that fifteen of the associations reported a level of representation that is 50% or above. The majority of the associations (17) have levels of representation which are between 1-49%.

Proportion Of Tenants On Management Committee/Board	
Tenant members (%)	Number of Associations
0%	1
1-49%	17
50%	5
51-100%	10

Source: Housing Association Questionnaire, February 2001

9.5 The questionnaire also asked about levels of tenant representation on sub-committees. Only 19 associations had such a committee and these are usually area based. The level of tenant representation on these types of committee seemed to be higher with five associations indicating that these comprise solely of tenant representatives. A further seven associations reported that tenant representation is in the range between 50% and 99%. For the remaining seven respondents tenant representation on the sub-committee is less than 50%.

- 9.6 Of the thirty-two housing associations who completed the LSVT questionnaire the vast majority (29) reported that they currently had a tenant participation policy. However a number of these (11) had not developed this policy in consultation with tenants. In spite of these commitments a significant number of associations (16) reported difficulties with the delivery of tenant participation. The reason most commonly cited by the associations for this is tenant apathy or lack of interest from tenants.
- 9.7 The research carried out for The Scottish Office in 1997 also provided information on perceptions of tenant involvement since the stock transfer had taken place. The main findings were that 27% of ex-Scottish Homes tenants felt that levels of tenant involvement had improved since transfer with 61% responding that it was the same. Around 9% of these tenants were less satisfied with tenant involvement since the transfer.
- 9.8 Of the ex-local authority tenants affected by stock transfer, 39% felt that levels of tenant involvement had improved since transfer with 54% responding that it was the same, and 6% that it was worse. However as these were “development led” transfers, the actual level of satisfaction with involvement may stem from increased tenant input into the design and development of their “new home”.

ENGLAND

- 9.9 9.9 The DoE study in 1995³⁴ found that many of the early LSVTs took place in authorities without a history of tenant involvement. The programme of tenant consultation preceding the transfer, therefore, often provided the starting point for the development of tenant involvement. In some cases, the impact of the statutory consultation process was lost soon after transfer. The overall picture of levels of and improvements to tenant involvement was very mixed. However, the study concluded that there was almost certainly more tenant involvement in these particular authorities than would have been the case without the transfer.

³⁴ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, DoE, London, pp56-58

- 9.10 A DTZ Piedad report for the DETR in 1999³⁵ found that all the case study associations had tenant members on their Boards, but the degree of grass root involvement varied. Rural authorities found it particularly difficult to develop tenant involvement, and they generally had inherited only limited tenant involvement structures. The study found that in each of the case study associations substantial effort has been devoted to developing tenant participation and in many respects LSVT associations have been pioneers in the RSL sector in the development of tenant participation at board level.

³⁵ DTZ Piedad Consulting (1999) Views of the LSVT process, DETR, London, pp53

10 FINANCIAL PERFORMANCE FOLLOWING STOCK TRANSFERS

- 10.1 One of the key factors that will contribute to a decision to transfer housing stock is the relative capacity of existing and transfer landlords to deliver the required investment programme. The ability to raise private finance (outwith the PSBR) and to implement long-term business plans may be seen to offer registered social landlords advantages compared with local authorities.
- 10.2 The study therefore sought to identify evidence on the financial performance of LSVT landlords in relation to the transfer business plan. This is presented below. However, it is noted that only limited information could be collected within the study timescale. Detailed financial analysis, comparing planned investment with out-turn investment would be required to reach firm conclusions about performance.
- 10.3 The survey asked LSVT associations about the accuracy of the financial projections that were developed prior to transfer. Table 10.1 below summarises the responses.

Table 10.1	
Accuracy of financial projections	
Accuracy of business plan projections	Number
Broadly accurate	16
Inaccurate	8
No response ¹	5
Can't say ²	3
Total	32
Notes: 1 Two of those who didn't answer, gave reasons for inaccuracies. 2 Included in this category is one association that has lost its files so is unable to assess the accuracy of the projections, one association for whom it is too early to compare actual with projected and one association that never saw the financial projections.	
Source: Housing Association Questionnaire	

- 10.4 A number of reasons was given for the inaccuracies.

Macro economic conditions

- Differences between real inflation rates and those used in the financial models were mentioned by five of the associations.
- Incorrect interest rate assumptions were mentioned by two associations.

Inaccurate business plan assumptions:

- Inaccurate projections of RTB sales (11 mentions), with most of these appearing to result in a poorer financial position than had been forecast
- Inaccurate housing management and stock maintenance/investment costs were mentioned by a number of associations. The impact of these differed, with some associations reporting lower actual costs than forecast, and others reporting higher costs than forecast. Two associations considered that costs had been set too low as part of the bidding process, while others considered that the seller information on which the forecasts has been based was inaccurate.

Others

- Expectations of cost savings resulting from stock reductions (from RTBs) were considered unrealistic by one association.
- Higher arrears than anticipated, as a result of delays in Housing Benefit administration was mentioned by one association.
- Loss of grant funding was mentioned by one association.

- 10.5 One quarter of the associations either had, or were in the process of, amending their business plan. In all but one of these cases, the business plan modification was being undertaken to rectify inaccuracies in the initial forecasts/assumptions where these were resulting in a poorer than forecast position. A number of other associations noted that, while there had been inaccuracies, these had had a mix of negative and positive impacts which largely cancelled each other out, so that the actual outcome was broadly in line with initial expectations.

English experience

- 10.6 Published evaluations of the English LSVT experience indicates LSVT landlords are generally performing to, or better than, the initial business plan, although in many cases this partly results from a decline in interest rates. Funding packages are now, however, generally much more sophisticated than the fixed interest loans that characterised early transfers, and interest rates are currently substantially lower. These factors are likely to offer fewer opportunities to generate such large benefits from subsequent re-financing of loan packages. Lenders do not appear to believe, therefore, that the current wave of LSVTs will outperform their business plans. (DTZ, 1997 p11)

10.7 The detailed evaluation of the programme found that there were marked differences between original forecasts and revised forecasts /outcomes for individual items of income and expenditure. The reasons for these differences were similar to those reported in the Housing Association survey:

- *Income* - RSLs tended to have lower than forecast incomes - mainly as a result of lower RTB sales than envisaged.
- *Rental incomes* - Rent income forecasts had to be revised upwards because of lower RTB sales than predicted, higher than expected levels of new lets (relevant as new tenants were on a different regime than transferring tenants) and, in some cases, larger than anticipated rent increases.
- *Management costs* Management cost estimates needed considerable revision - generally upwards, as business plans had tended to under-estimate management costs. Reasons for this included associations not being able to match local authority costs for providing a decentralised service; RSLs not being able to make staff reductions as indicated by the initial plans based on local authority practice.
- *Expenditure on repairs and maintenance* - In about half the cases, total spending on repairs and maintenance was revised downwards. RSLs have argued that this was in response to improved information about the quality of the housing stock. There are some concerns that reduced maintenance spend may be failure to progress repairs programmes, with adverse implications for the long term stock condition.

11 ALLOCATIONS

- 11.1 Generally housing associations have nomination agreements with the local authority. Research conducted for the Scottish Office³⁶ found that all the organisations in the study had nomination agreements with local authorities with the most common agreement being nomination rights of up to 50% of the stock that became available for letting.
- 11.2 The Housing Associations survey found a similar picture: 29 of the 32 associations reported having a nomination agreement for all their stock (five of these owned only LSVT stock), while one association had a nomination agreement for its LVST stock only.
- 11.3 Only three associations reported having no nominations agreement, although one of them was in the process of setting one up. The reasons given by the other associations for not having a nominations agreement were that:
- the Council had refused to enter into agreement
 - agreement currently suspended because the council was unable to provide nominations
- 11.4 As table 11.1 shows, typically nomination agreements cover 50% of the associations' lets.

Table 11.1	
Proportion of lets covered by agreement	
Proportion covered by agreement	Number of associations
1-49%	2
50%	20
51-99%	1
100%	7
<small>Source: Housing Association Questionnaire</small>	

- 11.5 The number of nominations per let varies between associations, but it is generally between one to three. However, one association stated that they get as many as possible and another stated they try to get as many as ten.

³⁶ Scottish Office CRU (1997) Transfers of Local Authority and Scottish Homes Housing, ODS

- 11.6 Most associations reported that the only restriction was that the applicant must be in housing need, with a minority reporting that they must qualify under their allocations policy.

ENGLISH EXPERIENCE

- 11.7 Evaluation of the English full stock transfer experience found that the acquiring landlords were not required to submit allocations policies pre-transfer. The study concluded that there was *little evidence that the profile of applicants and new tenants has significantly altered* but notes a lack of information to properly test this³⁷.
- 11.8 Councils were not able to delegate their overall responsibility for homelessness assessment and monitoring, but could enter into agreements to deliver the homelessness services. Some authorities have chosen direct service provision, while others have decided to delegate some or all of the service provision activity. In some cases this has included homelessness assessment, although the council still retains ultimate responsibility for decision-making and dealing with appeals. A study that looked into the operation of homelessness services concluded that both of these approaches can work well, although there were several examples of disagreements over the interpretation and operation of nomination arrangements³⁸.

³⁷ DTZ Pidea Consulting (1999) Views of the LSVT process, DETR, London, pp53

³⁸ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, DoE, London, pp54-56

12 STAFF EXPERIENCE OF STOCK TRANSFER

INTRODUCTION

- 12.1 Across England and Scotland a significant number of personnel have transferred to new organisations through the LSVT process. The actual process of stock transfer can present many challenges to staff affected by it although it is primarily in relation to working terms and conditions that staff concerns arise.
- 12.2 The selection of staff by an alternative social landlord acquiring stock through LSVTs is at its own discretion. However the application of TUPE (Transfer of Undertakings – Protection of Employment – Regulations)³⁹ is relevant where the seller is a public body and the sale of the stock amounts to a transfer of undertakings. The general effect of these regulations is that staff who are deemed to work in the undertaking being transferred, should transfer to the new social landlord on at least the same terms and conditions of employment.⁴⁰

SCOTLAND

- 12.3 Information on the staff impacts of LSVTs in Scotland is mainly related to the experience of Scottish Homes stock transfers. To date, a total of 470 Scottish Homes staff have transferred to around 40 existing or new social landlords⁴¹. The vast majority of these are housing associations. The staff transferring to new landlords have primarily been housing management staff previously working with the local office associated with the transfer area⁴². The broad breakdown of the staff transferred by grade is:
- 7% senior staff (grades 1-6)
 - 75% housing officers or administration/clerical staff (grades 7-12)
 - 18% caretakers or cleaners (grades 82/84)

³⁹ Generally TUPE applies where staff duties involve at least 50% of work on housing related activities

⁴⁰ Scottish Executive (2000) Housing Transfers to Community Ownership: Guidance for Local Authorities, August 2000, pp20

⁴¹ Information from Scottish Homes Human Resources section

⁴² Scottish Homes (1999) An Evaluation of Scottish Homes LSVTs, ODS

- 12.4 The returns from the housing association questionnaire showed that 25 associations had experienced staff transferring through an LSVT. Of these the majority (19) had acquired the staff under TUPE arrangements. Only five reported that the staff transfer had been effected under 'other' arrangements with one stating that it had been a mix of TUPE and other arrangements. The remaining seven associations had not experienced staff transfer. The total number of staff transferring was 255 although in each individual LSVT this ranged from one to fifty-four.
- 12.5 The questionnaire returns estimated that of the total number of staff transferring only 62 had left the employment of the new organisation since the transfer. The main reasons for this were obtaining new employment, retirement and 'other' (including redundancy). One association reported that 18 subsequent redundancies were a consequence of the LSVT and another reported 2 redundancies.
- 12.6 In terms of staff opinion, only four of the associations said that they had either undertaken or were in the process of undertaking a staff survey since the stock transfer had taken place.

Staff Perceptions of Transfer

- 12.7 The Scottish Office research into staff attitudes found that nearly two thirds of staff respondents affected by transfer thought that their present job was better, with 10% feeling that it was the same and 25% that it was worse. The main reasons cited by those who thought that their job was better included more variety in the new job, the new challenge and the advantages of local decision-making. The main reasons cited by those who thought that their job was worse included pressures of work and changes to the organisation - particularly for those who already worked for the receiving landlord. Other findings from this research included:
- The majority of employees felt that there had been no change to their terms and conditions or they had improved for the better.
 - Overall staff felt that there was less bureaucracy, more cost control and that decision-making was more in line with tenant interests in their new organisation.
 - 67% of staff respondents felt that the new arrangements had brought benefits to tenants with the remaining 33% feeling that there had been no benefits to tenants at all.
 - Around two thirds felt either more positive or about the same as they did when the transfer was in process as opposed to just over one third who said that they felt less positive.

12.8 The Scottish Homes research⁴³ reported that staff transferring to existing organisations have all transferred to these associations' prevailing terms and conditions of employment. These terms and conditions are generally those of Employers in Voluntary Housing (EVH). According to the report findings the overall effect of transferring to EVH terms and conditions is an enhancement on Scottish Homes terms of employment (i.e. a shorter working week and generally higher salary levels for comparable stock management duties). However EVH terms are described as less favourable in a few areas (i.e. holiday entitlement for more senior Scottish Homes transferred staff and also period of service before entitlement to maximum sick pay). Some of the further findings in this regard were:

- That the transfer of staff has been successful providing new opportunities, greater variety and responsibility as well as improved terms and conditions of employment.
- The actual process of transfer can be stressful for staff and tensions can arise.
- The transfer of staff has been achieved by negotiation, rather than by invoking TUPE although this has been assisted by the presence of competition in Scottish Homes transfers.
- Within the case studies, staff retention is generally high – only 11 out of 123 staff transferring had left the employment of their new employers over the period 1995-99 with the main reason being retirement.
- The policy of transfer has not led to large scale job losses and has generally provided staff with enhanced career opportunities and job satisfaction.

ENGLAND

12.9 In England the main study that examined staff experiences of LSVTs was that undertaken for the DoE in 1995.⁴⁴ Some of the main findings are outlined below.

12.10 The study reported that overall the workforce appeared satisfied and optimistic about the future of social housing in their area although newer staff who had joined the organisation since the LSVT were more likely to be satisfied than those transferring. The staff considered that they had better opportunities to be involved in strategy and programme development after the stock transfer.

⁴³ Scottish Homes (1999) An Evaluation of Scottish Homes LSVTs, ODS

⁴⁴ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, DoE/CURDS, London

- 12.11 Some housing staff were retained by the council with the main residual function relating to homelessness. In the case study authorities the number of residual housing posts remaining in local authorities ranged from none to seven. Over time, there was a slight increase in numbers as the strategic role became more clearly defined and staff made a case for additional support. However the report does note that this type of activity may decline once the capital receipt had been exhausted resulting in reduced staffing.
- 12.12 The housing functions that remained with the Council were generally dealt with by one or two small teams located within a non-housing department (including chief executive's, environmental health, planning, community services). A range of skills were required to fulfil the functions including planning and housing needs, development/improvement grants, homelessness assessment, etc. The posts were largely filled from existing staff, though over time, some new appointments have been made.
- 12.13 It was reported that residual staff morale was often low immediately after transfer, when colleagues had moved over to the new organisation, often to better terms and conditions, while they were left with a poorly defined role and slotted in to a different department. This was seen to improve as the enabling role became more clear and initial problems were ironed out.

13 SUMMARY OF FINDINGS

QUESTION 1: WHY IS THE GOVERNMENT PROMOTING NEW HOUSING PARTNERSHIPS BASED ON ‘COMMUNITY OWNERSHIP’ AND THE TRANSFER OF COUNCIL HOUSING STOCK?

- 13.1 The 32 local authorities in Scotland currently own and manage approximately 573,000 dwellings equivalent to 25% of the total Scottish housing stock. The Scottish House Condition Survey of 1996 estimated that the costs of comprehensive repairs (£1.5bn) and improvements (£0.6bn) to Council housing was circa £2.1bn. At the same time as facing these investment needs for their stock councils in Scotland have a consolidated housing debt of £3.67bn. This historical debt has been accrued over many years in order to finance council house building and also investment in repairs and improvement to properties.
- 13.2 In essence local authorities in Scotland are faced with the resource pressures associated with the physical investment needs of their stock, the costs of providing efficient and effective housing services and this historical debt burden that they are required to service.

Government policy & New Housing Partnerships

- 13.3 In order to address these issues the government is promoting New Housing Partnerships (NHPs). This policy was introduced in October 1997 with the stated principal aim to:

"foster close collaboration between local authorities and their partners ... to secure additional investment and promote good quality housing in the social rented sector"

- 13.4 The policy also places the concept and implementation of ‘community ownership’ at its heart. The main objective of the policy is to encourage council’s to examine the opportunities for increasing investment in their housing stock primarily through the housing stock transfer route. The primary planks of the policy include:
- putting tenants in the lead through community ownership
 - tackling under-investment in Council housing through the generation of private finance to complement public sector investment
 - tackling the historic council housing debt across Scotland
 - contributing to wider government objectives promoting social inclusion and area regeneration

- achieving these objectives through partnership between council's, tenants, the wider community and the private sector

13.5 Since 1997 the government has committed £350 million of public housing investment through NHPs in three phases with the current round of funding up until the year 2002.

Community Ownership

13.6 The Government's Green Paper⁴⁵, published in February 1999, states that all housing policies in Scotland should be based on:

- working in partnership
- ensuring participation of tenants and local communities
- harnessing the resources of the private sector to meet the objectives of Government

13.7 'Community ownership' implies an element of tenant control and a role in decision-making with regard to social housing. The Green Paper states that this may only be achieved if:

- the housing is owned by a non-profit making body on which there is tenant, local authority and community representatives.
- there is effective tenant involvement in key decisions
- housing is available, and continues to be available, to be let at affordable rents to those in housing need, including the homeless and other vulnerable groups
- there are guarantees for transferring tenants regarding rent increases, tenancy rights, and repairs and improvements to housing stock
- finally, any transfer of stock requires a tenant ballot, thus providing tenants with the final decision on the future of their homes.

⁴⁵ The Scottish Office (1999) Investing in Modernisation - An Agenda for Scotland's Housing

- 13.8 It is clear therefore that the implementation of ‘community ownership’ is viewed as an important piece of the government’s current housing policy in Scotland. The move towards implementing stock transfer as a means of achieving ‘community ownership’ has led to a number of Scottish local authorities considering this option for their own housing stock.
- 13.9 There are currently seven local authorities in Scotland who are progressing whole scale stock transfer in order to meet their housing and wider objectives. These council’s are diverse ranging from smaller island or rural authorities to large urban ones. As well as this there are a large number of councils in Scotland who are currently undertaking what are termed Option Appraisal studies. In general these examine the future ownership and management options for their council housing stock, looking specifically at stock transfer as one of the options. Others are also considering smaller scale development and regeneration partnerships, many of which include an element of stock transfer.

QUESTION 2: WHAT TENANTED HOUSING STOCK TRANSFERS HAVE TAKEN PLACE IN THE UK IN RECENT YEARS?

- 13.10 In the past decade or so there has been increased public sector housing stock transfer activity in both Scotland and England. The majority of this activity can be broadly defined as tenanted housing stock owned by a public sector landlord that has been transferred to an independent alternative social landlord, such as a housing association. The transferred stock continues to be utilised as social rented housing. These are generally known as Large Scale Voluntary Transfers (LSVTs).
- 13.11 In both Scotland and England there are a range of public sector landlords who have been involved in divesting themselves of their housing stock through LSVTs in recent years. These include:
- local authorities (Scotland and England)
 - Scottish Homes (Scotland)
 - New Town Development Corporations (five of these in Scotland⁴⁶)
- 13.12 The vast majority of this stock in both countries has been acquired by Registered Social Landlords who are subject to regulation and monitoring by either Scottish Homes (Scotland) or the Housing Corporation (England).

⁴⁶ The five new towns are Glenrothes, Livingston, East Kilbride, Cumbernauld and Irvine.

- 13.13 In Northern Ireland and Wales there has been little or no activity in relation to LSVTs. However, in Wales, the new devolved assembly is encouraging local authorities to examine the options that are open to them in seeking to realise housing investment and meet their housing objectives. This includes looking at the possibility of LSVTs. In Northern Ireland the NIHE (Northern Ireland Housing Executive) is the main social landlord in the country and LSVTs are not currently part of the housing policy agenda.
- 13.14 In both Scotland and England there has been a significant number of dwellings transferred through LSVTs. This activity catalysed in the late 1980s through the introduction of the 1988 Housing Act⁴⁷ with specific provisions that encouraged LSVTs. To date approximately 578,000 public sector dwellings in Scotland and England have been subject to LSVTs. The vast majority of this stock has transferred to RSLs although in Scotland a significant proportion of the former new town stock was acquired by the local authority in each area. There are differentials relating to the experience of LSVTs in both countries and this is reflected in even basic facts such as the number of properties transferred.

English experience

- 13.15 The Large Scale Voluntary Transfer (LSVT) Programme in England has been running since 1988 and is concentrated on local authority stock. During this time, a total of 133 transfers have taken place to 107 alternative social landlords with the support of the tenants and the approval of the Secretary of State for the Environment, Transport and the Regions. Overall a total of nearly 491,000 dwellings have been transferred to Registered Social landlords (RSLs) through LSVTs, including those realised by the Estate Renewal Challenge Fund (ERCF)⁴⁸.
- 13.16 There is a trend towards increased mainstream LSVT activity in England with a growing number of both LSVTs and also the number of dwellings affected each year. Between 1988-2000 there has been a total of 102 transfers with 447,502 dwellings transferred, an average of 4,387 units per transfer. However in 1988/89 the total number of units transferred was 11,176 with only 2 transfers. By 1999/00 this had risen to 80,405 with 17 transfers going through. The number of units transferred thus far in 2000/01 is 40,915 (5 transfers) yet this figure is projected to rise substantially. According to the 2000 Disposals Programme a further 21 transfers will take place totalling approximately 155,000 units

⁴⁷ This housing legislation affected both countries and primarily related to the RSL sector and also LSVTs.

⁴⁸ The ERCF was a specific initiative introduced by the government to promote housing and regeneration objectives in run-down areas. This primarily focused on facilitating LSVTs and providing 'dowry' funding where negative value transfers were apparent.

- 13.17 Between 1995-2000, the Government introduced and implemented the Estate Renewal Challenge Fund (ERCF) initiative that provides funding to facilitate negative value transfers of local authority stock in areas where social exclusion issues are prevalent and exacerbated by poor housing. This was primarily large urban estates dominated by local authority housing (particularly in the Greater London area). Over the course of the initiative a total of 31 LSVTs have taken place, allowing the transfer of 43,385 units.
- 13.18 All LSVTs are subject to a tenant ballot as part of the consultation process. The relevant minister/s in the DETR must be satisfied that this has been undertaken and tenants have voted in favour in order to give consent for the stock transfer to proceed. By the end of 1999 there had been 148 tenant ballots in England, of which 74% were in favour of transfer⁴⁹. In the English LSVT mainstream programme (that is, excluding the ERCF programme) the average ballot turnout has been 75% with the average proportion who voted in favour of transfer at 71%. In the ERCF transfer programme the average ballot turnout has been 75% with the average proportion who voted in favour of transfer at 76%.

Scottish experience

- 13.19 The extent of LSVTs in Scotland varies significantly from England. Overall the numbers of transferred public sector housing stock as well as the size of each individual transfer have been smaller in Scotland when compared to south of the border. The main thrust of the LSVT programme in Scotland has been running since the early 1990s. One of the main 'push' factors in this was that Scottish Homes, the national housing agency, adopted and implemented an active policy of transferring the ownership and management of its housing stock to RSLs. However the LSVT programme in Scotland has also involved both local authority and the former new towns housing stock.
- 13.20 Taking into account these three routes of acquiring stock through LSVT approximately 89,300 public sector dwellings have been transferred to alternative social landlords. The largest proportion of this stock has been transferred to RSLs (75%) with local authorities (25%) acquiring large numbers of new town stock prior to their dissolution in 1996. Excluding the new town transfers (27,000 dwellings) there have been approximately 272 transfers in Scotland (65,000 dwellings), an average of 234 units per transfer. A summary breakdown of LSVTs in Scotland is as follows:
- Scottish Homes – 90 LSVTs since 1991 totalling 43,233 properties

⁴⁹ Perry, John (2000) 'The end of council housing?' IN Housing Finance Review 2000/2001 Ed Steve Wilcox, JRF, York

- Local Authorities – 182 LSVTs⁵⁰ since 1986 totalling 21,537 properties
- New Towns – number of LSVTs circa 1995-96 totalling 24,508 properties

13.21 There have been 90 LSVTs of Scottish homes stock totalling 43,189 units. The vast majority of the stock transferred to date has been acquired by registered housing associations or housing co-operatives. The LSVT process has also resulted in the establishment of 37 new social landlords in Scotland. The largest LSVT to date is that undertaken in Fife in 1996/97 where 2,786 properties were transferred to Fife Special Housing Association.

13.22 Since 1986 there has been 182 local authority LSVTs in Scotland totalling approximately 21,537 properties. Unlike England where local authority LSVTs have been relatively large in terms of stock numbers the Scottish experience has tended to be characterised by small-scale, neighbourhood based transfers with specific regeneration objectives. There has only been one LSVT that mirrors the English experience to any extent. This was the transfer of 2,104 dwellings that were formerly owned by Berwickshire District Council (now Scottish Borders Council) to Berwickshire Housing Association which was completed in August 1995.

13.23 The five former new towns in Scotland were Glenrothes, Livingston, East Kilbride, Cumbernauld and Irvine. Approximately 27,000 units of new town stock were transferred prior to wind-up in 1996 with 82% of this being transferred to local authorities. The remaining 18% was transferred to a number of housing associations. The actual process largely involved tenanted (ballot) transfers with a small number of vacant trickle transfers.

13.24 All LSVTs in Scotland are subject to a tenant ballot as part of the consultation process. While this is not a statutory requirement the relevant Minister/s in the Scottish Executive must be satisfied that a majority of tenants voting in the ballot support the proposal before giving consent for the stock transfer to proceed. All of Scottish Homes LSVTs have involved a tenant ballot with 150 having been undertaken since 1991. Of these around 92% have been successful with only 12 failed ballots where tenants rejected the transfer proposals. Of these 12 failed ballots, 5 have subsequently recorded a 'yes' vote and accepted new transfer proposals. Across Scotland the average tenant turnout for ballots was 75% with 78% of Scottish Homes tenants voting 'yes' for LSVT proposals and only 22% recording a 'no' vote.

⁵⁰ Some of these may be periodic transfers of small numbers of properties and also vacant possession transfers

QUESTION 3: WHAT TYPE OF TENANCY AGREEMENT WAS OFFERED TO TRANSFERRING TENANTS?

- 13.25 Transfer may result in changes to the type of tenancy agreement that tenants are entitled to⁵¹. This is inevitable where council tenants or Scottish Homes tenants, who have secure tenancies, transfer to a housing association/registered social landlord, where tenants are entitled to assured tenancies. However, transferring tenants will have aspects of their existing tenancy agreement preserved through contractual rights. Additional contractual rights may be incorporated into the assured tenancy agreement to be offered to new tenants of the association.

Housing Association Questionnaire

- 13.26 The most common tenancy for LSVT tenants was the SFHA model tenancy with additional contractual rights (16 of the 32 associations). This is generally regarded as the most comprehensive tenancy to be offered to tenants of registered social landlords. The next most common tenancy agreement was an assured tenancy with contractual rights (12 associations). The remaining five associations offered tenants either an assured or SFHA tenancy *without* any contractual rights.
- 13.27 The contractual rights included in the agreements covered a preserved right to buy for transferring tenants, rights of succession applicable to transferring tenants, and amendments to the repossession process.

Wider Scottish experience

- 13.28 Research by the Scottish Office into tenant views post-transfer⁵², included questions on tenants' perceptions of their comparative tenancy rights. The research found that almost all former Scottish Homes and former local tenants felt that there had been no change to their 'security of tenure' following transfer. Less than five per cent felt that their rights had been weakened following transfer.

⁵¹ The Housing Bill, that is currently being considered by the Scottish Parliament, seeks to introduce a Scottish Secure Tenancy that will bring all tenants of social housing onto the same tenancy agreement.

⁵² Scottish Office CRU (1997) Transfers of Local Authority and Scottish Homes Housing, ODS

ENGLISH EXPERIENCE

- 13.29 English practice on tenancy agreements for LSVT tenants has been somewhat different. Research commissioned by the DETR to evaluate the performance of LSVT registered social landlords found that most local authority LSVT tenants moved onto an assured tenancy, without additional contractual rights on transfer⁵³.

QUESTION 5: WHAT HAS HAPPENED TO RENTS UNDER RECENT HOUSING STOCK TRANSFERS?

- 13.30 There are a number of issues that may be considered in relation to rents under housing stock transfer. Firstly, we must question the extent to which rents under transfer compare to that which would have been offered without transfer. Secondly, consideration should be given to the extent to which rent guarantees are used and more importantly, fulfilled. Finally, do rent differentials exist between LSVT and non-LSVT stock, and if so, are housing associations moving towards a rent convergence strategy.

Wider Scottish Experience

- 13.31 Research has demonstrated that the provision of rent guarantees is normal practice. Scottish Office Research has demonstrated that the majority of rent guarantees were set at RPI + 1% with a duration of between three and thirty years. As with the English experience, variations between the rents of the transfer stock and non-transfer stock were noted.
- 13.32 This concluded that since transfer, 38% of former local authority tenants and 24% of former Scottish Homes tenants felt that they get better value for money from the rent paid. 7% of former local authority tenants and 15% of Scottish Homes tenants felt that the service was poorer. Only 40% of all tenants were aware of landlord promises in relation to rents, with 90% and 88% respectively feeling that these had been kept.

Housing Association Questionnaire

- 13.33 Thirty-one acquiring landlords offered rent guarantees at the time of stock transfer. The majority of housing association offered long-term rental commitments - nine offered 30 year guarantees, eight offered ten year guarantees and 13 offered guarantees of five years. The most common rental commitment was RPI + 1% (26 associations offered this) and the maximum annual uplift was RPI + 1%.

⁵³ DTZ Pidea Consulting (1997) Evaluating the Performance of LSVT Housing Associations

- 13.34 In all but one case rent uplifts were maintained. In this case, the rent guarantee was breached to finance essential security features.
- 13.35 Of all the associations seven had never conducted any cost reflective improvements. Five stated that all such improvements had been made within the core rents, whilst a further nine had made cost-reflective improvements according to the business plan. Four stated that improvements had been made both within core rents and in line with the business plan.
- 13.36 As the majority of respondents had LSVT stock only, the question of whether rents compare favourably to those for existing stock was not applicable. Thirteen revealed a differential between the rents of LSVT and non-LSVT rents. Of these only three planned to move towards rent convergence within the next five years.

English Perspective

- 13.37 From the English perspective, one of the main motivations for stock transfer was keeping rents affordable. On the whole it does appear that rent guarantees have been delivered to transferred tenants. Nonetheless, rent differentials do exist between tenants with and without guarantees.
- 13.38 Some associations sought to converge rents and as a result rent increases may become an issue once the guarantee period expires.
- 13.39 The recently published Housing Green Paper⁵⁴ introduced proposals to limit rent increases to RPI only. Although affordability is a key issue, RSLs must also remain financially viable and provide a quality service. Further research⁵⁵ produced jointly by HACAS Chapman Hendy and KPMG concluded that in order to meet such commitments, the average rate of underlying increase in RSL rents should be RPI + 0.5%, not RPI plus 0%. It is anticipated that limiting rent increases to RPI + 0.5% will continue to be an area of concern and debate.

⁵⁴ Department of Transport and Environment (2000) Quality and Choice: A Decent Home for All

⁵⁵ KPMG & HCAS Chapman Hendy (2000) Assessing the Impact of Housing Green Paper Rent Reform Policies on Individual Registered Social Landlords, Department of the Environment

QUESTION 6: WHAT WAS THE LEVEL OF PROJECTED/ACTUAL HOUSING INVESTMENT FOR MAJOR REPAIRS AND IMPROVEMENTS?

13.40 One of the common factors in LSVTs in both England and Scotland has been that specific repairs and improvement programmes are included within the business plan of the acquiring social landlord. This is linked to projected levels of investment that it is anticipated will be required to undertake the necessary work. The ability of the new landlord to undertake improvements is also a major consideration for tenants and an influencing factor in LSVT voting patterns.

Housing Association Questionnaire

13.41 In the housing association questionnaire respondents were asked how the investment in the LSVT stock compared to the initial business plan. The results showed that the majority of respondents (16) felt that it is ‘about the same’ with smaller numbers indicating that it is ‘higher’ (six) or ‘lower’ (four).

13.42 Of those associations that reported that investment is ‘higher’ the main reasons for this focused on issues such as additional or understated costs, bringing forward improvement programmes or other business plan commitments and under-estimating RTB income. Those that reported investment is ‘lower’ included as their reasons cost savings, programme slippage or delays due to involvement of owner-occupiers in common improvement works.

13.43 Only 6 associations reported that a proportion of their investment in the LSVT stock had been funded through cost-reflective rent⁵⁶ increases. The proportion of the total stock investment that had been funded in this way ranged from 4% to 35%.

Case Studies

13.44 In the four Scottish Homes case studies the following was identified:

- Association A has two contractual commitments relating to central heating installation (over two year period) and planned maintenance (over 10 year period). The actual spend for both elements was higher than the projected spend although the central heating programme was subject to slippage which meant that it was not completed until year three after the transfer.

⁵⁶ Cost-reflective rent increases are where the costs of a specific improvement to an individual property result in a higher rent payable to reflect the higher physical standard of housing.

- Association B has contractual commitment for carrying out improvement works with the actual spend 72% higher than the projected spend.
- Association C has contractual commitments to spend on improvements and planned maintenance. Actual spend on improvements seems significantly lower than the projected spend (approximately 41% lower).
- Association D has contractual commitments to spend on major repairs/improvement and planned/cyclical/reactive maintenance over five year period. Overall actual spend per unit is lower than the projected spend.

English Experience

13.45 The evidence relating to England has been collected and collated primarily through the literature review. Some of the main issues identified are outlined below:

13.46 A study in 1995⁵⁷ reported that repairs programmes were sometimes adjusted to compensate for business plan deficits (largely resulting from lower RTB sales than anticipated). Enhancements to the responsive repairs service were evident in most of the case studies undertaken. This general perception of overall improvement was backed up by tenants' views of the repairs service and the follow-up stock condition survey conducted as part of the study.

13.47 13.47 A study by Pida in 1997⁵⁸ raised several issues with regard to LSVT investment programmes including:

- RSLs reported a lack of reliability in the pre-transfer stock condition survey and the resulting investment programmes.
- There were marked changes in the level of spend and in the categories of works undertaken from that indicated by the stock condition survey.
- Most associations spent less on repairs in the early years than expected as a result of:
 - operational failure to gear up for sufficient levels of spending in the year following transfer;
 - an over-estimate of the volume of repairs and maintenance required;

⁵⁷ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, DoE/CURDS, London

⁵⁸ DTZ Pida Consulting (1997) Evaluation of Performance of LSVT Housing Associations, pp45-47

- financial requirements to reduce expenditure.

13.48 However even given these issues most associations argued that their expenditure profiles recovered within the first five years after transfer.

QUESTION 7: WERE SPECIFIC CUSTOMER-SERVICE LEVEL STANDARDS/ GUARANTEES OFFERED THROUGH THE TRANSFER?

13.49 Promises on customer service standards form a major part of many transfer proposals. This can cover a full range of housing management policies such as voids, re-lets, tenant involvement and estate management. Such standards are vitally important as a means of meeting tenant priorities and ensuring involvement in the transfer process. As a result, these are often considered to be the key issues within the stock transfer process, sidelining other important issues such as staffing. It is anticipated that commitments will vary depending on whether the transfer is made to a new or existing landlord.

Housing Association Questionnaire

13.50 During the transfer process, all housing associations surveyed offered specific service standards to tenants which were beyond those required by Scottish Homes Registration and Supervision. The most common route was informally, through mechanisms such as inclusion in literature distributed to tenants, with 26 associations stating this to be the case. A further 22 included service standards within the business plan. The questionnaire also revealed that:

- Four reported that they had included standards in literature to tenants but not in the business plan or the sale & purchase agreement
- Two hadn't offered any service standards beyond that already offered for their existing stock
- One had included service standards in the literature to tenants and the sale and purchase agreement but not the business plan
- Only four had included service standards within the literature, the business plan *and* the sale and purchase agreement

13.51 The type of service standards offered varied. The mostly commonly offered were in relation to tenant involvement and repairs whilst the least common was in relation to rent collection and voids management.

- 13.52 Very few associations reported that service standards had been achieved all the time. Only seven reported this to be the case, whilst a further 21 stated that they had been mostly achieved.
- 13.53 Reasons for not always achieving service standards focused on issues regarded to be outwith the direct control of the housing associations. These included issues such as housing benefit and technical rent arrears, reliance on outside contractors, lack of tenant involvement, delays in major repairs, and hard to let areas.

Wider Scottish Experience

- 13.54 The wider Scottish experience is mainly focused on the views of tenants. Scottish Executive research⁵⁹ found that where improvements had been conducted to the homes of transfer tenants, levels of satisfaction were very high. This was the case for both former local authority and Scottish Homes tenants.

England

- 13.55 A DETR evaluation of LSVTs also concludes services have either been maintained or improved following transfer, relative to non-transferring authorities⁶⁰. However, it was highlighted that aspects of housing management services are particularly difficult to monitor with any certainty, as changes would have occurred even if the LSVT had not.
- 13.56 The DTZ Piedad report found that very few commitments were made in relation to service delivery levels. It was revealed that certain service standards were established, although were not mentioned in the pre-ballot literature. Nonetheless, the study did indicate improvements in service delivery, such as feedback mechanisms, tenant involvement and quality initiatives⁶¹.

⁵⁹ Scottish Office CRU (1997) Transfers of Local Authority and Scottish Homes Housing

⁶⁰ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, DoE/CURDS, London

⁶¹ DTZ Piedad Consulting (1997) Evaluation of Performance of LSVT Housing Associations, p45

QUESTION 8: WHAT IS THE LEVEL OF SATISFACTION AMONG THOSE TENANTS WHO HAVE BEEN AFFECTED BY TRANSFER?

- 13.57 The transfer of stock to an alternative landlord may have implications on the level of tenant satisfaction. Variations in satisfaction may also occur, depending on whether the transfer is made to a new or existing landlord. Overall, tenant satisfaction should not only be a concern during the actual transfer period, but also be a long-term goal for the acquiring landlord. Satisfaction is generally monitored through tenant satisfaction surveys and therefore surveys design must allow the comparison of satisfaction across time.
- 13.58 Where the transfer has been made to an existing landlord, differences in the satisfaction levels expressed by LSVT and non-LSVT tenants may be revealed. Transfer may, for example, have a negative effect on the non-LSVT tenants.

Housing Association Questionnaire

- 13.59 The majority of housing associations ran tenant satisfaction surveys (26) and those who did not were currently in the process of developing this type of monitoring. Of the 26 that did run tenant satisfaction surveys, the majority (21) did not distinguish between LSVT and non-LSVT tenants.
- 13.60 Eight associations stated that they have carried out tenant satisfaction surveys specifically for LSVT tenants, yet all were landlords created for the purposes of transfer and will therefore not have differentials between transfer and existing tenants.
- 13.61 Five associations returned copies of their tenant satisfaction surveys and, in general, high levels of satisfaction were evident. The following is a summary of the information gathered:
- *Association 1 (existing)* - 87% stated that they were either fairly or very satisfied with the landlord overall. With regard to the repairs service, 30% were dissatisfied, whilst 35% were fairly satisfied.
 - *Association 2 (existing)* - The majority of tenants (89%) consider the quality of service provided by the association to be good. Where improvements had been carried out, 76% were satisfied with the work.
 - *Association 3 (newly created)* - Overall 87% of tenants express satisfaction with the service provided by the association and 88% think it is a good landlord. Eighty-three per cent are satisfied with the overall repairs service and 84% with the design and layout of their home. The majority of tenants (89%)

consider the quality of service provided by the association to be good. Where improvements had been carried out, 76% were satisfied with the work.

- *Association 4 (newly created)* - Overall 90% of respondents express satisfaction with the service provided and 89% think the Association is a good landlord. Since stock transfer from Scottish Homes the majority of tenants at the time think there has been no real change in services although nearly a third think services have improved.
- *Association 5 (newly created)* - Satisfaction with the landlord focused mainly on the provision of information and 92% stated that this was good. 72% state that they are satisfied with the repairs service. Satisfaction with the overall design of the home is very high, with a total of 91% of tenants stating that they are satisfied.

Wider Scottish Experience

13.62 Scottish Office research⁶² evaluated ten transfer case studies, looking particularly at the attitudes and experiences of tenants. The satisfaction of former local authority and Scottish Homes tenants was evaluated separately.

Satisfaction measures

- 37% of former local authority tenants and 40% of former Scottish Homes tenants were either more or much more satisfied with their home since transfer
- Satisfaction in all cases increased where repairs and improvements had been carried out
- 67% of former local authority tenants and 65% of former Scottish Homes tenants felt that their neighbourhood was much the same as before transfer
- 50% of former local authority tenants felt that the service they received from the landlord since transfer compared to the service prior to transfer was about the same - 42% said that they were more or much more satisfied with the service they received from the new landlord.
- 49% of former Scottish Homes tenants felt that the service had remained the same with 41% saying that they were more or much more satisfied – 9% indicated that they were less or much less satisfied.
- 47% of former local authority and 34% of Scottish Homes tenants felt that their new landlord provided a speedier service than the Council

⁶² The Scottish Office CRU (1997) Transfers of Local Authority and Scottish Homes Housing – A Study of Tenants and Attitudes

- 39% of former local authority and 27% of Scottish Homes tenants felt that tenant involvement had improved since transfer

13.63 Scottish Homes also collects details of general satisfaction levels for all registered social landlord tenants in Scotland. Statistics for the financial year 1999/2000 reveal that ⁶³:

- 88% of RSL tenants think their RSL is fairly good or very good at keeping them informed about the RSLs activities and services
- 71% think their RSL is fairly good or very good at taking account of tenants' views over matters which concern them
- 89% are fairly or very satisfied overall with their RSL as a landlord
- 81% are fairly or very satisfied with the repairs service provided by their RSL
- 89% are fairly or very satisfied with the overall design and layout of their home

English Experience

13.64 A DTZ Pieda survey undertaken in 1999⁶⁴ detailed the views of tenants from six LSVT case study areas. The study also permitted the comparison between the views of transferring tenants and new tenants. The key findings of this study were as follows:

- 85% of tenants were satisfied with the new landlord and 86% were satisfied with their home
- Despite the fact that new tenants were generally paying higher rents, there was little difference in landlord satisfaction levels for transferring and new tenants
- Satisfaction rates were highest in the areas where improvement works had been completed
- Satisfaction rates with the landlord were higher among tenants who had voted in favour of transfer, whilst no difference in satisfaction with their home was noted between transfer and new tenants.

⁶³ Scottish Homes (2000) Registered Social Landlord Statistics 1999/2000

⁶⁴ DTZ Pieda (1999) Views of the LSVT Process, DETR

- 13.65 Using information from the Survey of English housing, the study also compared the satisfaction levels of the case study LSVTs with those for registered social landlords and councils as a whole. It was found that RSLs achieved the highest satisfaction levels (46% very satisfied, 40% fairly satisfied), followed by the case study LSVTs (41% and 44%) and lastly the local authorities (33% and 46%). However, it is important to note that the profiles of the stock is not comparable, specifically due to the disproportionate number of shire counties within the case study areas, where satisfaction levels would be expected to be higher.
- 13.66 The level of satisfaction in relation to repairs was 79% for LSVTs, 84% for RSLs and 66% for local authorities. It was noted that the transfer stock was in similar condition to that remaining in council ownership, but has had considerably higher levels of investment in the post-transfer period. Around 67% of tenants were satisfied with the repairs service (39% very satisfied, 28% fairly satisfied). This was higher figure than for councils (28% and 36%), but lower than for RSLs overall (47% and 30%).
- 13.67 In relation to the delivery of promises and perceptions of the service pre and post transfer, 79% of tenants felt that all, or some, of the landlords' pre-transfer promises had been delivered whilst only 9% felt that the landlords had failed to deliver on their promises (others didn't know/answer). Around 38% think the overall quality of service is better than under the council, 47% about the same and 9% worse than under the council (others didn't know/answer).
- 13.68 Other findings included:
- 34% think the overall quality of housing management is better than under the council, 52% about the same with 7% responding that it was worse than under the council (others didn't know/answer).
 - The most common reasons for improvements in housing management related to improved speed and quality of the repairs service and improvements to homes.

QUESTION 9: WHAT OPPORTUNITIES FOR TENANT REPRESENTATION & PARTICIPATION (COMMUNITY OWNERSHIP) WERE MADE AVAILABLE THROUGH THE STOCK TRANSFER?

- 13.69 One of the main factors in the government's current policy of encouraging LSVTs is the belief that they will open up the opportunity for increased 'community ownership' of social housing. This would primarily be enhanced through promoting opportunities for tenant representation and participation. The information presented here is based on the prevailing evidence on both tenant representation and participation with regard to LSVTs and their outcomes.

Housing Association Questionnaire

- 13.70 Most of the associations responding to the questionnaire said that they had offered specific tenant involvement and/or governance arrangements as part of the LSVT process. However this generally seemed to be at an informal level to tenants through inclusion in the literature distributed as part of the stock transfer process. At the same time around half of the associations stated that they had included them in their business plans with only one quarter including them in their sale and purchase agreement. Some of the mechanisms that were cited by the associations are:
- Representation on the management committee or Board
 - Information provision (newsletters etc)
 - Annual tenant meetings
 - Support to tenant groups and establishing tenant panels
 - Input into decision-making over specific development proposals
- 13.71 According to the returns from the questionnaire tenant representation on the governing body of those associations involved in LSVTs ranges from 10% up to 70%. All but one of the associations had some level of tenant representation on their management committee or Board. The overall split showed that 15 of the associations reported a level of representation that is 50% or above. The majority of the associations (17 of the 32) have levels of representation which are between 1-49%.
- 13.72 The questionnaire also asked about levels of tenant representation on sub-committees. Nineteen associations had such a committee and these are usually area based. The level of tenant representation on these types of committee seemed to be higher.
- 13.73 Twenty-nine associations reported that they currently had a tenant participation policy. However a number of these (11) had not developed this policy in consultation with tenants. In spite of these commitments, a significant number of associations (16) reported difficulties with the delivery of tenant participation. The reason most commonly cited by the associations for this is tenant apathy or lack of interest from tenants.

Wider Scottish experience

13.74 In terms of representation in the Scottish registered social landlord sector 45% of RSLs (excluding Abbeyfield Societies) have a tenant majority on their governing body with a further 41% having at least one tenant involved in the governance of the RSL⁶⁵. More specifically looking at LSVTs a research study carried out on behalf of the Scottish Office in 1997⁶⁶ reported that:

- 22% of those former local authority tenants surveyed were share-holding members of their housing association or co-operative
- 4% of former local authority tenants surveyed were members of the management committees of the housing association
- 3% of former Scottish Homes tenants surveyed were members of the management committee or Board of their landlord

13.75 The research carried out for the Scottish Executive in 1997 also provided information on perceptions of tenant involvement since the stock transfer had taken place. The main findings in this regard were that the majority of tenants felt that tenant involvement had remained the same since transfer. However a significant minority felt that it had improved with a much smaller proportion expressing the view that it was worse.

English experience

13.76 The DoE study in 1995⁶⁷ found that many of the early LSVTs took place in authorities without a history of tenant involvement. The programme of tenant consultation preceding the transfer, therefore, often provided the starting point for the development of tenant involvement. In some cases, the impact of the statutory consultation process was lost soon after transfer. The overall picture of levels of and improvements to tenant involvement was very mixed. However, the study concluded that there was almost certainly more tenant involvement in these particular authorities than would have been the case without the transfer.

⁶⁵ Source: Scottish Homes (2000) Registration & Supervision Report 1999-2000

⁶⁶ Scottish Office CRU (1997) Transfers of Local Authority and Scottish Homes Housing, ODS

⁶⁷ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, DoE/CURDS, London

- 13.77 A DTZ Piedad report for the DETR in 1999⁶⁸ found that all the case study associations had tenant members on their Boards, but the degree of grass root involvement varied. Rural authorities found it particularly difficult to develop tenant involvement, and they generally had inherited only limited tenant involvement structures. The study found that in each of the case study associations substantial effort has been devoted to developing tenant participation and in many respects LSVT associations have been pioneers in the RSL sector in the development of tenant participation at board level.

QUESTION 9: HOW HAVE LSVT TRANSFERS PERFORMED FINANCIALLY?

- 13.78 The survey asked LSVT associations about the accuracy of the financial projections that were developed prior to transfer. It found that the business plan forecasts were broadly correct for half the associations, while they were incorrect in around a quarter of the transfers. Even where the business plans were broadly accurate, associations noted aspects of the plans that had been wrong.

⁶⁸ DTZ Piedad Consulting (1999) Views of the LSVT process, DETR, London, 1999, pp53

13.79 The main reasons for inaccuracies were:

- Differences between real inflation rates and those used in the financial models (five of the 32 associations)
- Incorrect interest rate assumptions (two associations)
- Inaccurate projections of RTB sales (11 associations), with most of these resulting in a poorer financial position than had been forecast
- Inaccurate housing management and stock maintenance/investment costs - some higher actual costs than those forecast, while others reported lower actual costs than forecast
- Higher rent arrears than anticipated, as a result of delays in Housing Benefit administration (one association)
- Loss of grant funding (one association).

13.80 One quarter of the associations either had, or were in the process of, amending their business plan. In most cases, this was being done to rectify inaccuracies in the initial forecasts/assumptions, where these were resulting in a poorer than forecast position. A number of other associations noted that the inaccuracies had included a mix of negative and positive impacts which had largely cancelled each other out.

English experience

13.81 Published evaluations of the English LSVT experience indicates LSVT landlords are generally performing to, or better than, the initial business plan, although in many cases this partly results from a decline in interest rates. Given greater sophistication in developing the initial funding packages than was the case for the early transfers, it is unlikely that the current wave of LSVTs will similarly outperform their business plans⁶⁹.

13.82 The detailed evaluation of the programme found that there were marked differences between original forecasts and revised forecasts /outcomes for individual items of income and expenditure. The reasons for these differences were similar to those reported in the Scottish Housing Association survey:

- *Income* - RSLs tended to have lower than forecast incomes - mainly as a result of lower RTB sales than envisaged.

⁶⁹ DTZ Pidea Consulting (1997) Evaluation of Performance of LSVT Housing Associations

- *Rental incomes* - Rent income forecasts had to be revised upwards because of lower RTB sales than predicted, higher than expected levels of new lets (relevant as new tenants were on a different regime than transferring tenants) and, in some cases, larger than anticipated rent increases.
- *Management costs* Management cost estimates needed considerable revision - generally upwards, as business plans had tended to under-estimate management costs.
- *Expenditure on repairs and maintenance* - In about half the cases, total spending on repairs and maintenance was revised downwards as better information about stock condition became available. There are some concerns that reduced maintenance spend may be failure to progress repairs programmes, with adverse implications for the long term stock condition.

QUESTION 10: IS TRANSFERRED STOCK STILL AVAILABLE TO MEET HOUSING NEEDS?

- 13.83 Generally housing associations have nomination agreements with the local authority. Research conducted for Scottish Homes⁷⁰ found that all the organisations in the study had nomination agreements with the local authorities with the most common agreement being nomination rights of up to 50% of the stock that became available for letting.
- 13.84 The Housing Associations survey found a similar picture: 29 of the 32 associations reported having a nomination agreement for all their stock (five of these owned only LSVT stock), while one association had a nomination agreement for its LVST stock only. One association was in the process of setting-up a nominations agreement.
- 13.85 Of the two associations without a current agreement: one noted that the council had refused to enter into an agreement, and the other that the agreement is currently suspended because the council was unable to provide nominations.
- 13.86 Typically nomination agreements cover 50% of the associations' lets (20 of the 32 associations). Seven of the associations made all their lets through nominations agreements.

⁷⁰ Scottish Homes (1999) An Evaluation of Scottish Homes LSVTs, ODS

- 13.87 The number of nominations per let varies between associations, but it was generally between one to three. However, one association stated that they get as many as possible and another stated they try to get as many as 10. Most associations reported that the only restriction was that applicant must be in housing need, with a minority reporting that they must qualify under their allocations policy.

ENGLISH EXPERIENCE

- 13.88 Evaluation of the English full stock transfer experience found that the acquiring landlords were not required to submit allocations policies pre-transfer. The study concluded that there was *little evidence that the profile of applicants and new tenants has significantly altered* but notes a lack of information to properly test this⁷¹.
- 13.89 Councils were not able to delegate their overall responsibility for homelessness assessment and monitoring, but could enter into agreements to deliver the homelessness services. Some authorities have chosen direct service provision, while others have decided to delegate some or all of the service provision activity. In some cases this has included homelessness assessment, although the council still retains ultimate responsibility for decision-making and dealing with appeals. A study that looked into the operation of homelessness services concluded that both of these approaches can work well, although there were several examples of disagreements over the interpretation and operation of nomination arrangements⁷². (Mullins 1995:54-56).

⁷¹ DTZ Pidea Consulting (1997) Evaluation of Performance of LSVT Housing Associations

⁷² Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, DoE/CURDS, London

QUESTION 11: WHAT HAS BEEN THE EXTENT AND EXPERIENCE OF THE STAFF WHO HAVE TRANSFERRED WITH THE HOUSING STOCK TO A NEW ORGANISATION?

13.90 Across England and Scotland a significant number of personnel have transferred to new organisations through the LSVT process. The selection of staff by an alternative social landlord acquiring stock through LSVTs is at its own discretion. However the application of TUPE (Transfer of Undertakings – Protection of Employment – Regulations)⁷³ is relevant where the seller is a public body and the sale of the stock amounts to a transfer of undertaking. The general effect of these regulations is that staff who are deemed to work in the undertaking being transferred, should transfer to the new social landlord on at least the same terms and conditions of employment.⁷⁴

Housing Association Questionnaire

13.91 The returns from the housing association questionnaire showed that 25 associations had experienced staff transferring through an LSVT. Of these, the majority (19) had acquired the staff under TUPE arrangements. Only five reported that the staff transfer had been effected under ‘other’ arrangements with one stating that it had been a mix of TUPE and ‘other arrangements. The remaining seven associations had not experienced staff transfer. The total number of staff transferring was 255 although in each individual LSVT this ranged from one to 54.

13.92 The questionnaire returns estimated that of the total number of staff transferring only 62 had left the employment of the new organisation since the transfer. The main reasons for this were obtaining new employment, retirement and ‘other’(including redundancy). One association reported that 18 subsequent redundancies were a consequence of the LSVT and another reported two redundancies.

13.93 In terms of staff opinion only four of the associations said that they had either undertaken or were in the process of undertaking such a survey since the stock transfer had taken place.

⁷³ Generally TUPE applies where staff duties involve at least 50% of work on housing related activities

⁷⁴ Scottish Executive (2000) Housing Transfers to Community Ownership: Guidance for Local Authorities, pp20

Scottish experience

13.94 Information on the staff impacts of LSVTs in Scotland is mainly related to the experience of Scottish Homes stock transfers. To date a total of 470 Scottish Homes staff have transferred to around 40 existing or new social landlords⁷⁵. The broad breakdown of the staff transferred by grade is:

- 7% senior staff (grades 1-6)
- 75% housing officers or administration/clerical staff (grades 7-12)
- 18% caretakers or cleaners (grades 82/84)

13.95 The Scottish Office research in 1997⁷⁶ found that nearly two thirds (65%) of staff respondents affected by transfer thought that their present job was better with 10% feeling that it was the same and 25% that it was worse. Other findings from this research included:

- The majority of employees felt that there had been no change to their terms and conditions or they had improved for the better.
- Overall staff felt that there was less bureaucracy, more cost control and decision-making was more in line with tenants interests in their new organisation.

13.96 The Scottish Homes research from 1999⁷⁷ reported that staff transferring to existing organisations have all transferred to these associations prevailing terms and conditions of employment. These terms and conditions are generally those of Employers in Voluntary Housing (EVH). According to the report findings the overall effect of transferring to EVH terms and conditions is an enhancement on Scottish Homes terms of employment. However EVH terms are described as less favourable in a few areas. Some of the further findings in this regard were:

- That the transfer of staff has been successful providing new opportunities, greater variety and responsibility as well as improved terms and conditions of employment.
- The actual process of transfer can be stressful for staff and tensions can arise.

⁷⁵ Information from Scottish Homes Human Resources section

⁷⁶ Scottish Office CRU (1997) Transfers of Local Authority and Scottish Homes Housing, ODS

⁷⁷ Scottish Homes (1999) An Evaluation of Scottish Homes LSVTs, ODS

- Within the case studies staff retention is generally high – only 11 out of 123 staff transferring had left the employment of their new employers over the period 1995-99 with the main reason being retirement.
- The policy of transfer has not led to large scale job losses and has generally provided staff with enhanced career opportunities and job satisfaction.

English experience

13.97 In England the main study that examined staff experiences of LSVTs was that undertaken for the DoE in 1995.⁷⁸ Some of the main findings are outlined below.

- Overall the workforce appeared satisfied and optimistic about the future of social housing in their area.
- The staff considered that they had better opportunities to be involved in strategy and programme development after the stock transfer.
- Some housing staff were retained by the council with the main residual function relating to homelessness. Over time, there was also a slight increase in numbers as the strategic role for the local authority became more clearly defined and staff made a case for additional support.
- The housing functions that remained with the Council were generally dealt with by one or two small teams located within a non-housing department. These posts were largely filled from existing staff, though over time, some new appointments have been made.
- Morale among housing staff who continued to be employed by the local authority was often low immediately after the transfer as the perception was that they were left with a poorly defined role and slotted into a different department. However this was seen to improve as the enabling role became clearer and initial problems were ironed out.

⁷⁸ Mullins, Niner, Riseborough (1995) Evaluating Large Scale Voluntary Transfers of Local Authority Housing, DoE/CURDS, London

14 METHODOLOGY

- 14.1 The study methodology was largely determined by the timescale for the assignment: which precluded extensive primary research or detailed work on records held by the sellers and contract monitors. Instead, the study drew largely on published evaluations of LSVT and statistics/databases of LSVT information. Much of the information about stock transfers is held as individual case files (paper-based), and the information has not been gathered in a consistent format for all transfers. A further study has been commissioned to systematise and analyse some of this information, and will be reported separately.
- 14.2 The study framework was the series of questions that would form the basis of the information pack. The questions were developed by the study team, in consultation with the client, to cover the key issues that may interest people involved in stock option appraisals.
- 14.3 The study approach was based on a mix of both secondary and primary research methods comprising the following key elements:
- a desk-based review of current and existing literature on LSVTs in both England and Scotland
 - access to information from Scottish Homes, Scottish Executive and DETR LSVT databases
 - a short questionnaire distributed to over 60 social landlords in Scotland who had acquired stock through LSVTs
 - access to a small number of Scottish Homes files on individual LSVTs for the purpose of conducting case studies

Desk-based review of information

- 14.4 Literature was sourced using bibliographical databases and services (including the Planning Exchange). The search was aimed at identifying research studies that had examined the impact of LSVT in Scotland and in England. It was not concerned with purely descriptive and/or journalistic reports of individual transfers.
- 14.5 The literature was reviewed within the framework of the questions set out in the Summary Chapter of this report.

Databases

- 14.6 The Scottish Executive and the DETR maintain databases of transfers of stock from local authority ownership, up to the point of Minister's consent. These databases provided an up-to-date source of information on the number of transfers, the number of dwellings covered, the name of the acquiring landlord and the finance involved. The Scottish Executive database does not, however, distinguish LSVTs from other forms of stock transfer (such as vacant possession transfer).
- 14.7 Scottish Homes maintain databases on Scottish Homes stock that has been transferred to alternative social landlords. This contains similar information to the government databases and notes the type of stock transfer involved. Scottish Homes was also able to provide information on ballots, including failed ballots and new landlords created to receive LSVT stock.

Housing Association Survey

- 14.8 Housing associations that had received more than 20 dwellings through Scottish Homes LSVT were invited to take part in a short postal survey, designed to collect information on:
- transfer history including, the number of transfers in which they had been involved, the number of dwellings included and any failed ballots
 - tenancy agreements pre and post transfer
 - rent agreements and levels
 - service standards included in the transfer agreement
 - investment in the LSVT stock
 - financial performance
 - tenant participation and satisfaction
 - experience of staff
 - lessons learnt from their transfer experiences

- 14.9 The sampleframe for the survey was the Scottish Homes database on stock transfers, plus the associations that had received New Town Development Corporation stock. This meant associations that had only received local authority LSVT stock were not included in the survey.
- 14.10 The initial response to the survey was poor, but following a reminder letter and phone round of associations, a total of 32 completed questionnaires were returned and a further three associations informed us that they were not able to respond. Given that the survey was issued at the financial year-end, this was considered a good response. It is noted, however, that none of the returned questionnaires related to New Town Development Corporation transfers.

Scottish Homes records

- 14.11 The Contract Compliance section of Scottish Homes allowed access to their files on a small number of transfers. This enabled us to review objective information about a selection of transfers, to check the accuracy of the questionnaire returns and supplement the information they contained.

15 BIBLIOGRAPHY

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