

**THE IMPACTS OF HOUSING STOCK TRANSFERS  
IN URBAN BRITAIN**



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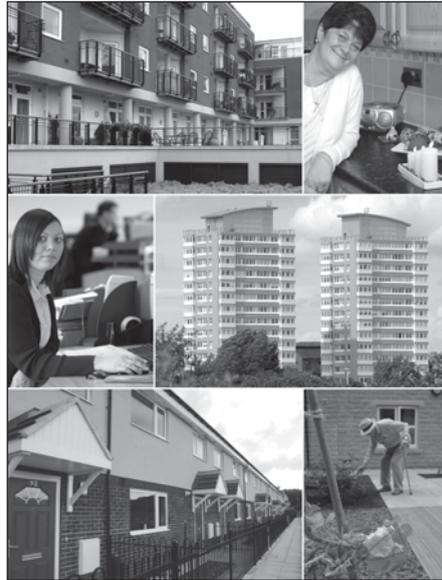
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# THE IMPACTS OF HOUSING STOCK TRANSFERS IN URBAN BRITAIN



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University of Cardiff



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### *The impacts of housing stock transfers in urban Britain*

Hal Pawson, Emma Davidson and James Morgan (Heriot-Watt University) and Robert Smith and Rebecca Edwards (University of Cardiff)

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# Executive Summary

This report investigates the impacts of housing stock transfers undertaken since 1997 across Britain. Focusing mainly on ten case study post-1997 transfers in urban areas, the research examined the nature of 'transfer promises' and how far these had been met; the impact of transfer on organisational culture, governance and service delivery, and the contribution of transfer to wider regeneration and social inclusion.

## Key findings

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- Although the challenges faced by many 'second generation' transfer housing associations (HAs) have been far greater than for their earlier counterparts, the landlords concerned have been no less successful in delivering transfer promises.
- Ballot commitments 'outperformed' have vastly outnumbered those 'delayed' or 'unmet'.
- Typically, second generation transfer HAs have implemented stock upgrade standards appreciably superior to those officially prescribed (e.g. in the Decent Homes Standard).
- Second generation transfers have stimulated tenant involvement in organisational decision-making, both at a collective and at an individual level.
- 'Transforming organisational culture' has tended to be a high priority for second generation transfer HAs and this aspiration has been widely realised; e.g. in the emergence of a less hierarchical, more inclusive and more customer-focused corporate ethos.
- As a rule, second generation transfer HAs have become involved in neighbourhood regeneration – including social and economic renewal – to a much greater degree than anticipated at the time of transfer. The vast majority have both developed community facilities and contributed to community services.

## Background

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With more than 1.3 million former council homes across Britain transferred into housing association (HA) ownership during 1988-2008, associations stand poised to become the majority social housing provider. This study focuses on transfers of local authority housing since 1997. In contrast to the early years of the transfer programme (1988-97), a large proportion of council stock passed to HAs in this later period involved urban estates. Most such transfers were aimed at addressing seriously dilapidated housing, stemming neighbourhood decline and sometimes remedying a legacy of humdrum housing management. For recipient transfer HAs, these circumstances presented greater challenges than faced by most of their earlier

counterparts. Again, in contrast to those progressed between 1988-97, many second generation transfers required explicit public funding. For all these reasons, we have dubbed post-1997 transactions as 'second generation' transfers.

## Transfer promises and investment delivery

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As a rule, the ballot pledges of second generation transfer HAs were dominated by commitments to channel fresh investment into housing repair and modernisation. Promises on improved housing management, though also commonly stated, were usually of a lower order. Uniquely, a key pledge for the Glasgow/GHA transfer was a commitment to progress 'second stage transfers' (SSTs) – handing over packages of housing to a constellation of community-based landlords. However, reflecting Glasgow City Council awareness that this would require additional funds, the language of this official commitment was highly qualified.

In their own estimation, transfer HAs have been highly successful in meeting their ballot commitments, especially on catch-up repairs and modernisation. Looking at transfer promises across the board, instances of reportedly 'outperformed' commitments vastly outnumber undertakings undelivered or held up.

Since 1988, transfer promises on property repairs and modernisation have been facilitated by funding totalling £24 billion in England alone. Almost £20 billion of this – including nearly £5 billion of public funding – relates to the period 1998-2008. Generally, urban transfers have been substantially more costly than their non-urban counterparts. This reflects typically poorer stock condition at transfer. However, transfer HAs have tended to apply modernisation specifications superior to officially prescribed standards – 45 per cent reportedly implemented local upgrade standards 'much higher' than the English 'Decent Homes Standard' or its Scottish and Welsh equivalents. It is also clear that many transfer HAs have generated procurement and other efficiency savings which have been ploughed into enhanced modernisation specifications or originally unplanned works – e.g. on environmental improvements.

## Evolution of transfer business plans

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The economic and housing market context for second generation stock transfers had mixed implications for the newly-created housing associations concerned. Although many transfer HAs set up pre-2004 benefited from falling interest rates via re-financing, the period covered by this study was also characterised by rapidly rising construction tender prices. In the decade to 2006, the rehabilitation tender index rose at three times the rate of retail prices.

Two-thirds of urban transfer HAs considered their original business plans to have been 'underfunded', compared to 36 per cent of second generation HAs involved in non-

urban transfers. Typically, this is attributed to defective stock condition surveys. Glasgow Housing Association (GHA) is an exceptional case as 'underfunding' here has related to new-build development and – most particularly – to the costs of 'second stage transfers' (SSTs). The issue here arose from the unique valuation of the main GHA transfer where the very large size of the successor body was seen as offsetting risks and therefore justifying a price higher than what would have been generated by the standard costing model. Because such considerations could not apply to relatively small SSTs, the receipt required by GHA for such transactions would be greater than would normally be expected.

In re-shaping business plans to accommodate higher than expected costs and/or below-plan income, the most commonly deployed approaches have been asset sales and staffing cost economies, though a few landlords have resorted to reducing works' specifications.

## Governance and tenant empowerment

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The tendency for transfers to be made to newly-established housing associations on the 'local housing company' model remained largely intact during the 'second generation' era. However, transfer HAs often consider wider constitutional changes towards the end of the (typically five year) 'promises period'. Innovations introduced at this stage may be inspired by aspirations to 'diversify the business'. As transfer HAs 'mature' further they are likely to become increasingly attractive as partners in group structures or mergers. Similarly, internal restructuring as 'promises periods' expire are resulting in some original transfer landlord entities becoming 'subsidiary' bodies within larger groups. Both these scenarios are liable to result in diminished tenant representation at the corporate 'top table', though not necessarily a weakening of resident influence on landlord activities.

Transfer has undoubtedly provided a substantial stimulus to tenant involvement, both collectively and individually. The range of mechanisms developed by second generation transfer landlords to facilitate tenant and resident influence on organisational governance and decision-making has tended to be substantially wider than what existed prior to transfer. Likewise, the *priority* accorded to tenant views has tended to be significantly greater than previously. Nevertheless, there is no survey evidence to support the belief that the broad mass of urban transfer HA tenants see their landlords as particularly open to resident influence.

## Organisational culture and management

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Somewhat in contrast with first generation transfer 'market town' HAs, post-1997 'urban transfer' landlords typically recognised the overhaul of organisational culture as a high priority objective right from the start. Key aspirations here tended to include

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securing widespread staff commitment to agency goals, developing a more responsible, motivated workforce, and promoting a more business-savvy, customer-focused ethos.

Junior staff testimony confirms that senior managers are typically more visible, accessible and approachable in second generation transfer HAs than was the case in corresponding pre-transfer housing departments. Most of the new organisations have strived for a more inclusive, bottom-up, culture where workforce consultation is prioritised and creativity on the part of individual staff members is encouraged. Inspiring managerial leadership tends to play a much more significant role in transfer HAs than in local authority housing departments.

Together with enhancement of tenant influence on organisational governance a critical 'culture change' aspiration for many transfer HA senior managers has been a more customer-focused ethos. For the case study HAs, organisational practices seen as demonstrating this included repairs by appointment, extended office opening hours and choice-based lettings. While trade union membership rates have tended to fall slightly, TU representatives were often closely involved in organisational decision-making and seen as trusted partners by HA senior managers.

On the whole, transfer HA staff involved in the research saw the new model of provision as having impacted positively on housing management services and on their working environment. In only one case study instance was the overall message significantly more problematic. Transfer HAs were generally perceived by staff as more business-like, less political and more sensitive to commercial considerations. In general, transfer HA workforce morale appeared to be relatively high, suggesting improved job satisfaction and motivation. There were signs, however, that this could be undermined by the uncertainties around the end of the promises period when organisations often face the possibility of major restructuring.

## Housing management

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There is statistical evidence of strong performance improvement on the part of second generation transfer HAs. Indeed, Audit Commission inspection scores highlight post-1997 urban transfer landlords as typically among the highest performing organisations in the entire sector. In analysing their reforms of day-to-day service delivery, transfer HAs themselves tend to highlight four key themes: a more customer-focused approach to service provision, a growing interest in neighbourhood management, a general trend towards greater functional specialisation (e.g. designated rent arrears staff) and a 'more active' style of management.

Given the critical view that stock transfer represents a form of privatisation, the new landlords might be expected to adopt a 'hard-nosed' approach to housing management. Our evidence confirms that transfer HAs have become more business-

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like and in some areas – e.g. dealing with anti-social behaviour and rent arrears – many have tended to take a ‘firmer’ stance than their local authority predecessors. Nevertheless, statistical evidence demonstrates that transfer HAs are *less likely* to evict their tenants than either local authorities or traditional housing associations.

## Regeneration impacts

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As well as enabling a local authority to meet official standards on stock condition and facilities, transfer can generate wider ‘regeneration’ benefits. Increasingly, government guidance has required that authorities’ transfer plans demonstrate how such benefits will be maximised. In terms of physical regeneration, most second generation transfer HAs (especially those operating in urban areas) cited significant investment in ‘environmental improvements’ to upgrade the public realm. Many have also been involved in sometimes substantial programmes to demolish and replace transferred homes; activity which has also contributed to area regeneration. As a rule, actual levels of demolition and rebuilding have exceeded those anticipated at transfer. In this sense, it could be said that these transfers are ‘delivering added value’.

One of the strongest recurring themes in the research was the substantially greater levels of ‘community regeneration’ activity being recorded by transfer HAs than had been originally anticipated. For example, many of the new landlords have become heavily involved in projects to promote education, employment and community development. Commonly, following on from transfer, they had come to a rapid realisation that both their social purpose and their commercial self-interest demanded active efforts to promote social and economic renewal of their neighbourhoods.

## Conclusions

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In their own terms, second generation transfer HAs have in the main recorded strong successes in their first few years of operation. A critical unanticipated development is the extent of their involvement in community regeneration.

With the vast majority of associations set up as transfer landlords continuing to exist as distinct entities, it remains valid to speak of ‘transfer HAs’ and their ‘traditional’ counterparts. In the medium and longer term, however, it seems likely that this distinction will gradually become less meaningful. As some transfer HAs morph into more diversified businesses or submerge themselves within larger landlord bodies the challenge will be to retain and build on the dynamism and sense of purpose established in their initial post-setup phase.



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# Chapter One

## Introduction

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### Background to the research

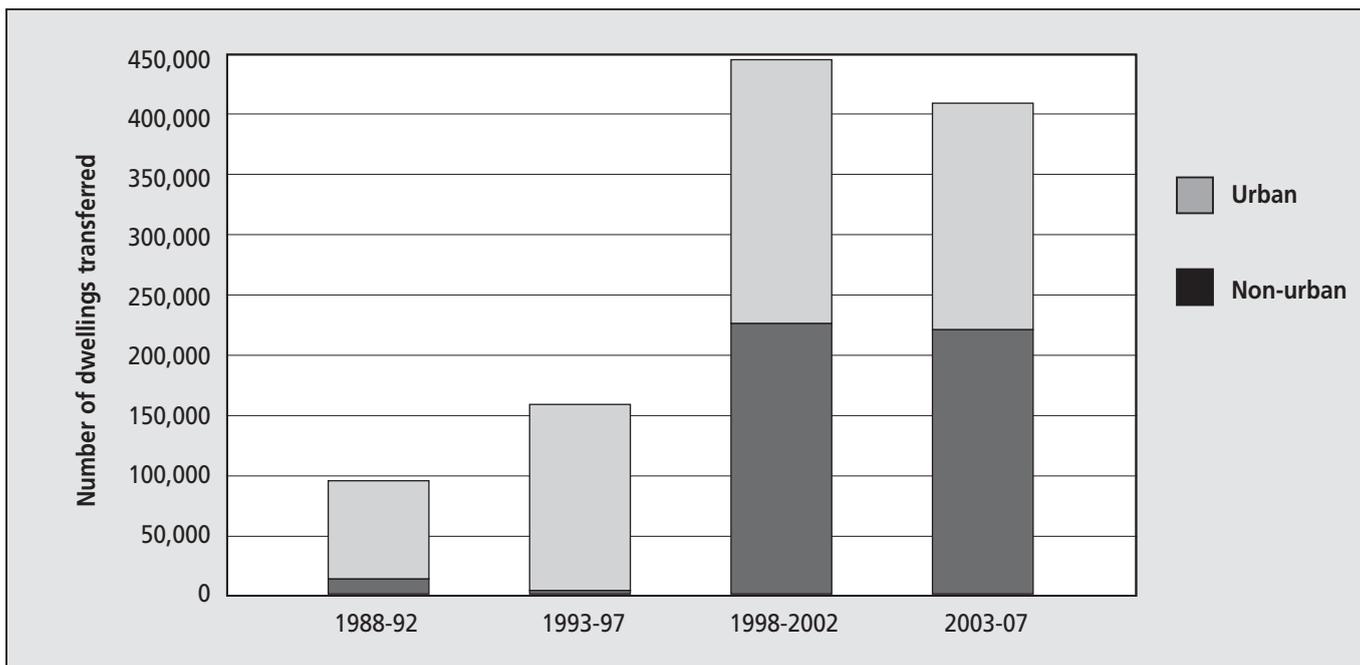
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Across Britain, in the 20 years to 2008, more than 1.3 million homes were transferred by local authorities into housing association ownership. Thanks, largely, to this process associations stand poised to assume the role of majority social housing provider at a national level. Alongside the impact of council house sales under the right to buy, this represents the most fundamental restructuring of social housing in the post-war period. Unlike most other studies of the subject, this research covers both Scotland and Wales, as well as England. At least until recently, however, local authority 'whole stock' transfers have been comparatively few in number in the devolved jurisdictions. Partly for this reason, there has been much less transfer-related data collected by governments in Scotland and Wales. Consequently, for many of the 'national analyses' presented in this report, their scope is restricted to England.

This research investigates the impacts of transfers undertaken since 1997. While comprising only half of the period since the process began, this era accounts for 75 per cent of all homes transferred in this way since 1988. We have termed these 'second generation' transfers on the basis that they have taken place within a policy context substantially distinct from that within which earlier transfers were undertaken.

Since the late 1990s, and particularly following the adoption of the Decent Homes Standard (and its Scottish and Welsh equivalents) government has increasingly seen stock transfer as a key device to facilitate large-scale investment in previously under-maintained council housing. Within the framework established by the Westminster government's housing green paper (DETR and DSS, 2000) transfer was seen as one of the three options for those English councils judging that the cost of compliance with the Decent Homes Standard would exceed their anticipated resources over the relevant period (until 2010). Alongside (and slightly prefiguring) this, financial mechanisms have been established whereby public funding has helped to facilitate transfers in circumstances where this would have previously been financially infeasible.

In Scotland and Wales, social landlords have also been faced with an obligation to bring all their housing up to a defined standard by a given date (2015 in the former, 2012 in the latter). Unlike in England, however, transfer has been the only 'alternative option' available to Scottish and Welsh local authorities needing additional resources for stock investment – in particular, the scope for securing additional public funding via the arms length management organisation (ALMO) route has been absent in Scotland and Wales.

**Figure 1.1: Stock transfers in England – trend over time by local authority type**

Source: CLG stock transfers database.

As a consequence of these changes stock transfer has, since around 1997, moved into new and more challenging territory, increasingly featuring larger councils, often encompassing areas of urban stress and managing seriously run-down estates characterised by widespread social deprivation. For example, whereas 'rural prosperous' authorities accounted for nearly three-quarters of all English transfers between 1992-97, they accounted for less than a quarter in 2002/03. By this latter year, a majority of transferring homes (58 per cent) were in 'mining and manufacturing' authorities. Similarly, the average price per transferred dwelling (factoring in the cost of catch-up repairs) fell from £11,000 in the mid-1990s to £4,000 by 2004/05. Post-1997 transfers in England have included authorities such as Blackburn, Bradford, Burnley, Carlisle, Coventry, Hartlepool, Middlesbrough, North-East Lincolnshire (Grimsby), Tameside, Sunderland and Wakefield. More broadly, transfers in urban areas – while almost totally absent in the first ten years of stock transfer – came to account for around half of the total in the subsequent period (see Figure 1.1). Transfers involving Bridgend and Glasgow illustrate a similar picture in Wales and Scotland.

Again, reflecting changes in the national policy context, 'second generation' transfers also tend to differ significantly from their earlier counterparts in terms of the governance of successor landlords. All – or virtually all – of the HAs established by post-1997 transfers were set up under the 'local housing company' model where the governing board has equal representation from three 'constituency groups' – tenants, council nominees and 'independents'. Also, with the development of a vigorous anti-transfer movement in recent years, some of the new organisations have been set up within a politically charged context quite unlike that of their longer-established counterparts.

## Research framework and scope

For the reasons outlined above there was seen to be a case for following up earlier JRF research (Pawson and Fancy, 2003) by investigating ‘second generation’ stock transfers. Partly following from the previous JRF study, as well as other research (see below), the main issues investigated and analysed in the study were:

- the nature of ‘transfer promises’ and the extent to which transfer HAs have delivered such promises (or were ‘on track’ to do so at the time of the research);
- the evolution of organisational culture and governance (including tenant involvement) in transfer HAs;
- transfer impacts on day-to-day service delivery;
- the extent to which transfer HAs are contributing to wider regeneration and social inclusion in communities where they are active.

The research was framed to focus on the housing association landlords established to own and manage stock transferred by local authorities in the period 1997-2008. This approach follows from the fact that the vast majority of transfers (ever since 1988) have involved associations newly-created for the purpose. This is demonstrated by data for England illustrating that 191 of the 260 recorded transfers could be classed as such (see Table 1.1). Only among ‘partial transfers’ (instances where a local authority hands on a limited body of stock whilst retaining a landlord role) have transfers to existing associations been numerous. Transfer patterns in Wales and Scotland have been similar.

Partly because of the organisational development perspective of the study it was decided to omit from consideration the 49 mainly partial transfers which were to existing housing associations (see Table 1.1).

**Table 1.1: All English transfers 1988-2007 transfer type by HA type (number of transfers)**

Transfer type	Successor HA at transfer				Total
	Existing (traditional)	New – independent HA	New – subsidiary of existing HA	New – subsidiary of new HA**	
Partial	47	15	23		85
Whole	1	133	12	20	166
Whole – split*	1	6	2		9
<b>Total</b>	<b>49</b>	<b>154</b>	<b>37</b>	<b>20</b>	<b>260</b>

Sources: CLG stock transfers database and authors’ analysis of RSR data; kind assistance also provided by Housing Corporation regional office staff.

\*Associations established in instances where authorities transferred their whole stock to two or more unrelated associations.

\*\*Transfers involving large urban authorities which created ‘parent and subsidiary’ structures for successor landlords.

Framing research on stock transfer in relation to identifiable ‘transfer HAs’ also raises a question about the extent to which social landlords specially established to receive transferred stock remain identifiable as entities over the longer term. This issue is given prominence by the extent of merger and group structure activity within the housing association sector in recent years (Mullins and Craig, 2005; Pawson and Sosenko, 2008a & b).

Recent research has revealed that a third of all associations engaged in such transactions (or deregistered) in the six years to 2007. Sixty per cent of stock transfer HAs engaged in ‘constitutional restructuring’ during this period, an incidence higher than for any other type of association (Pawson and Sosenko, 2008a & b). Nevertheless, as indicated in Table 1.2, most of this activity has involved setting up or joining group structures rather than full mergers. Only 24 transfer HAs set up in the period 1988-2007 had, by the end of this period, merged with another housing association and had ceased to exist as entities identifiable in Housing Corporation monitoring data. And, in more than half of these cases, the merger was in effect a consolidation of an existing group of transfer HAs as initially established (e.g. as in Bradford and Sunderland). In only 11 instances (all but two involving pre-1998 transfers) had mergers involved ‘amalgamation’ with previously unrelated partner associations.

A key finding from the analysis set out in Table 1.2, therefore, is that the vast majority of transfer HAs set up as such since 1988 (89 per cent) remained extant as identifiable entities in 2007. While a few have merged with traditional housing associations or have become subsidiaries of groups led by (or including) traditional associations, the traditional vs. stock transfer dichotomy remained largely intact in 2007. Although this seems likely to erode over time, the process has a long way to go.

**Table 1.2: Stock transfer HAs established in England 1988-2007: breakdown by subsequent constitutional change**

Original status	Constitutional change type					Total
	None – remained as at set up	Established internal group	Joined group as subsidiary	Merged – group consolidation*	Other merger	
Independent HA	84	21	41		8	154
Subsidiary of existing HA	34				3	37
Subsidiary of new HA	7			13		20
<b>Grand total</b>	<b>125</b>	<b>21</b>	<b>41</b>	<b>13</b>	<b>11</b>	<b>211</b>

Sources: Authors’ analysis of RSR data; kind assistance also provided by Housing Corporation regional office staff.

\*With respect to group parent body as at transfer.

An equally valid reading of Table 1.2 is that only 84 of the 211 (40 per cent) transfer HAs set up in the 20 years from 1988 were both established as, and have remained, freestanding landlords.

Issues around the organisational structures of transfer HAs, as well as the evolution of these structures – are further discussed in Chapter Four.

In seeking to explore ‘impacts of stock transfer’ under the research framework described above it is appreciated that there is potential for ambiguity in interpreting the drivers of some post-stock transfer developments, especially in relation to housing management services and landlord organisational culture. As detailed in Chapters Five and Six, significant changes in these areas have certainly occurred in many post-transfer HAs. However, it does not necessarily follow that such developments have in all cases *resulted from* transfer; to some extent, identified changes may reflect processes effective across the whole of social housing over the past few years. That is, the recent experience of transfer HAs might be only a microcosm of changes affecting all social landlords. Only through a research design incorporating comparative fieldwork with stock-retaining local authorities – a much more extensive study than that undertaken here – could this be fully explored. We return to this issue in Chapter Nine.

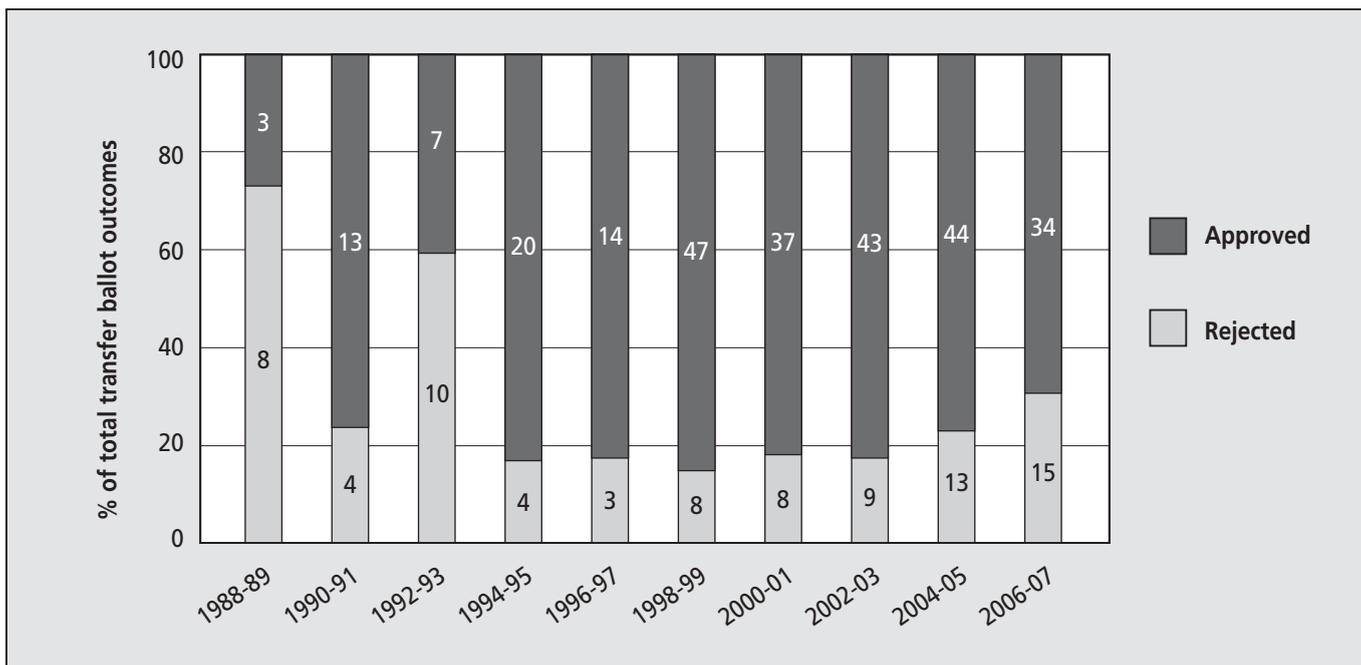
## Existing research literature on stock transfer

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Since stock transfer remains a cornerstone of government housing policy (at least in England and Wales) and, particularly given concerns that transfer erodes tenants’ rights and democratic accountability, it is probably not surprising that the subject has attracted significant research interest. Whilst early studies (e.g. Mullins *et al.*, 1992, 1995; Pollitt *et al.*, 1998) tended to focus mainly or exclusively on England, research on transfers in Scotland (particularly Glasgow) has more recently become extensive (e.g. Taylor, 2000; Gibb, 2003; Gibb *et al.*, 2005), while work specific to Wales also exists (e.g. Smith and Morgan, 2005; Smith, 2006). In addition to studies with an academic authorship, important sources of research evidence include investigations undertaken directly by government bodies (e.g. National Audit Office, 2003; Audit Scotland, 2006).

Much stock transfer research has focused on the transfer process, and its political connotations. Some accounts (e.g. Mooney and Poole, 2005; Glynn, 2007) characterise transfer as privatisation akin to that involving the railways and former public utilities, a view contested by Malpass (2006). Whether stock transfer can be unequivocally termed ‘privatisation’, a contention examined in detail in Mullins and Pawson (forthcoming 2009). On a related theme, Taylor (1998) questioned the choice which local authorities have over whether to ballot, and what choice tenants have in a ballot. However, Munro *et al.* (2005) contended that the voting requirement at least creates a powerful incentive for local authorities and their aspirant transfer landlord partners to develop a package seen as attractive from a tenant perspective. It was also noted that, since around a quarter of pre-2005 English transfer proposals had been voted down (see Figure 1.2), the ballot procedure is far from a foregone conclusion.

Figure 1.2: Transfer ballot outcomes (England), 1988-2007



Source: CLG - unpublished data.

Note: Figures within graphic show number of ballots concerned.

Ginsburg (2005) argued that while little effort is spared in enticing tenants to vote for transfer, government – at the same time – restricts real tenant choice by refusing to provide specific funding to meet quality housing standards, should tenants opt to remain with their local authority. From a different perspective, while acknowledging that the established transfer process involves a ‘loaded choice’, Zitron (2004) argued for transfer to be made mandatory for all local authorities, albeit with tenants’ choice of successor landlord being increased.

Turning to studies of more direct relevance to the current research, Malpass and Mullins (2002) observed that, initially pioneered as a ‘bottom-up’ initiative, the transfer mechanism has, over time, been transformed into an instrument of government ‘policy delivery’. The introduction of a government-controlled ‘national programme’ for stock transfers in England (in 1994) and the allocation of substantial public funding to subsidise otherwise ‘uneconomic’ transfers from 1998 were critical developments here.

Investigations focusing on the extent to which transfers have achieved stated objectives, have concluded that key ballot promises have, for the most part, been met (or exceeded). Thus, it was found that the vast majority of stock improvement and rent commitments made by transfer associations established in the period 1988-98 had been delivered (National Audit Office, 2003). Similarly, small-scale transfer programmes in both England and Scotland were shown to have been generally successful in their own terms (Pawson *et al.*, 2005; Gibb *et al.*, 2005). Indeed, favourable economic conditions (especially low and declining interest rates) and effective procurement policies (often on the ‘partnering’ model), helped many of the associations involved to complete stock investment programmes ahead of time and/or below budget.

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## Research methodology

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The research involved three main elements:

- (i). Analysis of secondary data.
- (ii). National survey of transfer promises and delivery.
- (iii). Case study work focusing on ten transfer HAs.

The **secondary data analysis** involved the interrogation of a wide range of datasets. The most important of these were the Housing Corporation's Regulatory & Statistical Return (RSR) and Performance Indicators (PI) datasets, as well as Corporation registration records (supplemented by expert knowledge on the part of Corporation staff). Also included were Audit Commission (Housing Inspectorate) inspection ratings, National Housing Federation tenant satisfaction data and CLG databases of transfer ballot outcomes and transfer transactions.

The **national survey** of second generation transfer HAs was designed partly to build on and update surveys on delivery of transfer promises. Circulated by email and post in spring 2007, the survey covered successor landlords with respect to all 92 transfers (non-urban as well as urban) identified as having taken place in England, Scotland and Wales from 1999-2004. This timeframe was set to complement that of the National Audit Office survey (which encompassed transfers undertaken in the period 1988-98) and to allow for the expectation that it would be too early to properly assess the impacts of transfers undertaken since 2004.

The questionnaire was structured in four sections:

- (a). Delivery of promises.
- (b). Evolution of business plans.
- (c). Organisational culture and governance.
- (d). Regeneration and community development.

Forty-eight completed questionnaires were received – a response rate of 52 per cent. Of these, 22 were classified as urban transfers. These influenced the subsequent selection of the case studies.

Focusing on ten successor landlords (eight in England, one in Wales, one in Scotland), the case study work formed the main body of the research. While some of our statistical analyses included non-urban transfers (as well as pre-1999 transactions), it was decided that case study work should include urban instances only. This reflects a view that city and other metropolitan transfers are likely to have posed a distinctly greater challenge for the local authorities and transfer HAs concerned.

**Table 1.3: Stock transfers to new HAs in England, 1999-2004: urban/rural split**

Transfer type	Rural	Urban	Total
Whole stock	52	18	70
Partial		17	17
Total	52	35	87

Source: CLG stock transfers database.

Stock transfers involving metropolitan councils and other urban authorities have become much more numerous since 1998 and in the 1999-2004 period accounted for most (55 per cent) of the dwellings transferred, nationally. As shown in Table 1.3, however, transfer transactions involving non-urban councils remained numerically in the majority during this period. 'Urban' areas, as designated in Table 1.3, include all transfers by London boroughs and metropolitan authorities, as well as a small proportion of district and unitary councils (e.g. Blackburn, Burnley, Carlisle). As shown in Table 1.3, this group was split fairly evenly between partial transfers and whole stock transfers.

Case study selection for Wales was a very simple matter since, at the time of the fieldwork, only one local authority (whole stock) transfer had been undertaken (the Bridgend/Valleys to Coast transfer of 2003). For Scotland, only one urban whole stock transfer (Glasgow/GHA) had taken place in the relevant period. Both of these associations had made returns in the questionnaire survey and agreed to participate in the case study phase of the research.

**Table 1.4: Selected case study LAs/HAs**

Local authority	Region	HA	Transfer type	HA stock	Organisational form
Bridgend	Wales	Valleys to Coast	Whole stock	6,000	Independent
Calderdale	Yorks & Humber	Pennine 2000	Whole stock	11,232	Group subsidiary
Glasgow	Scotland	Glasgow	Whole stock	75,000	Group*
Knowsley	North West	Knowsley HT	Whole stock	14,002	Independent
Liverpool	North West	Berrybridge	Partial	2,937	Group subsidiary
Newcastle-under-Lyme	West Midlands	Aspire Housing	Whole stock	8,619	Independent
Peterborough	East of England	Cross Keys Homes	Whole stock	9,497	Independent
St Helens	North West	Helena Housing	Whole stock	12,993	Independent
Sunderland	North East	Gentoo Group**	Whole stock	30,659	Group
Tower Hamlets	London	Poplar HARCA	Partial	4,106	Independent

\*Of a unique kind.

\*\*The former Sunderland Housing Group as renamed in 2006/07 – for the sake of clarity, referred to subsequently in this report as Gentoo-Sunderland.

The population from which the English case studies were selected was the 35 urban transfers enumerated in Table 1.3, taking account of whether the relevant transfer HA had made a postal survey return. In selecting from this cohort, the aim was to include a diverse mix in terms of geography, size and structure of transfer landlord. It was also seen as desirable to include some representation of partial transfer associations. As shown in Table 1.4, this was substantially achieved.

However, while the selected case study transfer HAs spanned a mix of different organisational forms, these did not include any established on the 'Community Gateway' model (see HACAS Chapman Hendy, 2003) – a framework designed to further enhance tenant control. Although this could have added another dimension to the study it was ruled out because transfers on this model have taken place only since 2005 – too recent to facilitate any evaluation of longer-term impacts.

Case study work mainly took the form of in-depth interviews involving:

- Transfer HA senior managers (usually including CEO, Finance Director and Operations Director).
- Transfer HA board members (both tenant members and others).
- Local authority housing strategy officer.
- Tenants' representatives.

In addition, nine of the ten case studies involved a focus group discussion convened by a research team member and involving junior HA staff members with experience of both the transfer HA and the predecessor local authority. The 'exception' was Glasgow HA where a programme of staff focus groups was, in any case, scheduled to take place at the same time as our research (meetings convened by external consultants commissioned by the association). Here, senior managers kindly agreed to incorporate within these meetings, questions drafted by the research team and to feed back to the team notes of these discussions. Hence, the study was able to incorporate staff perspectives in relation to all ten case study HAs.

To obtain a genuinely bottom-up perspective of transfer landlords and their evolution, it was decided that focus group participants should be selected from 'first and second tier' staff members in post since the date of transfer. In an effort to avoid the possibility that 'non-conforming staff' might be excluded from these meetings, it was intended that selection of staff participants would be essentially random (within the above specified parameters). It is understood that such an approach was adopted in recruiting to the GHA staff focus groups. To ensure random selection for the nine groups convened by research team members it was intended that the recruitment process would be entirely under the team's control (i.e. involving selection from a list of all eligible staff members as provided by the landlord concerned). Because some case study landlords were reluctant to provide full staff lists this was not achieved in all cases. However, even where recruitment had to be delegated to the transfer HA,

managers were requested to respect the principle that selection should be on a random basis. Although we cannot be certain that this request was universally respected, there is no reason to believe it was not.

Again, in an effort to promote open-ness and honesty, it was stressed that contributions were confidential, with researcher notes of meetings not included in material fed back to senior management (see below). Material collated from these discussions has been written up as a separate chapter in this report which also includes fuller details of staff focus group methodology (see Chapter Eight).

In addition to interviews and staff focus groups, case study work involved an analysis of local documentation relating to transfer objectives (e.g. council papers pre-transfer, pre-ballot offer documents) – in particular those relevant to levels of planned investment and potential wider economic regeneration (e.g. local training and employment opportunities).

For quality control, findings from all the above sources (other than staff focus group notes) were incorporated into case study-specific working papers for checking by the main case study contact in each instance. These working papers, as amended, formed key building blocks for this report.

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## Chapter Two

# Transfer promises: Overview of commitments and investment delivery

### Key findings

- Although the challenges faced by many 'second generation' transfer HAs have been far greater than for their earlier counterparts, the landlords concerned have been no less successful in delivering transfer promises.
- Ballot commitments 'outperformed' have vastly outnumbered those 'delayed' or 'unmet'.
- Typically, second generation transfer HAs have implemented stock upgrade standards appreciably superior to those officially prescribed (e.g. in the Decent Homes Standard).
- Many transfer HAs have generated procurement and other efficiency savings which have been ploughed into enhanced modernisation specifications or originally unplanned works – e.g. on environmental improvements.

### Chapter scope

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Drawing mainly on case study evidence, this chapter starts by reporting briefly on the range of commitments initially adopted by second generation urban transfer HAs and ways these were defined. Making use of both postal survey and case study data, the chapter then goes on to look at the extent to which the 'transfer promises' have been achieved by all 1999-2004 transfer landlords. Although it includes an overview of transfer HA delivery with respect to the full range of ballot pledges, this latter section focuses mainly on the key area of investment in stock upgrading. Delivery of ballot promises on housing management, tenant empowerment and regeneration is discussed in greater detail in Chapters Four to Seven.

### Transfer commitments

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Although a tenant majority vote is not, technically, a legal requirement, custom and practice dictate that this is the means by which local authorities demonstrate tenant support for transfer so as to secure ministerial consent. Stimulated by this obligation, and working with the proposed new landlord, local authorities advocating transfer must develop a set of undertakings against which the successor housing association

will be held accountable. From the local authority viewpoint, tenants must be given sufficient incentive to vote for change, while over-ambitious aspirations should be avoided, both because these may be seen as lacking credibility, and because they could 'set up the new organisation to fail'.

Confirming previous research (NAO, 2003; Pawson *et al.*, 2005) – and as further detailed in Table 2.1 – the postal survey demonstrates that transfer commitments always or usually encompass:

- Investment in repairs and modernisation.
- Rent levels.
- Improved housing management services.
- Enhanced tenant and resident involvement.
- New housing development and/or area regeneration.
- Protection of tenants' rights.

Pledges under the final heading in the bullet points address the issue that, in switching from a local authority to housing association landlord, tenants (in England and Wales) have been exchanging 'secure' for 'assured' tenancies. Associated promises are therefore essentially about committing successor landlords to carry forward existing rights (e.g. the preserved right to buy for tenants in situ at the point of transfer). Promises under the other five headings are different in the sense that many represent commitments for (what are portrayed as) positive changes. Drawing on case study evidence, the next section looks in turn at the nature of pledges made under each of these five headings.

### **Repair and modernisation commitments**

Reflecting the contemporary role of stock transfer as primarily a mechanism facilitating access to capital investment, second generation transfer promises around major repairs and modernisation typically dominated the 'offer documents' produced for the ten case studies. Transfer prospectuses usually detailed elemental programmes forming components of an overall investment plan. In the St Helens/Helena HA transfer, for example, the aspiration to bring all council homes up to a good standard of repair within seven years was to be achieved through a packaged costing £200 million and including:

- PVC double-glazed windows for all homes within five years.
- Energy efficient central heating installed in 5,900 homes within four years.
- Modern kitchens and bathrooms installed in 9,000 homes within seven years.
- Re-wiring of 3,800 homes.
- Security works.
- Environmental improvements.

The final two items in the preceding list are of particular significance in that they go beyond the requirements of the Decent Homes Standard (ODPM, 2006). Such works were specified by most other case study transfer prospectuses. While their intended extent was not always clear, some offer documents were specific on this point; in the Peterborough/Cross Keys transfer, for example, it was specified that funds set aside for environmental works would total £4.9 million in the years 1-5 (within the context of an overall investment programme of £108 million).

In common with a number of other case studies, the St Helens/Helena investment plan time horizon extended beyond the traditional five year 'promises period'. In Glasgow and Sunderland, for example, transfer landlords were working to complete a 'full modernisation' of inherited former council housing stock within ten years of transfer. However, in all such instances, elemental programmes to be completed over shorter periods were envisaged. Typically, these involved items (e.g. central heating or security works) seen as making a material difference to tenants' quality of life.

Alongside major repairs and modernisation, transfer investment plans in a number of case studies (e.g. Liverpool/Berrybridge, Glasgow/GHA) were accompanied by commitments to restart (or improve the frequency of) external painting or other cyclical maintenance programmes. The inclusion of such undertakings adds to the sense of transfer providing a 'way out' for previously resource-starved council housing departments.

The precision of stock upgrade promises varied from place to place. Some prospectuses set out highly detailed plans calibrated both in terms of the numbers of properties to receive certain treatment and the overall scale of investment to be undertaken over a given period. The Glasgow/GHA prospectus, one of the most exhaustive, set out breakdowns of planned activity at neighbourhood level, both in terms of numbers of homes to receive specified treatments and the associated amounts to be invested. In common with a number of others (e.g. Knowsley, Liverpool/Berrybridge), the Glasgow/GHA prospectus emphasised the scale of planned capital investment as a key yardstick against which post-transfer activity might be assessed.

### **Rent guarantees**

Rent guarantee pledges in case study transfer prospectuses typically related to rent increases for the first five years after transfer, usually undertaking to limit these to the annual change in the retail price index plus 1-1.5 per cent. Exceptions included Glasgow/GHA, where there was to be a zero real terms increase in years 1-5, and Bridgend/Valleys to Coast where increases at (retail price index) RPI+2 per cent were specified for years 6-10. In at least two of the case studies, however, it was envisaged that people taking up tenancies after the transfer would (or could) be expected to pay higher rents than former council tenants. In some instances, it was also clear that rent

increases related to improved property features or condition could be levied over and above those implied by the RPI+X formulae. Hence, following modernisation of their home, a tenant could expect a supplementary rent increase. In England, the significance of rent guarantees has been much reduced since the introduction of the rent restructuring regime in 2001 because all social landlords are, in any case, subject to the regime's associated restrictions.

### **Housing management**

Commitments to improve housing management were made by all case study transfer local authorities and successor landlords. Most of the prospectuses aspired to enhance repairs services and/or tackle anti-social behaviour (ASB) more effectively. Sometimes such aspirations were phrased in rather unspecific terms – e.g. undertakings to 'look at' extended office opening hours or to 'place more emphasis' on countering ASB in more than one prospectus. However, firm pledges to set up dedicated ASB units were made in four of the ten areas. Similarly, in four areas successor landlords were committed to introducing repairs appointment systems and/or enhancing repairs standards.

Other management-related undertakings cited in one or more of the offer documents included funding for neighbourhood wardens and estate handypersons, and the establishment of a tenants' home contents insurance scheme.

### **Enhanced tenant and resident involvement**

All but two associations responding in the postal survey reported that their ballot promises included commitments to enhance tenant involvement (see Table 2.1). Such pledges were also emphasised in most case study transfer prospectuses. Apart from the standard undertaking to include tenants on the board of the successor landlord, prospectuses typically cited a range of approaches portrayed as embodying the aspiration to create a 'stronger tenant voice'. These often included promotion and funding for tenants' associations, the establishment of tenant panels or committees, and the collection of customer feedback through tenants surveys. Specific commitments included the Glasgow/GHA undertaking to fund tenant participation to the tune of £410,000 per annum, and the pledge by St Helens/Helena to increase tenant participation staffing from one to two posts. The Peterborough/Cross Keys prospectus also stands out in its pledge to enhance tenant influence on post-transfer housing management by establishing tenant repairs inspectors and mystery shoppers.

### **Regeneration**

Second generation transfer prospectuses are more varied in relation to 'regeneration' commitments. No fewer than 16 (of 48) postal survey respondents stated that ballot promises for their transfer contained no 'regeneration' pledges – see Table 2.1. Even among the 'urban' group, five (of 23) reported that no such commitments had been made.

Similarly, some case study transfer prospectuses made little or no mention of plans to revive neighbourhoods, to replace (as opposed to refurbish) housing, or to promote economic and social wellbeing in their localities. In other instances, however, activities under some or all of these headings were clearly seen as very important, right from the start. The Glasgow/GHA prospectus, for example, anticipated the demolition of 11,000 (out of 80,000) dwellings and the construction of 13,000 to replace them (by both GHA and other RSLs) within ten years of transfer. Similarly, Poplar HARCA cited an overarching objective to 'redevelop' 15 per cent of transferred stock.

As for the promotion of social and economic revival (or 'community regeneration'), a few case study prospectuses cited relevant aspirations but these tended to be worded rather loosely. In two instances, for example, offer documents pledged the successor landlord to work with local agencies to promote employment and training opportunities. Another transfer HA was pledged to work with tenants to address 'quality of life issues'. More specific undertakings, as cited in the Liverpool/Berrybridge prospectus, included setting up a dedicated team to implement community regeneration and establishing a community chest fund.

### **Other promises**

A number of postal survey respondents reported the existence of local ballot promises outside of the categories discussed above – and set out in Table 2.1. In practice, many of the cited undertakings could have been fairly classified within the categories as specified (e.g. expansion of estate caretaking, introduction of choice-based lettings, wider rent payment options, better neighbourhood security, protection of tenants' rights).

However, one ballot promise certainly outside the standard categories and of critical importance for one case study locality was the Glasgow/GHA undertaking on 'second stage transfer'. While local circumstances are unique, issues surrounding this instance are of wider interest given the status of the Glasgow transfer as Britain's largest, and given the widely-reported claims that GHA's 'failure to deliver' on a key promise demonstrates fatal weaknesses in the transfer model.

The Glasgow/GHA prospectus referred to the establishment of 62 local housing organisations (LHOs) to take on day-to-day management of the transferred stock with some autonomy from GHA headquarters. The prospectus also committed GHA to '*support[ing] suitable LHOs becoming landlords in their own right and taking ownership of the housing in their area*'. Second stage transfers would happen '*only... if a majority of those voting support it in a further local ballot...[and] only...if it has a financially neutral effect on the GHA and its operations*' (p23).

However, as reported by tenant activists interviewed in this research, SST undertakings made at public meetings by contemporary political leaders were not qualified in this way. Similarly, an earlier ministerial working group report (GHPG, 2000) had suggested that all tenants would be invited to participate in SST ballots within ten years of the transfer. And, it was reported that '*Plans are in place for 80 per cent of the stock to transfer by 2014*' (*Social Housing*, April 2003).

The financial qualification specified in the transfer prospectus (see above) was seen as crucial by senior Glasgow City Council staff involved in transfer planning because of a keen awareness that the costs of SST would be substantial and an appreciation that the business plan underlying the prospectus did not, in fact, include such provision. For the council leadership the overwhelming political priority was to push through the initial transfer rather than to squarely address this issue. Nonetheless, the innocuously phrased condition included in the prospectus went unnoticed by other parties at this time. Only later was it to become what was described by a senior manager as *'the fulcrum of argument around the way ahead for [GHA]'*.

Glasgow tenant activist interviewees stressed that, from their perspective, the key transfer promise was, indeed, that on SST. The expectation of SST was important within the broader context of a tenant activist aspiration for the transfer to *'make a difference to how housing is run'*. It was, nonetheless, acknowledged that from the perspective of most (non-activist) tenants the promises of overriding importance were those concerning investment, and that SST undertakings were of very limited significance. We return to this issue in Chapter Three.

## Delivery against transfer promises: overview

As noted in Chapter One, earlier research concluded that most ballot promises had been honoured by ex-Scottish Homes transfers (Gibb *et al.*, 2005) and with respect to 1988-98 transfers in England (NAO, 2003), as well as those undertaken via the Estates Renewal Challenge Fund – ERCF (Pawson *et al.*, 2005). The findings summarised in Table 2.1 are highly consistent with these conclusions.

**Table 2.1: Delivery against transfer promises: overview from HAs**

	No promise made	Promise...					Total respondents
		...not met	...delayed	...on schedule	...fully met	...exceeded	
Catch-up repairs	2	0	0	8	24	13	47
Other property modernisation	0	0	0	12	13	22	47
Other works	4	0	1	14	17	10	46
Improved housing repairs service	4	0	0	13	20	10	47
Other housing services	4	0	0	7	23	11	45
Rent guarantee – existing tenants	1	0	0	7	32	7	47
Rent guarantee – new tenants	5	1	0	6	30	4	46
Enhanced tenant participation	2	0	1	6	21	17	47
Development	13	1	3	9	5	13	44
Local regeneration	16	0	0	8	11	10	45

Source: Postal survey.

Note: Non-respondents = 1-3.

As shown in Table 2.1, instances where ballot promises have been exceeded have vastly outnumbered cases where pledges have remained undelivered or delayed. Only in relation to the development of new homes did more than one survey respondent believe that local undertakings had been delayed or not met. Research on ERCF transfers (Pawson *et al.*, 2005) identified several instances of associations having found it impossible to deliver development undertakings. This tended to reflect post-transfer recognition that originally planned levels of demolition and replacement needed to be increased. This brought with it the need to restructure business plans, to seek consent from the relevant authorities, to plan for additional decanting, and to seek planning permission for replacement housing. All of this tended to delay the housing development originally planned.

Perhaps particularly significant in Table 2.1 is the finding that 13 of the 48 responding HAs saw themselves as having *over-achieved* their objectives on catch-up repairs, while the comparable figure for property modernisation was 22. Issues related to these findings are further explored in the context of case study evidence below. 'Exceeding promises' in relation to rent guarantees might indicate that transfer HAs have found it possible to set rents at levels below the 'maximum increases' specified in offer documents.

## Delivery against stock investment promises

Although stock transfers have been taking place since 1988, the transfer process has been increasingly driven by central government, as a key instrument in the wider official aspiration to channel fresh investment into social housing (Malpass and Mullins, 2002). Some early transfers in England were partly inspired by 'defensive' motivations – e.g. protecting council housing from sale to sitting tenants and shielding tenants from higher rents. However, as exemplified by our case studies, transfer as a route to property repair and modernisation has been overwhelmingly the most significant impetus for second generation transactions.

As shown in Table 2.2, in the 20 years to 2008, English transfers have attracted private finance totalling almost £19.3 billion. For some transfers since 1998 loan facilities negotiated with private funders have been supplemented with explicit public funding. The object of such support has been to facilitate otherwise 'uneconomic' transactions; that is those where the transfer receipt would be inadequate to repay the authority's outstanding housing debt and/or where the transfer landlord's anticipated 30-year expenditure would be greater than its projected income (see Mullins and Pawson, forthcoming 2009). The function of transfer as a key policy instrument in pursuit of central government housing policy is illustrated by the extent of public funding since 1998 (see Table 2.2).

The sharp increase in transfer unit costs evident since 2004 (see Figure 2.1) partly reflects the restart of gap funding<sup>1</sup> which has enabled some particularly costly

<sup>1</sup> That is, subsidy to support a transfer HA's business plan by bridging the 'gap' between projected income and expenditure over the term of the plan.

**Table 2.2: Financing stock transfers in England, 1988-2008**

Year*	Private finance	Public funding			Total
		Overhanging debt redemption	Gap funding	ERCF funding**	
1988	63	0	0	0	63
1989	117	0	0	0	117
1990	538	0	0	0	538
1991	320	0	0	0	320
1992	238	0	0	0	238
1993	311	0	0	0	311
1994	633	0	0	0	633
1995	933	0	0	0	933
1996	629	0	0	0	629
1997	399	0	0	0	399
1998	730	0	0	163	893
1999	1,454	0	0	163	1,617
2000	1,742	133	0	163	2,037
2001	1,391	144	0	0	1,535
2002	1,595	257	0	0	1,852
2003	1,103	292	0	0	1,394
2004	724	292	0	0	1,016
2005	1,242	604	76	0	1,921
2006	1,316	615	137	0	2,068
2007	2,476	474	230	0	3,180
2008 (part)	1,307	786	222	0	2,315
Total	19,258	3,596	665	488	24,007

Source: CLG completed stock transfers dataset: <http://www.communities.gov.uk/documents/housing/xls/completed/svts.xls> and Pawson *et al.* (2005).

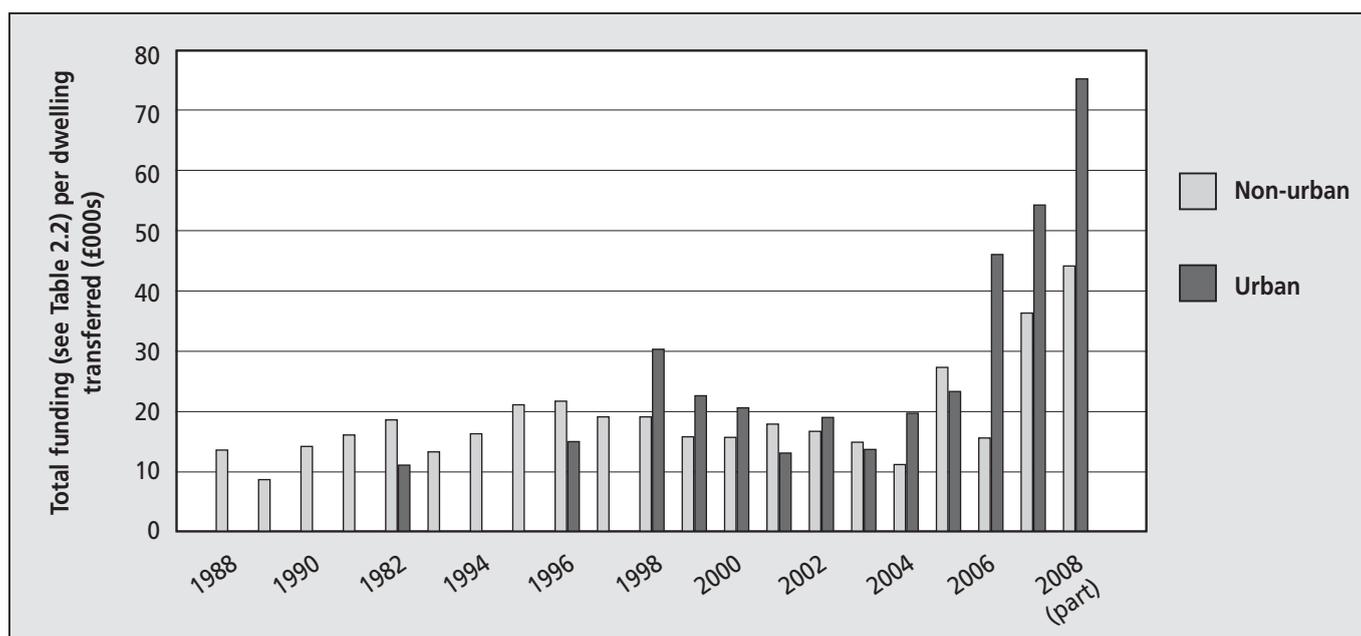
\*Note that the year to which figures are attributed is the year that the relevant transfer took place. The finance involved here is drawn down over a period of years rather than solely in the specified year.

\*\*Total public funding of ERCF (Estates Renewal Challenge Fund) transfers attributed evenly to the three years when these transactions took place.

transactions to proceed. Figure 2.1 also illustrates the extent to which urban transfers tend to be more costly than those involving non-urban authorities. In most years since urban transfers began to take off, typical funding per dwelling has been considerably higher than the comparable non-urban figure. In part, this is a measure of the generally poorer condition of properties encompassed by urban transfers.

The extent to which urban transfers have tended to involve the conveyancing of poorer condition stock is more directly demonstrated by figures drawn from the CLG completed transfers dataset. These show that, of the 166,000 urban homes involved in the six years to early 2008, 57 per cent were classed 'non-decent' at the point of transfer, whereas the comparable figure for non-urban transactions was 45 per cent.

Figure 2.1: Stock transfers in England, 1988-2008: trends in total transfer funding per dwelling



Source: See Table 2.2.

### Stock upgrade standards

Most second generation transfer HAs see their investment programmes as incorporating standards superior to those specified by the official Decent Homes Standard (and its Welsh and Scottish counterparts). As shown in Table 2.3 almost half of postal survey respondents saw their local benchmarks as 'much higher' than required under national policy. Justifying this assertion, associations reported the installation of security features, the adoption of more demanding energy efficiency SAP ratings, and investment in environmental improvements.

Audit Commission inspection reports for a number of case study HAs confirm the associations' judgements on the relatively ambitious nature of some local standards. The 2006 report for Helena Housing, for example, commented that the local stock upgrade programme involved undertaking '*more work than the [Decent Homes] Standard requires in all areas*' (Audit Commission, 2006, para 56). The Commission's 2005 report on Pennine 2000 and the 2007 report on Knowsley Housing Trust included similar findings.

Table 2.3: Local modernisation standards as compared with national official standards

Modernisation standards compared with DHS/WHQS/SHQS	Urban	Non-urban	All
Local standard much higher	9	12	21
Local standard somewhat higher	10	8	18
Local standard similar	2	6	8
Local standard lower	0	0	0
Total	21	26	47

Source: Postal survey. Non-responses = 1.

While the incorporation of dwelling security and environmental works were cited by most case study HAs as exemplifying their 'DHS-plus' (Decent Homes Standard plus) approach, some associations reported going further by replacing kitchens and bathrooms 'routinely' even where this would not be required under DHS (e.g. because existing fittings did not exceed the maximum allowable age).

However, one case study HA reported having encountered difficulties because, having completed its original stock upgrading programme on time, it became apparent that this had not fully met DHS requirements. This appeared to have resulted from the fact that transfer planning was undertaken in 1998-99, well before the emergence of the DHS in 2000. At the time of the fieldwork, the association anticipated being able to complete a second round of works (consistent with DHS criteria) by 2012. These findings may motivate some skepticism in relation to the 'self-assessment' survey responses summarised in Table 2.3.

### **Stock upgrade programme delivery**

Case study evidence supports the postal survey finding (see Table 2.1) that property repair and modernisation promises have generally been met or exceeded. Several case study HAs had completed investment programmes ahead of schedule or were on track to do so. In Knowsley, for example, the Audit Commission's 2007 inspection report confirmed that Knowsley Housing Trust was likely to finish its DHS-plus package two years ahead of its original target. Gentoo-Sunderland's catch-up repairs programme had been completed a year ahead of schedule and its 10-year modernisation scheme was progressing towards a similar outcome.

Some case study HAs demonstrated their programme delivery partly or mainly with reference to sums invested since transfer. Berrybridge HA, for example, had spent £42.5 million in years 1-5. And while this compared to an original target of £47 million, the difference was attributed to the fact that significant numbers of properties had been demolished, having been judged (post-transfer) as 'unsustainable'. The Berrybridge post-transfer investment programme had been completed on time.

In its first four years Glasgow HA had invested £442 million against an inflation-adjusted target of £420 million. While some programmes had slipped (e.g. fabric repairs) others had been accelerated (e.g. security doors installation projected for completion over five years instead of the decade originally anticipated; kitchen and bathroom replacement programme brought forward by five years). In its 2007 GHA inspection report, Communities Scotland indicated that the organisation's apparent success in 'outperforming' investment targets was good measure of works achieved on the ground (Communities Scotland, 2007). GHA senior manager interviewees stressed the distinction between the association's approach and that of the city council as predecessor landlord. The targeting of resources under GHA's programme was strongly influenced by an in-depth appraisal of popularity and long-term sustainability. Hence, investment was being focused on 'core stock' rather than being subject to the 'worst first' principle which influenced former housing department decision-making.

To the extent that this is an accurate characterisation, it could be interpreted as contrasting GHA's asset-management driven approach with the council's welfare-driven model.

Supporting a key finding shown in Table 2.1, a number of case study HAs cited examples of ways they had 'outperformed' promises on stock investment, not only by completing programmes ahead of time, but by achieving savings sufficient to fund unplanned works. In Glasgow, procurement efficiency gains had enabled GHA to enhance its original modernisation specification to include shower installation, kitchen floor coverings and higher standard central heating systems. Headroom generated in this way had also enabled the association to commit originally unplanned spending on environmental improvements and community regeneration. Efficiency gains generated by Gentoo-Sunderland had been reinvested in service improvement and higher standards, including higher specification kitchen replacement. Helena had committed procurement efficiency savings to additional environmental improvements and unplanned works (e.g. re-plastering) to older properties.

How far is local stock modernisation activity by transfer HAs contributing to the elimination of defective homes at the national scale? Stock transferred in England since such monitoring was initiated in 2001 included some 51 per cent judged as non-decent at transfer (CLG completed stock transfers dataset). As shown in Table 2.4, first generation transfer associations still had some work to do (as at 2007) before achieving full compliance with the Standard. Perhaps partly because of less demanding expectations at the time of such transfers, some 12 per cent of their stock remained below the DHS threshold in 2007 – a figure very similar to that for non-transfer associations (see Table 2.4).

**Table 2.4: Housing associations' Decent Homes Standard compliance as at April 2007 (England)**

	Dwellings failing DHS	Total stock	Total DHS failure rate (Column 1 as % of Column 2)	Average DHS failure rate*
	Column 1	Column 2	Column 3	Column 4
Transfer HAs 1988-97	29,550	253,354	11.7	11.0
Transfer HAs 1998-2003	55,210	386,339	14.3	15.3
Transfer HAs 2004-07	82,958	183,272	45.3	38.0
Post-1997 urban transfer HAs	85,594	348,260	24.6	21.5
Post-1997 non-urban transfer HAs	52,574	223,978	23.5	22.1
Non-transfer HAs	79,504	717,025	11.1	7.6
All HAs	247,222	1,539,990	16.1	12.9

Source: Housing Corporation RSR 2007.

\*Average percentage (per association) of stock non-compliant with DHS.

Among second generation transfer landlords the norm for DHS non-compliance in 2007 was 22 per cent (see Table 2.4). However, those established before 2004 (the cohort from which our case studies were drawn) had remedied such problems for all but 14 per cent of their homes. In interpreting this figure it should be borne in mind that, as demonstrated by case study evidence, some transfer associations have adopted modernisation programmes stretching seven or more years. Thus, for some transfers enacted in 2002 and 2003, investment packages may have had several years left to run in 2007. Hence, it seems likely that the 14 per cent non-compliance figure for this cohort of transfers will have been considerably reduced by 2010. However, it seems likely that some residue of defective homes will remain at that date because of:

- tenant decisions not to authorise DHS works to their homes offered by their landlord; and
- circumstances where longer-term regeneration plans mean such investment would be ill-advised.

In addition, there may be a number of instances where, as in one of our case study HAs (see above), 1998-2001 transfer investment plans were based on pre-DHS criteria and financing additional works to meet more demanding DHS expectations will result in compliance being achieved only after 2010.

Another means of assessing transfer HAs' progress towards DHS compliance is via analysis of monitoring data collected annually through the Housing Corporation's Regulatory & Statistical Return (RSR). Of the 42 transfer HAs which submitted data on the progress of their decent homes investment programmes in 2007, 23 were 'ahead of target' whilst 19 were 'behind target' in relation to the numbers of homes actually upgraded compared with original business plan projections. Clearly, a significant proportion of these instances might present cause for concern. However, modernised homes figures falling short of original projections could reflect a number of potentially unproblematic scenarios, such as a transfer landlord having sold more dwellings to sitting tenants than expected, or, having opted to demolish and replace more homes than planned. Without probing further the relevant factors in each instance it is impossible to be certain whether any of the 19 'behind target' cases are 'problematic'.

## Chapter summary

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As well as assurances on tenants' rights, ballot promises for second generation stock transfers in almost all cases included pledges on capital investment, rent levels, housing management and tenant empowerment. Whilst some transfer prospectuses also included significant commitments on regeneration (physical and/or social/economic), such pledges were reportedly absent in a third of cases.

As a rule, second generation transfer ballot pledges have been dominated by commitments to channel fresh investment into housing repair and modernisation.

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Often, elemental programmes (e.g. on installation of central heating or security works) have formed components of a wider investment package. Time horizons for some of these packages have exceeded the traditional five year 'promises period'. Pledges to 'improve housing management' have tended to focus on enhanced repairs services (e.g. through introduction of appointment systems), and/or tackling anti-social behaviour. Prospectuses for four of the ten case studies committed successor landlords to establishing dedicated ASB teams.

Uniquely, a key pledge for the Glasgow/GHA transfer was a commitment to progress 'second stage transfers' (SSTs), the aspiration to hand over packages of housing to a constellation of community-based landlords. However, reflecting Glasgow City Council awareness that such a programme would require additional funds, the commitment, as officially stated, was highly qualified.

As self-reported, second generation transfer HAs have been highly successful in meeting ballot commitments. In relation to catch-up repairs and modernisation, for example, all of the 48 survey respondents reported pledges had been met or were on track to be met. None had been delayed or unmet. Across all ten pledge categories, instances of commitments reportedly 'outperformed' vastly outnumbered undertakings 'undelivered' or 'held up'. Only on the development of new homes did more than one survey respondent acknowledge that local pledges had remained delayed or unmet.

Since 1988, transfer promises on property repairs and modernisation have been facilitated by funding totalling £24 billion in England alone. Almost £20 billion of this – including nearly £5 billion of public funding – relates to the period 1998-2008. On the whole, urban transfers have been substantially more costly than their non-urban counterparts, both in terms of private finance and public subsidy. This reflects the typically poorer condition of properties conveyed in urban transfers, with 57 per cent of such homes judged 'defective' at transfer (compared with 45 per cent for non-urban transfers).

In modernising acquired homes, second generation transfer HAs have tended to apply specifications superior to those prescribed officially (e.g. in the Decent Homes Standard). Forty-five per cent of transfer HA survey respondents described local upgrade standards as 'much higher' than those specified officially. Enhancements have typically included security and environmental works. In some instances they have also included enhancements such as installation of new kitchens and bathrooms even where existing facilities were compliant with DHS criteria. However, one of the ten case study HAs acknowledged that its investment programme, planned prior to the 2001 publication of the Decent Homes Standard fell short of DHS requirements.

Case study evidence confirms survey findings indicating that post-transfer stock repair and modernisation programmes are, as a rule, being completed on – or ahead of – schedule. There is also evidence of procurement and other efficiency savings being

ploughed into enhanced modernisation specifications or originally unplanned works – e.g. on environmental improvements.

By 2007, HAs responsible for properties transferred 1998-2003 in England had cut the proportion of non-decent stock to 14 per cent and there is good reason to suppose that by 2010 this figure will have been further reduced by a considerable amount.

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## Chapter Three

# Evolution of transfer housing association business plans

### Key findings

- For many second generation transfer HAs, the economic backdrop has been beneficial, in that interest rates fell up until 2004. At the same time, however, all have had to contend with rehabilitation tender costs which rose at three times the rate of inflation in the ten years to 2006.
- Half of all second generation transfer HAs see their original business plans as having been 'underfunded' – most often due to defective (pre-transfer) stock condition surveys.
- Uniquely, for Glasgow HA, the major 'underfunding' issue was the inadequate provision originally allowed for 'second stage transfers' (SSTs).
- In re-shaping business plans to address challenging financial circumstances the most common actions are additional asset sales and staffing economies.

### Chapter scope

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Transfer business plans are developed by local authorities and proposed successor landlords to model income and expenditure typically over the 30 year post-transfer period. The assumptions built into such plans are critical in influencing the 'transfer price' and the extent to which any public funding will be required in order for the transaction to proceed.

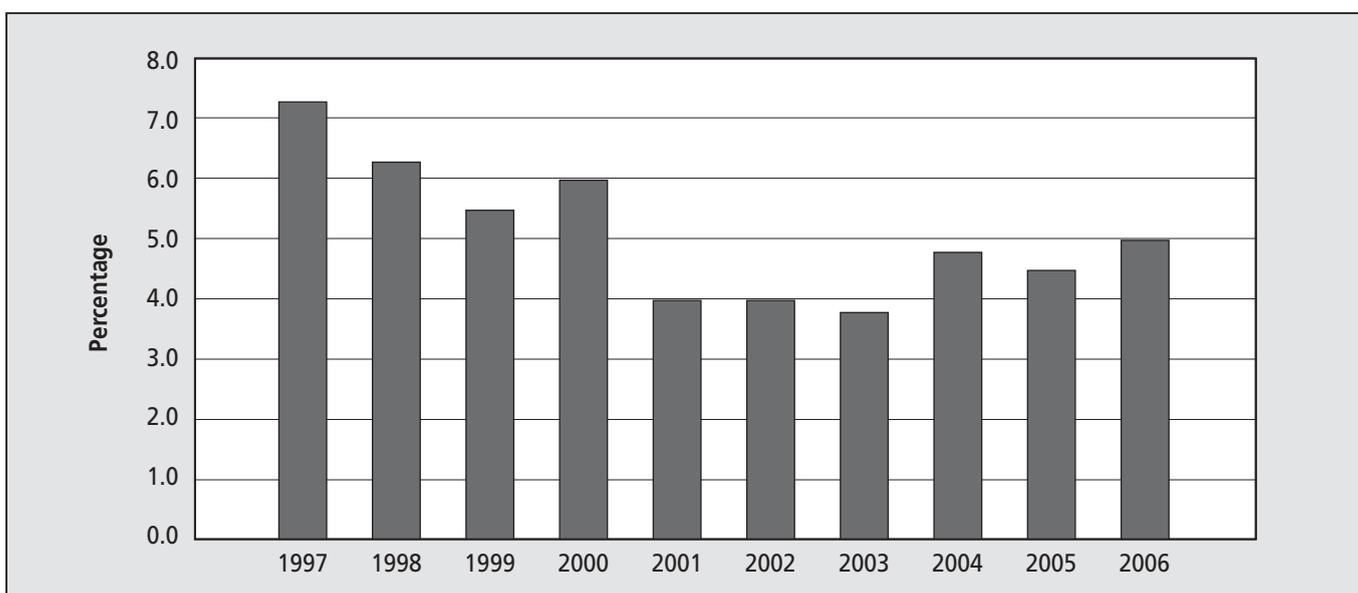
Mainly because of the typically heavily indebted status of transfer HAs in their first few years, business plans assume a pivotal importance in this organisational context. Business plan evolution was included within the current research on the basis that this was likely to be revealing in terms of changing organisational priorities and as an important measure of overall organisational health.

This chapter looks first at the economic context for the transfer case studies examined in the research. It then discusses the extent to which second generation business plan assumptions have been borne out in practice and the incidence of 'underfunded' business plans. Finally, it analyses how associations' business plans have evolved over time and the consequences that have resulted.

## National economic and housing market context

In interpreting our research findings – particularly those relating to business plan evolution – it is important to acknowledge the economic and housing market context which formed the backdrop for the transfers concerned. Three sets of figures are particularly relevant here: the cost of capital, construction costs and demand for social housing. First, the cost of capital in terms of interest rates is an important issue for any housing association, but critical for transfer HAs early in their existence because of their typically very ‘highly geared’ position (i.e. with a large body of debt in relation to the value of assets).

**Figure 3.1: Trend in interest rates, 1997-2006**



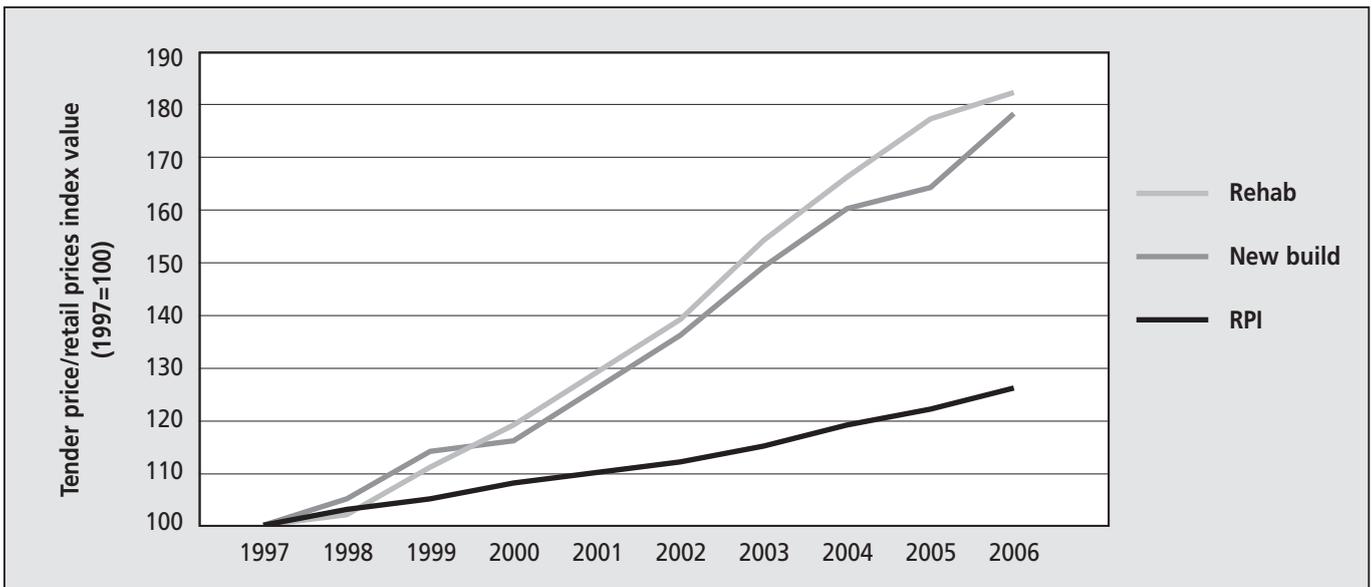
Source: Wilcox (2008).

Note: Interest rates are the year end base rates of selected retail banks.

As shown in Figure 3.1, rates fell markedly in the first few years post-1997, meaning that business plans being drawn up during this period are likely to have factored in rates higher than those experienced in the first few years of the new landlord’s life. This is relevant because it will have opened up the possibility of re-financing at lower rates (as discussed below). Where successfully achieved this can provide substantial ‘headroom’ by cutting interest costs. However, with the downward trend having more-or-less run its course by 2001 it is unlikely that such opportunities will have been open to subsequently established transfer HAs.

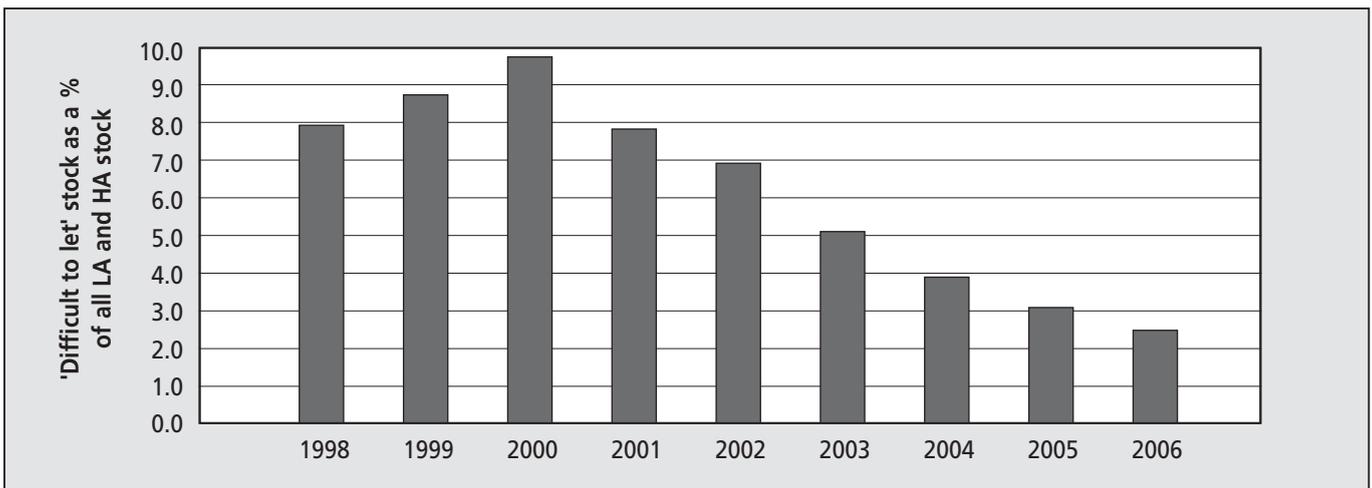
The second trend which formed a key element of the economic backdrop to second generation transfers is construction costs. Unlike interest rates, these have showed a consistent pattern over the past decade, with an increase in cash terms of rehabilitation costs of over 80 per cent in the ten years to 2006. As shown in Figure 3.2, such costs have risen at three times the general rate of inflation. Taking all these factors into account, therefore, the overall context for post-1997 stock transfers has been not entirely benign.

Figure 3.2: Trend in social housing tender prices (Great Britain), 1997-2006



Source: DBERR (2007).

Figure 3.3: Trend in the proportion of social housing stock assessed as 'difficult to let' in England, 1998-2006



Source: Local authority Housing Investment Programme (HIP)/Housing Strategy Statistical Annex (HSSA) returns.

To a degree, the trend of construction tender prices is likely to reflect the state of the housing market. Another yardstick of housing market conditions perhaps more directly relevant to transfer housing associations is the estimated incidence of 'difficult to let' social housing. As shown in Figure 3.3, this has fallen sharply since 2000. This is significant since it could affect transfer HA business plan decisions, e.g. in relation to the appropriate extent of demolition.

## Adequacy of transfer business plan funding

As shown in Table 3.1, the majority of responding HAs reported that post-transfer circumstances had been broadly favourable, e.g. enabling lower than anticipated expenditure and/or generating higher than projected income.

**Table 3.1: Post-transfer circumstances affecting business plan development**

Year of transfer	Factors impacting on the business plan, post-transfer			Total
	Broadly favourable	Broadly negative	Broadly neutral	
1998	0	0	1	1
1999	9	0	2	11
2000	3	1	1	5
2001	2	3	2	7
2002	2	2	1	5
2003	4	1	2	7
2004	3	0	0	3
<b>Total</b>	<b>23</b>	<b>7</b>	<b>9</b>	<b>39</b>

Source: Postal survey. Non-responses = 9.

**Table 3.2: Second generation urban transfer HAs: original and current business plan projections compared**

**(a) Transfer HA income**

	Current business plan projections as compared with original business plan projections		
	Higher	Lower	Same
Number of income generating tenancies	7	13	1
Rent levels	10	1	10
RTB capital receipts	18	2	2
Other capital receipts	12	2	8
Sale of services	7	2	9

**(b) Transfer HA expenditure**

	Current business plan projections as compared with original business plan projections		
	Higher	Lower	Same
Extent of catch-up repairs	10	3	7
Unit building costs	12	1	7
Level of interest rates	1	18	2
Staffing costs	12	4	5
Office costs	5	8	7
Community regeneration expenditure	16	0	4
Externally provided services	5	4	10

Source: Postal survey. Non-responses = 0-4.

A study of early transfer HAs suggested that income and expenditure projections built into original business plans for the first five years of the new association's existence tended to be highly inaccurate (PIEDA, 1997). To what extent does this remain true? To set our findings in context, it should be noted that since the associations concerned were between three and eight years old at the time of our fieldwork, some of the business plans concerned could have been originally developed up to ten years previously.

Tables 3.2 (a) and (b) suggest that only a minority of the income and expenditure components in urban transfer HAs' original business plan projections proved correct. Components most commonly projected accurately were rent levels and expenditure on externally procured services. The clearest commonalities relate to RTB capital receipts (usually higher than expected), interest rates (usually lower than expected) and community regeneration expenditure (usually higher than expected).

Possibly of greater financial significance to many of those involved is the fact that half the associations concerned found that the extent of catch-up repairs was greater than expected (at least in some cases due to defective pre-transfer stock condition surveys). Similarly, a majority of respondents reported that building cost inflation had exceeded original business plan assumptions – probably not surprising given the trends shown in Figure 3.2.

Most responding associations had also found that staffing costs had exceeded original expectations (see Table 3.2(b)). However, this did not necessarily reflect growing staff numbers. At least in some instances, it was more a matter of failing to 'manage down' staffing costs in line with assumptions, thereby realising consequential 'efficiency savings' factored into the original plans.

In relation to actual versus projected income, the profile of responses from non-urban transfer organisations was broadly similar to that for urban respondents (see Table 3.2(a)). However, there was a contrast in relation to income-generating tenancies where numbers were more likely to be 'above target' for non-urban associations. Conversely, RTB income receipts were more likely to be below expectations. A hypothesis connecting these observations would be that the urban transfer associations had tended to underestimate likely RTB sales (leading to below the planned level of tenanted stock) whereas the reverse was true of their non-urban counterparts.

On the expenditure side, most non-urban respondents reported that the extent of catch-up repairs needed was similar to original projections (in contrast to urban associations, half of whose original projections had understated this (see Table 3.2(b))). This difference perhaps helps to explain the much greater incidence of perceived 'underfunding' among urban respondents. Table 3.3 shows that while half of all respondents believed this to be true, it was a much more prevalent view among the urban transfer HAs, than among their non-urban counterparts.

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**Table 3.3: Perceived extent of 'underfunding' of original business plans**

Business plan underfunded?	Urban	Non-urban	All
Yes	14	9	23
No	7	16	23
Total	21	25	46

Source: Postal survey. Non-responses = 2.

In explaining how this had come about, the most commonly cited factor was the understatement of repair costs due to the inadequacy of stock condition surveys (e.g. in their failure to identify the presence of asbestos). For a small number of pre-2001 transfers, part of the problem was having specified modernisation works in advance of the publication of the Decent Homes Standard. Some other respondents believed that costs and liabilities had been deliberately or otherwise overlooked prior to transfer because of an overarching requirement to achieve inflexible (and unrealistic) local authority/central government requirements on the transfer price/capital receipt.

In relation to the 'adequacy of business plan funding', Glasgow Housing Association (GHA) could arguably be seen as exemplifying the 'underfunding' scenario, albeit in a unique way. Again, while the issues here are peculiar to Glasgow, it seems appropriate to recount them in some detail, because they lie at the heart of the controversy as to the success (or otherwise) of Britain's largest transfer project.

The consensus among GHA senior staff members interviewed in this research was that the transfer business plan had been adequately funded in relation to the 'rather basic' specification of refurbishment works as defined 'pre-transfer'. In respect of two areas, however, the plan was grossly underfunded. One concerned construction of new-build housing to replace cleared stock. The most important, however, relates to the second stage transfer – an issue already discussed relation to its status as a 'transfer promise' (see Chapter Two).

The origins of the financial obstacle to SST lie in the original transfer valuation and the unique assumptions built into it. As revealed in interviews undertaken as part of this study, this had been recognised by Glasgow City Council (and, implicitly, by GHA funders) before the original transfer ballot. Only in 2005, however, did it begin to be widely recognised by both GHA and Communities Scotland:

- that the original GHA valuation involved an effective 'discount rate' of only 4-5 per cent rather than the 6-8 per cent standard for other stock transfers (e.g. 7 per cent in the case of former Scottish Homes transfers); and
- that this produced a critical financial barrier to second stage transfers.

Discount rates are used in transfer valuations to accommodate two factors: (a) the cost of capital, and (b) a risk allowance in case of unforeseen financial liabilities or

shortfalls in income. However, because of the exceptional size of the GHA transfer, a risk allowance was not seen by funders as essential. The organisation's scale was viewed as creating a 'portfolio effect'; that is, spreading risks in such a way that no specific risk allowance needed to be built into the valuation. Another factor may have been a judgement on the part of funders that the scale and political significance of the GHA transfer meant that central government could not allow it to fail.

The application of an unusually low discount rate in the original transfer was beneficial from the central government and city council viewpoints because it increased the valuation and, in this way, constrained the need for Scottish Executive 'gap funding'. However, because SST valuations appropriately incorporate standard discount rate assumptions, this leads to 'acquisition prices' effectively lower than the those paid by GHA to GCC for the properties concerned. Therefore, because any transactions agreed on this basis would leave GHA 'in deficit' they could not satisfy the 'financial neutrality' test specified in the transfer prospectus (see Chapter Two). Although GHA's approach to valuing SSTs has been criticised in the media, an official review has endorsed the association's approach (Scottish Housing Regulator, 2008).

As noted above, the existence of a substantial 'SST funding gap' had been recognised by GCC well ahead of the original transfer. In 2006, this gap was estimated by DTZ and Deloitte at £358 million-£507 million (depending on the number of transfers taking place). A Scottish Executive working group believed the gap was smaller, estimating it as £85 million-£196 million.

In practice, therefore, SSTs can progress only if additional funding is found. In the absence of any additional public funding for this purpose, this will require aspirant purchaser HAs to draw on reserves or take out additional loans secured against their existing assets.

At least until recently, misconceptions about the financial feasibility of SSTs continued to abound among senior stakeholders, as well as among tenants' groups and other local players. This is exemplified by the assertion of a Glasgow MSP cited in another recent study of the transfer that GHA's inability to fund SST resulted from changes made to the business plan by GHA itself – with the implicit assertion that the original business plan had contained adequate provision for SSTs (McKee, 2007, p333).

In late 2007, it was announced that 15 existing associations had made SST bids seen by GHA as potentially realistic in these terms. The HAs concerned were therefore given the go-ahead to develop detailed business cases, potentially leading to ballots in 2008 and actual transfers in 2009. A further 17 HAs were advised to review their bids for resubmission. In total, these bids involve around 20,000 properties (although bids given the green light to proceed in 2007 related to only 6,000 of these). Even if *all* these SSTs were to proceed, GHA would be left owning at least 40,000 homes. At the time of writing, therefore, it seems highly likely that for the foreseeable future, the association will continue to exist as Glasgow's predominant social landlord.

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## Re-shaping business plans

Stock transfer business plans are inherently subject to periodic revision and re-shaping. Even in instances where the landlord encounters no major unforeseen challenges, the plan in its Year 3 or Year 5 incarnation is likely to have been significantly modified as compared with its pre-transfer version. However, the occurrence of unexpected shortfalls in income (e.g. because of a falling rent roll), or unanticipated costs (e.g. due to unanticipated repair liabilities), may necessitate substantial remodelling.

**Table 3.4: Re-shaping business plans to accommodate challenging circumstances**

	Urban	Non-urban	All
Asset sales in addition to those planned	3	2	5
Staffing cost economies not previously envisaged	4	1	5
Extension of refurbishment programme timescale	2	2	4
Reduced revenue costs by integration with group parent body	2	2	4
Reduction in refurbishment works specification	0	3	3
Greater demolition than planned	2	0	2
Development for sale/shared ownership over and above plan	2	0	2

Source: Postal survey – not applicable to responding associations where it was considered that factors impacting on the business plan post-transfer had been 'broadly favourable'.

Note: Respondents could cite as many (or as few) of the above categories as relevant.

As shown in Table 3.4, the commonest responses to challenging financial circumstances among second generation transfer HAs were 'asset sales' and 'staffing economies'. Perhaps of greater concern, three organisations noted that they had opted to derive savings through reduced works' specifications. Additional demolitions (as reported by two respondents) would be likely to incur additional costs in the short run, although longer-term savings could result, particularly if the blocks in question would otherwise have absorbed large amounts of repairs expenditure and/or revenue funds (e.g. as associated with provision of concierge facilities).

Over and above the measures listed in Table 3.4, many respondents mentioned responding to 'business plan underfunding' through action to generate efficiency savings. A number of case study associations reported having achieved 'procurement efficiencies' either through partnering contracts or through membership of clubs where volume purchasing had helped to drive down unit costs. The ability to enter into longer-term relationships with contractors was seen by some respondents as critical here. Here, it was seen that a transfer association enjoyed a critical advantage over a local authority in freedom from 'annuality'.

For several case study HAs, 'efficiency savings' contributing to business plan re-shaping, were reported as having been achieved through housing management

innovations – e.g. reductions in void rent loss thanks to faster reletting of empty properties; improved rent collection rates due to the introduction of specialist rent recovery staff. Transfer HA housing management performance is considered in greater detail in Chapter Six. One case study association contended that its introduction of performance-related pay would lead to efficiency gains over time (although, as acknowledged, the short-term impact had been to increase costs).

Another route to cost-cutting as reported by some case study HAs was through early re-financing. As noted above, this is likely to have been a particularly attractive option for some associations set up as part of pre-2002 transfers (see Figure 3.1 and accompanying text). Among the case study HAs, a pathfinder here was Sunderland Housing Group (now Gentoo) which re-financed in Year 2, thereby increasing its borrowing facility from £490 million to £600 million. This took advantage of rising stock valuation as well as declining interest rates. Berrybridge reported similar experiences (albeit on a much smaller scale).

As noted in Chapter Two, some transfer HAs have channelled ‘efficiency savings’ of one kind and another into higher modernisation specifications, additional works to those originally planned, or simply, programmes were completed more quickly than expected.

Given the scale of the research it is difficult to quantify the financial significance of efficiency or procurement savings. However, as reported by the Audit Commission in 2005, Gentoo-Sunderland achieved Year 1-4 procurement savings totalling £13 million. For GHA, the combined effect of Year 1-4 ‘efficiencies’ had enabled the association to delay the need to draw down borrowing (i.e. by funding initial capital investment from rents and government subsidy) such that, whereas £350 million loan finance was to have been drawn down by July 2007, the actual figure was only £7 million. The result of this was savings on annual interest payments of approximately £20 million.

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## Chapter summary

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The economic and housing market context for second generation stock transfers had mixed implications for the newly-created housing associations concerned. Those receiving transfers prior to 2004 – and particularly prior to 2001 – enjoyed the opportunity to benefit from falling interest rates via re-financing. At the same time, however, the entire period has been characterised by rapidly rising construction tender prices which would be expected to have placed stress on business plan assumptions on refurbishment costs. In the decade to 2006, the rehabilitation tender index rose at three times the rate of retail prices.

Overall, two-thirds of second generation landlords see the factors impacting on their business plans as having been ‘broadly favourable’, with most confirming that interest

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rates at below planned levels had been experienced. Especially for urban transfers, the 'broadly favourable' assessment also partly reflects the fact that most have seen RTB and other capital receipts exceeding expectations. Other experiences common to most have included higher than planned spend on community regeneration activities.

Perhaps partly reflecting the fact that half the urban transfer HAs had found catch-up repair needs to be originally understated, two-thirds of this group considered original business plans to have been 'underfunded'. This was true for only 36 per cent of non-urban transfers. The most commonly cited factor explaining how this had come about was defective stock condition surveys. Glasgow Housing Association (GHA) was an exceptional case in that its claim of 'underfunding' related not to the cost of stock refurbishment, but to new-build development and – most particularly – to the costs of 'second stage transfers' (SSTs). The issue here arose from the unique valuation of the main GHA transfer where the very large size of the successor body was seen as offsetting risks and therefore justifying a price higher than that which would have been generated by the standard model. Because such considerations could not apply to relatively small SSTs, the receipt required by GHA for such transactions would be greater than would normally be expected.

In re-shaping business plans to accommodate higher than expected costs and/or below-plan income, the most commonly deployed approaches among second generation transfer HAs have been asset sales and staffing cost economies, though a small number of landlords have resorted to reducing works' specifications.

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## Chapter Four

# Governance and tenant empowerment

### Key findings

- While transfer to a newly-established housing association remains the standard approach, there are signs of an emerging trend towards the creation of such bodies as subsidiaries of existing HAs (rather than as entirely freestanding landlords).
- Although transfer HAs always eschew this initially, many are adopting board member payment regimes as an element within reformed governance arrangements, introduced after the initial post-transfer period.
- Reformed organisational structures and/or governance arrangements often come into play at the expiry of the 'promises period' when landlords are looking at opportunities for 'business diversification'.
- Most second generation transfer HAs have established a wide range of mechanisms to facilitate collective tenant involvement.
- As transfer HAs mature, it seems likely that the incorporation of some formerly independent landlords as subsidiaries within group structures under non-asset-holding parent bodies will occur. This may diminish tenant representation at the 'top table' though it need not lessen resident influence on landlord activities.

### Chapter background and scope

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As discussed in Chapter One, housing stock transfer usually involves the establishment of a new landlord vehicle by the transferring local authority. Regulatory requirements oblige shadow transfer HAs to recruit senior managers competitively, so, such posts may not necessarily be filled by top officials from the former housing department. In practice, however, senior management teams of new landlords are largely staffed by former housing department top officials and the vast majority of other posts in the new landlord body are occupied by former council workers transferred under the Transfer of Undertakings, Protection of Employment (TUPE) regulations.

Nevertheless, stock transfer results in important changes to the governance of social housing and to the accountability of managers. Critically, as a housing association, the new landlord is overseen by a committee or board selected with a view to their interests, attributes and capabilities. This contrasts with the local authority model where senior housing managers are overseen by elected members accountable to the

local electorate and usually operating within a party political framework. Hence, as noted by Gibb (2003), some commentators have argued that: *'The loss of democratic accountability by ending council ownership is not fully compensated for by the development of local tenant participation and community involvement'* (p105).

Allied to these concerns are anxieties that housing associations may become a law unto themselves, lacking accountability to their tenants (Clapham and Kintrea, 2000). Partly to address criticisms about the accountability impacts of the stock transfer process (e.g. as expressed by pressure groups such as Defend Council Housing), promises of increased tenant participation and tenant board representation have been incorporated as key elements in the standard transfer model. A key development here was the change in Housing Corporation policy as introduced in 1996 to accommodate the 'local housing company' framework which features a default expectation of equal board representation for tenants, council nominees and 'independents'. Nevertheless, Defend Council Housing (2004) reject this 'solution', pointing out that, under regulatory rules, the primary responsibility of tenant board members is to the business rather than (necessarily) to their fellow tenants.

While accepting that ballot promises have resulted in greater tenant participation through transfer HA board membership, Ginsberg argues that: *'Whether tenants exert any more collective influences than they did within local electoral politics is highly debatable'* (2005, p124). However, Zitron (2004) contends that local authority tenants themselves have no real control over their housing and, as fewer people vote in local elections, their political influence has declined.

A possible answer to the accountability question has been identified as Community Based Housing Organisations (CBHOs), tenant-controlled housing associations constitutionally bound to work within a specific locality. The CBHO model is particularly well-known in the West of Scotland, and was influential in shaping the 2003 Glasgow HA transfer (see Chapter Two). Clapham and Kintrea (2000) found that tenants of CBHOs regarded them with a higher level of confidence than a range of other institutions and attended CBHO meetings more often than tenants of other landlords. At the same time, committee members were found to be representative of tenants in social and economic terms and in receipt of the same services. However, Clapham and Kintrea (2000) warned that CBHOs remain dependent on the support of government and that committee members' powers are limited, especially in strategic terms.

Other variants on the standard transfer model, motivated by aspirations to maximise tenant empowerment, have included the Welsh Assembly Government's Community Mutual model (WAG, 2004) and the Community Gateway model adopted for transfers in Preston in 2005 and Lewisham in 2007. However, the relatively recent timing of these transactions meant they were ineligible for selection as case studies in this research.

The remainder of this chapter collates evidence drawn from this research, in relation to the organisational and governance structures established by transfer associations, with respect to tenant participation, and in terms of the continuing role of local authorities in local social housing systems.

## Organisational structures and their evolution

In the social housing context, the term 'governance' is often interpreted as referring specifically to governing body structures. The forms and functioning of transfer association boards are explored below. However, these issues need to be seen within the broader context of the organisational forms or vehicles through which stock transfers have been progressed.

Historically, as noted in Chapter One, the vast majority of transfers have involved the establishment of custom-designed landlord vehicles, for the most part 'freestanding' entities, although in some cases as semi-autonomous 'subsidiaries' of larger parent bodies (see Table 1.1). As shown in Table 1.2, the 'maturation' of transfer landlords has been accompanied by a considerable amount of restructuring whereby originally independent associations enter into (or create) more complex structures, often involving collaboration with other landlords. Tables 4.1 and 4.2 break down these earlier analyses.

Table 4.1 overleaf illustrates that, as in the 1988-97 era, second generation whole stock transfers have mainly involved newly-created housing associations, independent of any existing landlord. In 2006 and 2007, however, an increased proportion (eight of 27) involved subsidiaries set up by established associations.

As shown in Table 4.2 overleaf, a large majority of first generation transfer HAs have subsequently experienced constitutional change, with just over half having joined with existing associations in a group structure, or merged with another landlord through a 'transfer of engagements'. Some of these developments may have reflected weaknesses in original business plans which left associations subsequently in need of 'rescue' by stronger partners. More frequently, however, it is likely that a prime motivation for such transactions will have been the transfer landlord's financial strength and – post-peak debt – its capacity to generate ongoing revenue surpluses (see Pawson and Fancy, 2003).

More significantly for our purposes, Table 4.2 demonstrates that an appreciable number of second generation transfer HAs have also enacted constitutional changes since set up. Among those originally established in the 1998-2004 period a third had made some kind of change, although in less than half of these instances had this involved entering into collaboration with other landlords.

**Table 4.1: Whole stock transfers (including 'split transfers') in England, 1988-2007: breakdown by HA type at transfer**

Year	New – independent	New – independent group	New – subsidiary	Existing	Grand Total
1988	1				1
1989	2				2
1990	8				8
1991	5				5
1992	2				2
1993	5				5
1994	12			1	13
1995	10				10
1996	6				6
1997	5				5
1998	7				7
1999	10		1		11
2000	13	2			15
2001	12	1			13
2002	11		2		13
2003	6	1	2		9
2004	10		1	1	12
2005	6				6
2006	11		2		13
2007	8	0	6	0	14
<b>Total</b>	<b>150</b>	<b>4</b>	<b>14</b>	<b>2</b>	<b>170</b>

Source: CLG transfers dataset as enhanced by authors.

**Table 4.2: Stock transfer HAs established in England, 1988-2007: breakdown by subsequent constitutional change**

Original status	Constitutional change type					Total
	None – remained as at set up	Established internal group	Joined group as subsidiary	Merged – group consolidation*	Other merger	
<b>1988-97 transfers</b>						
Independent HA	12	13	28	0	6	59
Subsidiary of existing HA	2	0	0	0	1	3
Subsidiary of new HA	0	0	0	0	0	0
<b>Total</b>	<b>14</b>	<b>13</b>	<b>28</b>	<b>0</b>	<b>7</b>	<b>62</b>
<b>1998-2004 transfers</b>						
Independent HA	52	8	13	0	2	75
Subsidiary of existing HA	24	0	0	0	2	26
Subsidiary of new HA	7	0	0	13	0	20
<b>Total</b>	<b>83</b>	<b>8</b>	<b>13</b>	<b>13</b>	<b>4</b>	<b>121</b>
<b>Post-2004 transfers</b>						
Independent HA	20	0	0	0	0	20
Subsidiary of existing HA	8	0	0	0	0	8
Subsidiary of new HA	0	0	0	0	0	0
<b>Total</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28</b>

Sources: Authors' analysis of RSR data; kind assistance also provided by Housing Corporation regional office staff.

\*With respect to group parent body as at transfer.

### Case study organisational forms and restructuring

Against this wider backdrop, Table 4.3 summarises the position for the ten case study associations covered in this research. As shown in the table, these represented a fairly diverse mix of organisational structures. While most were created as freestanding landlords, they also included one established as a formal group (Gentoo – formerly Sunderland Housing Group (SHG)) and Glasgow HA (GHA) which could be described as akin to a group. To accommodate contemporary limits on transfer HA size, SHG was set up as five autonomous subsidiary landlords overseen by a non-stockholding parent body. The GHA transfer involved stock ownership handover to a single newly-created entity. However, as noted in Chapter Two, the transaction also featured a commitment to devolve housing management to 62 local housing organisations, intended to take on stock ownership in the longer term. This unique form represented an attempt to square the circle between a political commitment to ‘community ownership’ (i.e. replication of the community-based housing association model), and a recognition of overwhelming administrative, legal and financial obstacles to implementing such a transfer as a single event (Gibb, 2003) – see also, Chapter Three.

Uniquely, as noted in Chapter Three and above, GHA's structure also included 62 local housing organisations or LHOs, bodies with delegated responsibility for housing management. In a not entirely dissimilar way, most other case study HAs operated area committees or estate boards as a structure for facilitating local resident involvement at below main committee/board level. Following the consolidation of its five subsidiary local housing companies into a single landlord entity in 2007 (see below), Gentoo re-constituted the former LHC boards into area committees, each with a tenant majority.

**Table 4.3: Case study HAs – organisational form and evolution**

HA	Established	Original	Change to 2008
Aspire	1999	Independent HA	Remained as set up
Berrybridge	2003	Subsidiary of existing HA	Remained as set up
Cross Keys	2004	Independent HA	Established subsidiary
Gentoo (formerly Sunderland Housing Group)	2001	Group	Established subsidiary; subsequently group-wide consolidation and restructured
Glasgow	2003	Group*	Remained as set up
Helena	2001	Independent HA	Established subsidiary
Knowsley	2001	Independent HA	Remained as set up
Pennine	2000	Independent HA	Set up internal group
Poplar	1998	Independent HA	Remained as set up**
Valleys to Coast	2003	Independent HA	Remained as set up

\*Of a unique kind – see text.

\*\*Whilst accommodating several subsequent packages of transferred stock.

## **Restructuring for business diversification**

Even in their relatively short histories to 2007/08, several of the case study associations had instituted constitutional changes – some of them quite far reaching in their implications (see Table 4.3).

Three case study associations had established subsidiary entities within two years of their founding – in each case, non-charitable bodies charged with commercial activities. At Cross Keys, for example, a new agency – CKH Developments – had been set up in connection with the association's ambitious plans to construct housing for sale (as well as for rent). Helena's 2002 conversion to charitable status had prompted a similar move in the light of the association's aspiration to diversify its business towards provision of property repairs services for private companies/individuals (and advice that such activities could be inconsistent with charitable obligations).

Case study evidence confirms the expectation that wider constitutional changes are liable to be considered towards the end of the 'promises period' – usually five years after transfer. Having delivered on their original undertakings this is the point landlords are, naturally, considering their longer-term aspirations and strategies. The 2007 restructure of the former Sunderland Housing Group into Gentoo Group exemplifies this phenomenon. In this instance, a specific issue motivating change was the expectation that substantial corporate savings could be generated by consolidating SHG's five local housing companies into a single entity. Although this was partly about realising economies of scale in operation, it was also a matter of reduced tax exposure (VAT, corporation tax, stamp duty) and cutting the regulatory burden (a single set of landlord returns).

More importantly, however, the Gentoo-Sunderland restructure was seen as a key move in facilitating business diversification. Underlying this issue was the recognition that – with the local catch-up repairs and modernisation programme beginning to wind down – there was a need to look for new ways of underwriting security of employment for the association's large direct labour force. If successful, through the exploitation of existing workforce skills to generate surpluses for reinvestment in the business, such a strategy would benefit the group as a whole. Intimately linked with the restructure, rebranding the organisation with a non-place-specific name was also seen as crucial in enabling it to win business outside the immediate locality.

Alongside the newly-consolidated landlord entity 'Gentoo-Sunderland', the new group also included autonomous business units charged with housebuilding, property maintenance, regeneration, social enterprise and support. Above these subsidiaries was a new non-asset-holding parent body, Gentoo Group. Helena HA, another case study association at a similar point in its development to Gentoo-Sunderland, was also looking to a post-promises strategy of business diversification facilitated by the promotion of distinct 'brands' within the organisation as a whole. The new structure might involve a non-asset-holding parent body. It was, however, considered possible that the strategy did not necessarily require the establishment of additional formal subsidiaries.

Another post-promises 'diversification' ambition influencing considerations of possible constitutional change for some case study associations was the aspiration to expand operations through taking on new stock transfers via subsidiary landlord entities. This had been a critical driver in Pennine 2000's decision to re-situate its existing landlord business under a newly-established non-asset-holding parent body, Trans-Pennine Housing. Through TPH, Pennine 2000 had succeeded in associating itself with the newly established Green Vale HA, set up to accommodate the 2006 Rossendale BC transfer. Establishing a non-asset-holding group parent in this context is seen as attractive in that such a structure may help offset possible negative connotations of 'external takeover' by an existing landlord.

With the Green Vale transfer having been successfully completed, it would seem that the Pennine 2000/TPH diversification has achieved a degree of success and may well point the way ahead for other second generation transfer associations. Similarly, the business diversification strategy pursued by Gentoo-Sunderland since 2006 appears to have accomplished significant gains. By the end of 2007 the Group's construction subsidiaries had won contracts in 11 local authority areas throughout the North East and in Humberside. These projects included:

- New construction of houses for social rent (some adding to the Gentoo portfolio).
- Construction of new houses for sale.
- Social housing property repair and modernisation (including Decent Homes Programme works for a Northumberland ALMO).
- Construction of (or works to) commercial premises and public buildings.

### **Internal restructuring for operational effectiveness**

Aside from 'constitutional' changes of the kinds discussed above, all case study landlords will have undertaken significant internal restructuring since transfer. One particular set of measures calling for special mention is that implemented by Glasgow HA since these shed light on the stresses built into GHA's unique operating model and the mechanisms devised to address these.

Although GHA is classed in Table 4.3 as a form of 'group structure', it is acknowledged that this is of an exceptional kind. As mentioned already, an aspect of the GHA transfer was the creation of 62 local housing organisations (LHOs) to whom housing management was delegated, and which were seen as vehicles for future second stage transfer – SST (see also Chapter Three).

Whilst set up as 'management only' organisations, with local managers who are GHA employees, LHOs are constituted as housing associations in their own right. (Further complicating the picture – some LHOs are also subsidiaries of existing community-based housing associations.) With their own resident-majority committees, LHOs can be seen as a semi-autonomous, lower tier of governance, within the overall GHA structure. Formally, their relationship with GHA as a corporate body is a contractual agreement (under ministerial direction) to discharge defined management functions.

Having dual accountability to their own committees, and to GHA headquarters management, LHO managers are in an unusual position. Regulatory encouragement to LHOs to emphasise their distinct and unique character is seen as having compounded inherent tendencies for a 'them and us' mentality (where 'them' is GHA headquarters). The terms of contractual agreements have precluded headquarter's line-management of local managers because of 'effectively unenforceable' procedures for taking 'client action' in the event of perceived LHO failings.

Senior managers see these aspects of GHA's organisational architecture as a serious barrier to improving housing management performance. As noted in Chapter Five, this is an area where the organisation has been relatively weak. However, implicit in its assessment of such failings, Communities Scotland's 2007 inspection report appears to accept this reading of the situation.

Senior management bridge-building moves had included the establishment of citywide forums for LHO chairs and managers, corporate conferences and other events, and a strong corporate emphasis on internal communication. In 2007, Local Shared Services (LSS) units were set up to address LHO perceptions that HQ support staff were too remote, with staff members being moved from HQ to local offices. Each serving 4-8 LHOs, the seven LSS units involved Finance, HR, and project management staff who were previously headquarters-based.

Fundamentally, however, the success of all of these measures will depend on the commitment of LHOs and their staff, as well as that of corporate headquarters personnel. This requires a shared understanding of the entire organisation's longer-term future and the extent to which the originally anticipated SSTs are, in fact, likely to be achieved. At the time of the research, GHA was just beginning the discussion on the change of emphasis from a 'transitional' organisation to facilitate SST to an organisation with a long-term future, and with a significant housing stock.

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## **Governance structures and their evolution**

### **Governing body structures**

The structure and operation of governing bodies forms a key component of the overall framework within which social housing is managed after stock transfer. For the sake of simplicity, references to governing bodies in this chapter refer to 'boards' notwithstanding the continuing use of the term 'committee' by some associations.

Exemplifying the standard 'local housing company' model as adopted by most post-1996 transfer landlords, case study associations were typically established with boards or boards numbering 12-15, with members drawn in equal numbers from the three 'constituencies', tenants, council nominees and 'independents'. Such structures can be seen as an attempt to address accountability concerns arising from the removal of social housing from the control of elected local authorities. The main case study

exceptions to the simple LHC blueprint were Berrybridge (BHA) and Glasgow (GHA). As a 'subsidiary' association within a larger group, BHA's 14-strong board included two representatives of its parent body (Riverside Housing Group), but only two council nominees. GHA's original board was a 21-strong body with tenants accounting for nine members, one of whom (as constitutionally required), was the board chair.

The experience of the case study HAs was generally consistent with the wider trend towards contracting board membership as seen across the entire housing association sector over a number of years (Pawson and Fancy, 2003; Pawson *et al.*, 2005). Stimulated in part by National Housing Federation guidance, advocating membership of 12, several case study landlords had recently cut the number of board members or planned to do so. GHA had made its chief executive a formal board member at the same time, whilst Aspire planned a similar move. In most cases, such changes had been accompanied by retention of the original balance of representation for the three 'constituencies', although Poplar HARCA had transformed itself into a 'tenant-controlled' body through reduced council nominee membership.

At least over the (as yet) relatively short lives of the case study landlords, therefore, it would appear that tenant board member (TBM) representation has tended to be maintained, irrespective of governing body restructuring. A partial exception to this general rule concerned Gentoo. Here, while five tenant places were retained within the 15-member board of the new 'consolidated' landlord entity, Gentoo-Sunderland, TBM-designated seats were omitted from the new 11-strong group board. This reflects a view that TBM interests are often focused largely on housing management matters and that, through its 2007 restructure, Gentoo has sought to become 'a business which includes a housing association', as distinct from its earlier incarnation as Sunderland Housing Group which was 'fundamentally a housing association with some wider interests'. How this shift will affect the way that the now autonomous Gentoo-Sunderland subsidiary discharges its social landlord role has yet to be seen.

### **Council nominee and tenant board member recruitment**

Recruitment of governing body members raises distinct issues in relation to each of the three 'constituencies' from which members are drawn. Case study evidence suggests that council nominees to transfer landlords remain overwhelmingly selected from the ranks of sitting councillors of the founding local authority and that the selection process tends to be unilateral (rather than consultative) in nature. Such an approach was seen as problematic by some case study associations; firstly, because councils' selection criteria were often politically influenced (or driven) and did not necessarily take any account of nominee capabilities or commitment and, secondly, because of the lack of continuity liable to result from changes in political control or rotation of council representation on external bodies. Some associations were working towards a more bilateral approach where, in its selection decisions, the council would agree to take account of association advice as to existing governing body 'skills gaps'. To address the continuity issue, Pennine 2000 had negotiated with Calderdale Council

an agreement that nominees (in common with other board members) would sit for three-year terms.

Case study evidence suggests that the initial cohort of tenant board members (TBMs) in second generation transfer landlords have tended to be recruited through 'open' electoral processes – i.e. where there has been little or no restriction on the eligibility of sitting tenants to stand as candidates. Typically, however, subsequent TBM recruitment has evolved to incorporate greater 'top-down' filtering of potential candidates to assess capabilities, motivation and commitment. GHA, for example, had staged an initial post-transfer round of open elections to replace retiring tenant members originally nominated to the association's shadow board. Subsequently, the association narrowed eligibility for TBM recruitment to tenants nominated by local housing organisation (LHO) committees. It was seen that tenants with such experience were more likely to understand the critical contractual relationship between GHA and the LHOs.

In some case study associations – e.g. Helena – the assessment of a tenant's suitability for board membership involved tenant representatives and existing TBMs as well as senior association staff. Notwithstanding increased restrictions on candidate eligibility, however, electoral procedures remained intact in some case study HAs – for example, at Pennine 2000, where it was reported that around half of TBM selections continued to be contested and where such contests continued to evoke substantial voter turnout.

### **Board member payment**

Increasingly, structured approaches to the recruitment of 'independent' board members were also apparent among case study HAs. Such processes typically included open advertising and selection criteria framed with reference to the skills and backgrounds of existing BMs – and, hence, the gaps most needing to be filled. Another factor often seen as particularly relevant to independent board member recruitment is the matter of BM payment.

Since 2003, housing associations in England have been allowed to make payments to board members (Ayton, 2004). Advocates argue that this is an appropriate recognition of the responsibility attached to stewardship of multi-million pound businesses and that it should assist associations in recruiting board members of sufficient calibre to discharge this role.

The most recent data available on the overall incidence of HA board member payment relates to 2006. Even after only three years into the regime, almost a quarter of all associations (excluding those with less than 1,000 dwellings) had decided to introduce payment (see Table 4.4). It should, however, be noted that this data does not differentiate between associations paying all board members and those where only board chairs received payment.

**Table 4.4: Board member payment in England, 2006****(a) Transfer HAs by era of transfer**

	No	Yes	Total	% with BM pay
Transfer HAs 1988-97	49	20	69	29
Transfer HAs 1998-2003	72	19	91	21
Transfer HAs 2004-07	23		23	0
All transfer HAs	144	39	183	21
Non-transfer HAs	131	44	175	25
All HAs	275	83	358	23

**(b) Transfer HAs by urban/non-urban**

	No	Yes	Total	% with BM pay
Transfer HAs 1988-97	49	20	69	29
Post-97 urban transfer HAs	53	6	59	10
Post-97 non-urban transfer HAs	42	13	55	24
Non-transfer HAs	131	44	175	25
All HAs	275	83	358	23

Source: Housing Corporation RSR data.

As a class of association, transfer landlords were slightly less likely to have adopted board member payment than non-transfer HAs (see Table 4.4(a)). However, there was a sharp contrast between recently-established and longer-established organisations in this respect. The incidence of board member payment was higher in the latter group than in any other cohort of landlords identified in the table. The marked difference between the 1998-2003 cohort and more recently-created landlords supports the idea that the end of the promises period is a time when many organisations consider board member payment and a significant proportion opt for this. However, as further discussed below, it would be mistaken to infer from this evidence that board member payment will necessarily become the norm within this group, at least in the short or medium term.

Where case study association boards had opted to pay BMs, this usually involved chairs only. Other boards had rejected the option altogether, seeing it as calling into question participants' motivations. In one association, majority opposition had seen the proposal for general BM pay rejected. At the same time, however, it was seen as possibly legitimate to discuss separately the possibility of payment for the board chair of a subsidiary entity being set up to undertake commercial development.

## Governing body operation

Consistent with some first generation transfers (Pawson and Fancy, 2003), a number of case study HAs reported early experience of committee/board operation as something of a 'bumpy ride', often because some of the initial cohort of (often openly elected) tenant board members found it difficult to reconcile representational and organisational stewardship roles. According to a former senior manager in one case study HA CEO, early meetings of the governing body were 'outright war' between interest groups and political groupings. Here, as in the early experience of other transfer associations, factionalism was perpetuated through routine pre-meetings of TBMs where common positions were agreed and block voting planned.

A number of case study HAs had found it necessary to invoke disciplinary procedures to remove 'maverick' tenant board members seen as explicitly seeking to destabilise the new organisation (e.g. by repeatedly disclosing details of board discussions in the local press). Remedial action to address such issues in some instances included the introduction of codes of conduct clarifying acceptable and unacceptable behaviour and, in this way, making it easier for the governing body chair to impose order. The development of BM recruitment procedures also contributed to more orderly and constructive governing body operation.

In few (if any) case study associations, however, did such problems persist beyond the new organisation's first year. At least from the second year post-transfer, as reported by association board members and senior managers alike, most boards began to operate more cohesively and constructively with virtually all decisions agreed by consensus rather than via formal votes. The most commonly cited exception to this rule was the matter of board member pay where views were often sharply polarised. Arguments in favour were made not only by 'independent' BMs perhaps seeing their position as analogous to non-executive directorship of public companies, but also by some council nominees. In one instance, for example, prime movers were councillor BMs who argued that their association should move into line with other boards to which they were nominated (e.g. regional fire authority, pension fund) and where member payment was standard practice.

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## Tenant participation and empowerment

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As highlighted by previous research, the appointment of TBMs was typically only one among a range of measures adopted by first generation transfer HAs to promote tenant influence over landlord activities and decision-making (NAO, 2003; Pawson and Fancy, 2003). In this research, the contrast between the pre- and post-transfer situations was most graphically expressed by a Glasgow tenant activist interviewee who stated: *'There's no comparison between tenant involvement under GHA and what it was like under the council. There is real accountability of local staff to forum chairs. And GHA senior managers are accessible to tenant reps – quite different to before the transfer...The genie has been let out of the bottle and cannot be put back; the difference is like night and day.'*

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Whereas few first generation transfers involved local authorities with any significant tradition of tenant participation, case studies for this research included some councils with a history of resident involvement. In all case studies it was, however, evident that the pre-transfer consultation process had provided a major stimulus to engagement between landlord and tenants. By and large, case study associations seemed to have successfully maintained the momentum generated by this process, and by consultation around local investment programme priorities, as further developed during the immediate post-transfer period. Collective influence was typically facilitated through:

- Assistance and often funding of registered tenants' organisations.
- Formal estate or neighbourhood boards or forums.
- Policy-specific review panels.

Acknowledging that tenant participation involving such structures often fails to engage all sections of the community, several associations (e.g. Cross Keys and Knowsley) routinely organised focus groups to cater for BME tenants, residents of sheltered housing, people with disabilities and others. Several landlords also convened area-wide forums of tenant representatives or held periodic (e.g. annual) tenant conferences and the like.

As well as facilitating collective tenant influence, most case study HAs saw a need to develop more consumerist ways of working (as further discussed in Chapter Five), and had therefore developed devices to collect service-user feedback. Tenant satisfaction surveys – annual in some areas – were far from the only mechanism of this kind. Glasgow HA, for example, had set up a citywide tenants' panel, a 500-strong body used to test policy ideas and for service evaluation. Cross Keys HA had recruited and trained a resident inspectors' group who tested service delivery through mystery shopping.

There can be little doubt that, at the time of the fieldwork, tenant consultation and involvement remained generally much more extensive under the case study transfer HAs than had been the case under council landlordship. There were more channels through which tenant and resident influence could be transmitted and such influence was typically accorded greater significance by the organisation. However, broader evidence from tenant satisfaction surveys puts this into perspective by demonstrating that the proportion of tenants 'satisfied with opportunities for participation' made available by second generation transfer HAs does no more than match the all-landlord norm (see Table 4.5).

**Table 4.5: Proportion of tenants 'satisfied with opportunities for participation' – England**

	Second generation transfer HAs		First generation transfer HA	Traditional HA	LA/ALMO	All	Sample size
	Urban	Non-urban					
% of respondents	54	55	57	54	53	54	231,064
No of surveys	14	11	50	118	41	234	

Source: National Housing Federation – STATUS surveys database. Draws on surveys undertaken 1999-2006.

It should be acknowledged that the sample of second generation transfer HAs included in Table 4.5 is relatively small and that the 'urban cohort' mainly involves inner city partial transfers which are somewhat atypical of the group as a whole. Nevertheless, there is an apparent contradiction between the case study evidence of extensive participation and the lack of any corresponding indication in the survey findings. One possible explanation might be that resident involvement in transfer HAs – albeit extensive – remains focused on a relatively small minority of 'active citizens'.

Other wider questions which remain to be addressed by future research include the extent to which tenant activism is sustained once post-transfer modernisation programmes have been completed and landlords have begun to look to new challenges and opportunities in the post-promises era.

## Chapter summary

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Contentions about governance impacts have been central to academic and political debates about the consequences of housing stock transfers. Partly in an effort to address criticisms about the 'loss of local democratic control', the standard model for transfer landlords was adapted in the 1990s to allow for equal representation of tenants and council nominees on governing bodies, alongside so-called, independent board members.

Handing the local authority landlord role to a freestanding, purpose-created body is another time-honoured response to 'local accountability' concerns. However, while there have been very few transfers direct to long-existing housing associations, there are signs of a growing trend towards the use of subsidiary bodies linked to such associations through 'group' relationships. Case study evidence confirms the expectation that wider constitutional changes are liable to be considered towards the end of the 'promises period' – usually five years after transfer. Innovations introduced at this stage may well be inspired by aspirations to 'diversify the business', often with the aim of exploiting skills and capabilities built-up to deliver the post-transfer investment programme.

Whilst usually retaining their original balance between the three 'constituencies' (tenants, council nominees and 'independents'), a number of case study landlords had cut the size of their boards since set up. However, to the extent that maturing associations establish group structures under non-asset-holding parent bodies, tenant representation may be diminished.

It has been a common experience for the initial cohort of tenant board members (TBMs) to be recruited through open election. However, while electoral elements sometimes remain intact, subsequent TBM recruitment has tended to be subject to greater filtering by tenant representatives and association senior managers.

Board member payment is another practice liable to be raised for discussion as transfer HAs look to the future towards the end of their promises period. By 2006, a fifth of the transfer landlords established in the 1998-2003 period had adopted a payment regime. However, the contested nature of this issue is apparent from the fact that for several case study associations it was one of the only issues which had ever resulted in a board vote (as opposed to the norm of decisions taken by consensus).

Transfer has undoubtedly provided a substantial stimulus to tenant involvement, both collectively and individually. The range of mechanisms developed by case study landlords to facilitate tenant and resident influence has tended to be substantially wider than prior to transfer, and the priority accorded to tenant views, significantly greater. Nevertheless, there is no survey evidence to support the belief that the broad mass of second generation transfer HA tenants see their landlords as particularly open to resident influence.



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## Chapter Five

# Organisational culture and management

### Key findings

- An aspiration to reform organisational culture has been much more central – as well as posing a greater challenge – for many second generation transfer HAs than for their first generation counterparts.
- Typically, senior managers have seen a need to replace a ‘command and control’ ethos with customer-focused, inclusive ways of working.
- In the drive to fashion more cohesive organisations, a common element has been the integration of employment terms and conditions of ‘blue collar’ staff, with those of their ‘white collar’ colleagues.
- In emphasising a more ‘commercially-minded’ approach, many transfer HA senior managers have sought to encourage an organisational ethic whereby proposed alterations to operational practice must always be accompanied by a business case.
- Compared with former local authority housing departments, second generation transfer HAs tend to place much greater emphasis on investing in the staff – e.g. via increased training expenditure.
- While trade union membership rates have tended to fall slightly, TU representatives were often closely involved in organisational decision-making and seen as trusted partners by HA senior managers.

## Chapter background and scope

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This chapter investigates the ways that second generation transfer housing associations are run. It can be argued that, quite apart from opening up access to capital investment, transfer can be beneficial in leading to ‘*a substantive change of culture in the management of...housing*’ (DETR and DSS, 2000 p63). In particular, transfer advocates believe that the new governance framework can stimulate a more ‘consumerist’ style of housing management as well as bringing gains in more ‘bread and butter’ efficiency and effectiveness terms. These, in turn, are likely to be achievable only through empowering and engaging staff in ways which mark a distinct shift in organisational culture.

Organisational culture is about the prevailing values, practices and beliefs held in common by an agency’s staff – sometimes summarised as ‘*how things are done round*

here' (Holder *et al.*, 1998). The importance of this factor is crystallised in the slogan '*culture eats structure for breakfast*', emphasising the need for managers of underperforming agencies to focus on changing the organisational mindset, rather than solely on re-shaping the corporate hierarchy. Many of the findings around governance and tenant involvement, as reported in Chapter Four, are highly relevant to this issue. A significant shift towards more tenant-influenced (if not tenant-led) ways of working is clearly a critical aspect of the 'cultural change' experienced by most – if not all – of the case study landlords.

Research on the cultural change impacts of 'first generation' stock transfers found that senior managers in stock-recipient housing associations typically placed strong emphasis on securing widespread employee ownership of business plan objectives and targets. This appeared to be widely successful and formed an essential foundation for the development of a performance culture. Among the pre-1999 transfer landlords examined in that study, there was a general aspiration to operate in a more consumerist way than was true of their predecessor council housing departments, to place greater emphasis on 'investing in people', and to develop a less hierarchical and more inclusive way of working. Such aspirations had been realised by many of the organisations concerned – at least to some extent (Hartley and Rashman, 2002; Pawson and Fancy, 2003).

### **The adverse selection hypothesis**

For many social landlords, reforming organisational culture is likely to be critical in securing improved service provision. The '*decent homes delivery*' framework established by the English housing green paper of 2000 (DETR and DSS, 2000) was interpreted at the time as likely to channel the 'weakest performers' among local authorities retaining a landlord role towards stock transfer. 'High performing' authorities in need of additional resources to fund Decent Homes investment were offered the possibility of accessing additional public funding via the Arms Length Management Organisation – ALMO – route. Resource-poor authorities unable to achieve the performance threshold of a '2-star, good prospects' Housing Inspectorate rating, therefore appeared to be pushed towards transfer, as their only means of meeting Decent Homes' obligations. Such a process could be described as 'adverse selection'.

A rationale for the framework could have been that the relatively limited change involved in delegating housing management to an ALMO could be justifiable for those councils whose existing high performance implied no urgent need for major managerial reform. Implicitly, under such a framework, stock transfer would have been seen as a 'more appropriate' way forward for councils whose weak housing management called for the more substantial transformation necessarily involved in such a change.

To test the extent to which the 'adverse selection hypothesis' has operated in practice, we compared the 2000/01 housing management performance of councils,

subsequently selecting each of the three main 'stock options' (ALMO, stock transfer, stock/management retention). This was undertaken as follows. Three performance indicators were identified within the 2000/01 Audit Commission local authority Performance Indicator (PI) dataset. The indicators covered what are usually considered to be the three core functions of housing management:

- Void management (average relet interval).
- Rent collection (percentage of rent collected).
- Response repairs (percentage of urgent repairs completed on time).

With respect to each of these three PIs, the 252 local authorities retaining a landlord role in 2001 were classified in terms of their 'peer group' performance. The peer groups used for this exercise differentiated London boroughs, metropolitan boroughs, unitary authorities and district councils. Within each of these categories, each individual authority was scored in relation to its quartile position for each of the three selected indicators. Those ranked in the highest quartile within their peer group for each indicator were assigned a score of 4, with those in the lowest quartile on each indicator assigned a score of 1. Scores across the three indicators were cumulated, giving a total possible score of 12 and a minimum of 3.

We then compared the cumulative scores for authorities in the three 'stock options' groups as at 2007 – i.e. 62 post-transfer LAs, 59 ALMO LAs and 131 'retained management' LAs. The average cumulative scores for the three groups were almost identical (at 7.4, 7.5 and 7.4, respectively). This suggests that there has in fact been no adverse selection resulting in stock transfer tending to be selected by 'weaker authorities'. Although the performance threshold for ALMO funding may have required some authorities to 'raise their game', there is no evidence that this left 'poor performers' with no choice but to pursue stock transfer. Implicitly, decisions on whether to pursue transfer have been based on considerations other than whether existing housing management performance made ALMO funding qualification unlikely.

Of course, the ALMO vs. stock transfer 'choice' made available to English local authorities since 2000 was not simply based on managers' expectations as regards Housing Inspectorate ratings. For one thing, the transfer option offered greater freedoms for the new landlord. Additionally, subject to ministerial willingness to endorse transfer valuations (and, in some cases, to provide gap funding and/or debt write-off), transfer has been capable of securing greater resources. Consequently, some authorities with highly rated housing management (e.g. Sunderland) have opted for transfer even when the ALMO option was open to them.

Another important factor in relation to organisational culture is organisational size. Whereas first generation transfers tended to involve relatively small local authorities,

this has been less true of transfers carried through since 1998. All other things being equal, larger bodies are more likely to face greater challenges in maintaining cohesion, in promulgating organisational ethics and in countering alienation or disaffection among front-line staff. Or, to put it another way, an essentially unproductive ‘them and us’ view of the world is rather more likely to exist in a large, functionally specialised city council housing service, than in a small district council landlord operation. The term ‘functional specialisation’, as used here, refers to front-line housing staff tasked with specific functions such as rent arrears management or community safety. It can be contrasted with a ‘generic’ housing management approach where a housing officer is responsible for the ‘full range’ of property and tenant-welfare-related issues within a defined ‘patch’.

### **Chapter structure**

Drawing mainly on case study evidence, the remainder of this chapter begins by looking at the transfer landlords’ aspirations for cultural change and the mechanisms and practices (including those concerned with staff management) developed to give effect to these ambitions. It then goes on to review the impacts of transfer in terms of staff recruitment and training practices. A related matter, the changing role of trades unions in the post-transfer context, is also discussed. Finally, we explore the impacts of the changes on workforce morale.

As well as linking with the findings in Chapter Four on governance and empowerment, the findings of this chapter need to be interpreted in the light of the staff perspectives discussed in Chapter Eight.

## **Transforming organisational culture through staff management?**

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For virtually all the case study landlords the need to transform organisational culture was an explicit senior management priority right from the start. In particular, there was a commonly held view that the new landlords needed to replace a hierarchical, ‘command and control’ ethos with customer-focused, inclusive ways of working. Much of this could be seen as about adopting aspects of the so-called, ‘New Public Management’ (Walsh, 1995; Clarke and Newman, 1997). For many senior managers, key aspirations here included:

- Improved staff understanding of – and commitment to – organisational goals.
- Developing a more responsible, motivated workforce.
- Promotion of a more business-minded way of thinking throughout the organisation.
- Adoption of a ‘customer service ethic’ on the part of front-line staff and managers.

## Securing greater 'buy in'

In securing greater staff 'buy in' for corporate objectives, it was widely recognised that promoting a common sense of purpose and a sense of organisational cohesion would be essential. For most case study landlords, this was reflected in a strong emphasis on internal communications – e.g. through staff newsletters, policy briefings, corporate conferences and the like. A related theme common to most case study landlords was the greatly increased visibility and accessibility of senior officers – a finding echoed by junior and front-line staff (see Chapter Eight). In most organisations it had become standard practice for staff (no matter how junior) to address managers (no matter how senior) on first name terms. One staff interviewee commented on the contrast with the pre-transfer experience of being expected to address the borough treasurer as 'sir'.

A related practice aimed at improving mutual understanding between headquarters and local staff was Knowsley HT's 'back to the coalface' scheme where senior managers were periodically assigned to work in front-line teams.

All of this was connected with the aspiration to foster a more 'inclusive', bottom-up culture where workforce consultation was a standard element of the policy development process (see section on the role of trades unions later in this chapter), and where staff were encouraged to think creatively, and to (constructively) criticise existing organisational practice. Again, the evidence set out in Chapter Eight suggests that such objectives have been substantially realised by many case study landlords.

For a number of case study landlords, an important aspect of creating a more cohesive organisation had involved the post-transfer integration of blue collar staff into the existing white collar structure of employment terms and conditions. Other than those involving Glasgow HA, Cross Keys HA and Berrybridge HA, all the case study transfers had involved the incorporation of direct labour organisations (DLOs) within the transfer landlord structure, with former local authority DLO transferring to the new employer under TUPE. At GHA and Cross Keys, housing repairs continued to be undertaken under contract by DLOs retained under council control.

Several case study associations – notably Gentoo, Knowsley and Pennine 2000 – had replaced traditional craft operative bonus-related pay frameworks with fixed salaries and contractual terms comparable with those of office-based staff. An important implication of such changes was dispensing with a model largely reliant on pay incentives to maximise operational performance. Under the new approach, professional management would be far more important. Achieving the changes therefore involved provision of management training and assessment of the suitability of existing managers for their new roles. Changes of this kind were seen as posing a degree of risk because of staff resistance to change as well as the possibility that they might lead to reduced productivity. At the same time, however, it was believed that such reforms could importantly demonstrate the organisation's commitment to its employees and help to create a more cohesive body by addressing the 'them and us' relationship

which traditionally pervades the interaction between housing management and repairs staff. In at least one case study, housing manager interviewees saw this as having been successfully achieved.

### **Motivating the workforce**

Linked with the aim of securing greater staff commitment to organisational goals is the objective of fostering a more motivated workforce. In securing improved performance in delivering a complex service, better adherence to instructions and rules will never be enough. In a number of case study HAs, senior managers professed to place greater value on staff management and on the organisation's staff as its key resource (by comparison with the pre-transfer scenario). On the former, a number of case study HAs asserted that their commitment to management (as well as staff) training was substantially greater than that of the pre-transfer local authority – see below. An aspect of the latter is about a more inclusive approach to decision-making as already described. It was also seen by interviewees as involving the development of more trusting relationships between managers and staff – e.g. allowing staff to make responsible use of office telephones for personal calls (officially outlawed under council management), or through abolishing inflexible rules for compassionate leave.

Managerial leadership apparently plays a key role in motivating staff in many transfer HAs to a much greater extent than in a local authority setting. This links with the earlier point about greater visibility of senior staff. Part of this is about recognising the potential significance of leadership as a key aspect of the manager's role. Many interviewees referred to the inspirational lead given by their own organisation's chief officer – e.g. the statement that *'the HARCA is the personification of the chief executive'*.

In keeping with the 'managerialist' model, most transfer HAs have introduced or further developed frameworks linking organisational goals with individual staff member targets – as defined and monitored through employee appraisal systems. However, while such targets may in many cases contribute to motivation, they are also capable of providing clear benchmarks for judging when a staff member's performance falls below what is 'satisfactory'. It was noted that with a number of case study landlords, management practices encompass both greater rewards for (or, at least, recognition of), success, as well as reduced tolerance of 'failure'.

Another factor relevant to staff motivation is pay. With many transfer HAs emphasising their identity as 'commercial businesses', it might be anticipated that there would be a general move away from nationally negotiated pay bargaining and towards locally agreed settlements, perhaps incorporating performance-related pay. At least among our case study HAs, however, there was only limited evidence of this. Perhaps because (in contrast to first generation transfers), a number of case study landlords retained strong union representation (see below), most had chosen to remain subject to local government annual settlements.

### **Promoting more business-minded thinking**

A key aspect here has been to emphasise the primacy of the organisational business plan and to encourage an ethic among staff and managers that suggestions for alterations to operational practice must be accompanied by a business case for proposed changes. Connected with this, all case study landlords reported having delegated budgetary responsibility to middle and junior managers, to a substantially greater extent than had been true in the former local authority housing department.

For a number of case study landlords, an important contributor to cultural change under this heading had been through recruitment to vacant posts, where greater emphasis had been placed on applicants' commercial experience than had been normal under local authority landlordship.

### **Customer-focused operation**

Alongside the enhancement of tenant influence on organisational governance (see Chapter Four), perhaps the most critical 'culture change' aspiration for many transfer HA senior managers, has been to promote a more customer-focused ethos. Newly endowed with long-term funding the organisation should be able to respond more positively to service-user preferences and demands. Beyond this, however, staff interaction with tenants should reflect a respect for 'the customer' which would demand – for example – that requests should be sympathetically heard and where impossible to fulfil, the reasons should be explained.

Symptomatic of such change in most, if not all, case study HAs, was the adoption of the language of 'customer care'. Organisational practices seen as demonstrating a consumerist ethos and introduced by a number of case study landlords included repairs by appointment, extended office opening hours and choice-based lettings (see Chapter Six). In supporting this agenda some landlords had also adopted devices such as the designation of 'customer champions' within each operational team (e.g. at Pennine 2000), or awards for staff initiatives effective in 'making a difference' to service-users (e.g. Knowsley HT).

Fundamental in all this has been the development of 'customer voice' mechanisms as discussed in Chapter Four. In a number of case studies (e.g. Helena, Poplar HARCA), interviewees linked their association's 'enhanced customer focus' to the development of a more localised housing management service, with a greater presence of housing management staff on estates helping to prevent problems escalating, as well as improving the quality of services more generally. Such enhanced, decentralised services, in some instances represented a return to local management which had operated some time prior to transfer, but owing to financial constraints may have been recentralised prior to stock handover.

Although the scale of the research was insufficient to enable development of a detailed tenant perspective, it was clear in a number of case studies that some of the

more active tenants saw a change in the culture of housing management post-transfer. Critically, front-line staff were now perceived as being much more often in a position to be able to respond positively to tenants' complaints/requests than had typically been true prior to transfer.

As might be expected, virtually all transfer HAs responding in our national survey claimed to operate in a more customer-focused way than their local authority predecessor. Many cited a range of operational initiatives or practices seen as demonstrating their more consumerist orientation. These included:

- More customer-friendly officers and staff (e.g. children's play areas, staff wearing name badges, advertising of direct staff telephone lines/email addresses, removal of screens etc.).
- More opportunities for tenants and residents to participate in shaping services (developing menus of opportunity ranging from board membership on estate boards/local panels, use of tenant inspectors to evaluate services, involvement of tenants in service specifications etc.).
- Better access to services through the introduction of longer opening hours and the introduction of regular roadshows and surgeries.
- Improved information and communications (newsletters, website information, leaflets etc., with these being made available more widely in communities).
- Within staff training programmes, more emphasis on the role of tenants and residents in shaping policies.

## Staff recruitment and training

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### Recruitment

Transfer HA cultural change objectives have, to a large extent, been progressed through new approaches to staff management as noted in the preceding section. It was, however, stressed by some interviewees that re-shaping attitudes among long-serving staff could present substantial challenges. Overdue cultural change would remain incomplete, as one case study respondent put it, *'until the dinosaurs leave the building'*. This emphasises the potentially important role of recruitment in progressing organisational transformation. Case study evidence suggests that transfer HA recruitment practice often departs to some extent from what would have been typical among pre-transfer local authorities. Structured approaches (e.g. open advertising rather than head-hunting) generally continued to be the norm. In their selection criteria, however, transfer landlords may be moving away from council traditions in terms of the emphasis often attached to 'commercial experience' or a 'business-minded' approach. In two case study HAs, senior management interviewees referred to *'hiring for attitude'* – e.g. in terms of assessed receptiveness to a customer service ethic.

As in many other respects, Glasgow HA is something of a special case here because there are reportedly different recruitment practices co-existing in different parts of the organisation. This arises from the partial autonomy of Local Housing Offices (LHOs), whose staffing decisions are largely independent of GHA (headquarters), senior management. Under the control of local committees, there is a perception that LHO recruitment has tended to favour 'trusted faces' rather than 'new blood' appointments. This is exemplified in the fact that five years after transfer none of the 62 LHOs was headed by a manager externally recruited. Arguably, an effect has been to entrench traditional practices and blunt ambitions for cultural change.

## **Training**

In substantiating assertions about 'valuing staff', senior managers in most case study HA landlords asserted that their organisation was substantially more active in staff training than had been true of the predecessor council landlord. This may not have been equally true for all the case studies and it was reported that staff of Glasgow City Council's pre-transfer housing department had benefited from enlightened management in this respect, with substantial investment of corporate resources in 'organisational development' activity. Such activity had been recognised via the award of Investors in People status for the department in 2001.

Unfortunately, hard data on annual 'per staff member' training expenditure was difficult to obtain. Only one case study HA (Helena) was able to quantify the claim of expanded training activity post-transfer from the housing department; here, the association's annual spend was reportedly some 80 per cent greater than that of the pre-transfer housing department (allowing for inflation). In another instance, it was reported that what had been a one-day induction for new starters under council management, had become a 2-week course under the transfer HA. More prosaically, a staff member interviewee at a third case study landlord asserted that *'we get loads and loads of training'*.

Other landlords cited 'annual spend per head' figures considered to demonstrate substantial activity. The highest, £800 for Poplar HARCA, certainly appears impressive given that apparently comparable figures for two other case study HAs (the only others available) were £326 and £200.

However, whilst probably greater in volume than pre-transfer, case study HA training activity tended to be substantially different in nature. Rather than focusing primarily on qualification training (e.g. to achieve CIH membership) a much more diverse range of training activities (e.g. short specialist courses or bespoke programmes) was typically on offer. For some case study landlords, blue collar apprenticeships were highlighted in evidencing investment in manual staff, as well as office personnel.

## Trades union roles

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Whilst estimates were unavailable for all case studies, union membership was reportedly around 50-75 per cent in most instances. As a rule, membership rates had fallen somewhat since transfer – partly due to the influx of new staff who were less likely to join than their former-council-employee colleagues. However, there was little evidence of any general decline in trades union influence. In two instances, TU representatives saw their unions as having a greater say in organisational decision-making than had been the case pre-transfer.

The national leaderships of key unions such as Unison have campaigned against transfer. However, recognising transfer as probably the sole route to desperately needed housing investment in their area, local representatives have often played a more pragmatic game. Part of this stems from an awareness of the need to avoid falling out of step with many former council staff who have supported transfer for the same reasons.

The continuing – and in some cases increased – influence wielded by trades unions partly reflects the typical transfer HA commitment to an ‘inclusive’ organisational culture described earlier. In several instances it was reported – both by senior managers and TUs – that the two parties had developed significantly more trusting relationships than those existing between unions and council employers pre-transfer. In relation to Glasgow HA, for example, the association’s recent inspection report commented: *‘Since transfer, GHA has significantly improved its industrial relations, and it now has a strong working relationship with the unions, who are involved from an early stage in its change projects’* (Communities Scotland, 2007, para 9.1).

Union representatives were generally consulted on policy decisions at an early stage, and were seen by managers as ‘more professional’ in their approach than pre-transfer, and subsequently treated more as partners than adversaries. TU interviewees pointed out that, having access to the employer’s business plan, they were in a position to know what was ‘affordable’ to the organisation in terms of salary increases.

## Workforce morale

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The most telling pointers to the impact of transfer on staff morale are probably to be found in Chapter Eight which is based on staff focus group discussions. To complement this material, however, the following paragraphs draw on other case study evidence about this issue.

By and large, senior manager testimony and staff survey findings appear to back up the Pawson and Fancy (2003) findings that staff morale tends to be somewhat higher in transfer HAs than in pre-transfer (cash-starved) local authorities, although employee spirits may sometimes dip in the initial post-transfer transition period.

In two case studies, it was reported that sustained hostile press coverage had – at least for a time – significantly damaged morale of transfer HA employees as well as undermining the authority of senior managers. TU reps in one case study (GHA) argued that morale in local offices was dented by ‘constant change’ although perhaps an equally plausible case could be made that in this instance the prolonged uncertainty over the future of LHOs must have been debilitating.

Drawing on its recent staff survey, one case study HA reported that 81 per cent of its staff rated their morale as ‘motivated’ or ‘very motivated’, while 71 per cent agreed or strongly agreed with the statement ‘I feel valued’. At the same time, however, 32 per cent disagreed with the statement that ‘I feel my job is secure’, and this probably hints at the uncertainty liable to pervade the atmosphere around the end of the ‘promises period’, when some organisations may face the possibility (or prospect) of major restructuring (e.g. through possible integration with other housing associations).

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## Chapter summary

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As well as opening up access to otherwise unavailable funding, stock transfer is sometimes argued as potentially beneficial in stimulating transformation of organisational culture. This is often a necessary (though not necessarily sufficient) condition for improving operational performance. Case study evidence suggests most urban second generation transfer HAs have explicitly recognised a need to overhaul organisational culture. Key aspirations have included securing widespread staff commitment to agency goals, developing a more responsible, motivated workforce, and promoting a more business-savvy, customer-focused ethos.

In pursuing such objectives, case study landlords typically placed a high priority on internal communications and on making senior managers more visible, accessible and approachable than would have been true for their pre-transfer counterparts. Most second generation transfer HAs also strive for a more inclusive, bottom-up, culture where workforce consultation is prioritised and where creativity on the part of individual staff members is encouraged. For some case study HAs, an important aspect of creating more cohesive, unified organisations has been the integration of blue collar staff onto common terms and conditions. Inspiring managerial leadership often plays a much greater role in transfer HAs than in local authority housing departments.

Alongside the enhancement of tenant influence on organisational governance, perhaps the most critical ‘culture change’ aspiration for many transfer HA senior managers, has been to promote a more customer-focused ethos. Staff interaction with tenants should reflect a respect for ‘the customer’ which would demand – for example – that requests should always be sympathetically heard and where impossible to fulfil, the reasons should be explained. Organisational practices seen as demonstrating a consumerist ethos and introduced by a number of case study HAs

included repairs by appointment, extended office opening hours and choice-based lettings.

Staff training activity typically appeared substantially greater among case study HAs than among their housing department predecessors. At the same time, training has tended to become much more diverse.

Trades unions retain substantial (and in some instances increased) influence in second generation transfer HAs. While union membership rates tend to have fallen slightly, TU representatives are often closely involved in organisational decision-making and are seen as trusted partners by HA senior managers.

It would appear that transfer HA workforce morale tends to be relatively high, suggesting improved job satisfaction and motivation. At the same time, however, this may be undermined by the uncertainties which may in some cases pervade the atmosphere around the end of the 'promises period', when organisations can face the possibility of major restructuring.

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## Chapter Six

# Housing management services and customer satisfaction

### Key findings

- In their housing management style, most second generation transfer HAs have tended to adopt a stronger customer focus – a ‘neighbourhood management’ approach and more ‘active’ or interventionist ways of working (e.g. in relation to rent arrears).
- In terms of standard Housing Corporation measures, and focusing on the period 2002-2007, second generation urban transfer HAs improved their management performance to a greater extent than other types of housing association.
- According to Audit Commission ratings, second generation transfer HAs inspected in the three years to 2007/08 outperformed all other types of association.
- Alongside a typically ‘firmer’ approach to rent arrears, landlords have tended to be more proactive in addressing the issue. Consistent with this, the incidence of evictions by transfer HAs remains well below that of traditional associations.

### Chapter scope

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This chapter examines the impact of transfer on housing management services, and evidence of changing levels of customer satisfaction. It draws on information from our own national postal/email survey of second generation transfer organisations, secondary analysis of performance indicators and inspection ratings (from England), and evidence from our ten case studies.

The first part of the chapter looks at the extent to which transfer organisations have delivered on any specific transfer promises with respect to day-to-day services, as well as the evidence that these new landlords have provided enhanced management services. We have also examined the evidence of how housing management performance in the new organisations compares with that in the former local authority housing departments.

The chapter then explores some of the key approaches adopted within the new transfer associations, structured around three main themes: customer focus, the management of housing work and neighbourhood management.

The third part of the chapter focuses on the delivery of housing management services post-transfer. It begins by addressing the contention advanced by some critics that, because transfer amounts to 'privatisation', it will inevitably give rise to a more 'hard-nosed' approach to housing management. It concludes by looking at those aspects of housing management which have continued to be perceived as problematic post-transfer. Finally, we investigate evidence of the extent to which customer expectations and levels of satisfaction with services have been raised since transfer.

## Impact of new institutional arrangements

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### Delivery with respect to transfer promises

As noted in Chapter Two, local authority 'transfer promises' (on behalf of the successor landlords), often include some undertakings on improvements to housing management services. As detailed in Chapter Two, case study evidence suggests that these have tended to focus on better or more responsive repairs services and on more effective responses to anti-social behaviour. Reportedly, such promises have in all cases been delivered on time (or were on track to be implemented at the time of our national survey) – see Table 2.1. It should, of course, be stressed that there is no way of knowing whether similar improvements might have been introduced by the local authorities, without transfer having taken place, if sufficient resources had been available.

### Wider post-transfer changes in housing management services

As might be expected, senior management in stock transfer organisations in all cases expressed confidence that housing management had improved significantly under association ownership. More frequently it was seen that the housing service in the former local authority was seriously out-of-date, that previous 'reform' measures had done little more than respond to legislative imperatives and that there was a need for a radical transformation. As one respondent asserted:

*'GHA inherited a housing management service that was essentially 10 years out of date'* (senior manager).

Many transfer HA staff interviewees also believed that tenants had often had low expectations of housing management services prior to transfer and had been willing to put up with poor services. Over and above changes made in delivering transfer promises, association staff highlighted a range of key housing management developments post-transfer. These often included:

- development of choice-based lettings;
- enhanced funding to support welfare benefits advice;
- establishment of tenancy support posts;
- help for older tenants with gardening;
- introduction of home contents insurance schemes;

- increased spending on aids and adaptations;
- establishment or development of mobile warden services.

Another area where there was evidence of significant changes in approach was in relation to leaseholders (flat-owners, in Scotland). As noted in Chapter Four, some organisations had facilitated governing body membership for home-owners. A range of initiatives had been progressed to open-up channels of communication with owners – e.g. production of leaseholders’ newsletters and owners’ handbooks, conferences, convening owners’ forums etc. However, in a number of the transfer organisations there was a recognition that more needed to be done to improve communications with this group and the flow of information. In some cases these issues had been commented upon in Audit Commission inspection reports. Nevertheless, even in those localities where there had been no specific forum for owners, associations saw themselves as doing their best to accommodate home-owner interests, often through support for tenants and residents’ associations (where in some cases owners have been the leading players).

### **Post-transfer developments in housing service delivery: key themes**

A number of key themes emerged from our analysis of the development of housing management services in stock transfer associations. These can be summarised as follows:

- A more customer-focused approach.
- Growing interest in neighbourhood management.
- A general (though not universal) trend towards greater functional specialisation in the management of housing work , rather than generic, multi-task working.
- More active housing management.

#### ***A stronger customer focus?***

As discussed in Chapter Five, case study evidence supports the view that a heightened customer focus has been a common – if not universal – outcome of second generation transfers. Exemplifying strengths in this area, an Audit Commission inspection report on one of our case studies noted that the association:

*‘...has a clear corporate commitment to embedding a customer service culture, with welcoming offices, a useful website, comprehensive service standards, good quality information for customers, a well-managed repairs contact centre, robust procedures for involving customers in service delivery, and effective complaints and satisfaction monitoring.... A commitment to delivering accessible customer focused service is evident at all levels’ (Audit Commission, 2006, para 27).*

Such a strong commendation may be exceptional; later in this chapter we cite inspection evidence highlighting continuing shortcomings in some aspects of housing services post-transfer. Overall, however, opportunities for tenants to influence services

in transfer organisations appeared to be far greater than had been previously been the case in the former local authorities. We found evidence of customers being consulted over reviews of policies and procedures, engagement of residents in the specifications of improvements, the use of tenant inspections to help evaluate the quality of service provision, a degree of resident control over small-scale neighbourhood budgets and tenants being in editorial control of newsletters and the like (e.g. the use of ‘tenant approved’ logos on publications). Training for tenant representatives (e.g. chairing meetings, book-keeping) and funding for tenants’ and residents’ associations have also enhanced tenant empowerment. All this evidence backs up assertions that transfer landlords have developed an approach to management far more customer-focused than the pre-transfer norm. Such an approach had, in a number of case study landlords, been reinforced by another key shift; an increased emphasis on local neighbourhood management.

### ***Neighbourhood management***

Particularly as they moved towards completion of housing investment transfer promises, a number of case-study transfer HAs had begun to develop a ‘neighbourhood management’ approach. Where this had happened, local service delivery had been seen as key to developing a stronger customer focus, not only in relation to services to tenants but also as a means of encouraging community regeneration (considered later in the report).

In some instances, the move to a more local neighbourhood-based approach had been linked to developing a clearer profile of the characteristics of local neighbourhoods and trying to shape interventions contributing to their long-term sustainability. Neighbourhood management had also been used as a basis for developing partnerships, not only with customers, but with a range of other local stakeholders, adopting an intensive approach to the management of services in the neighbourhood. Of course, there are cost implications of more intensive and localised services, though with the potential for achieving cost savings in other ways.

Again, neither the adoption of a more localised neighbourhood management approach, nor a stronger customer focus, are necessarily the product of transfer. It is possible that changes of this kind might have taken place even under continuing local authority stock management. However, it seems to us that at the very least transfer is likely to have stimulated and hastened such moves, as well as creating a more supportive financial and cultural regime in which they have flowered.

### ***The management of housing work***

The extent to which housing management services had become more generic or more specialist subsequent to transfer varied across our case studies. In some of the relatively smaller transfer organisations, the immediate post-transfer period saw shifts towards more generic working, moving from a vertical to a more horizontal structure. However, in other case studies there had been a general trend towards greater functional specialisation of management tasks (e.g. tackling anti-social behaviour,

dealing with rent arrears); sometimes in relation to identified performance failures and sometimes in response to customer feedback. In the larger organisations, even in decentralised local housing offices, moves towards greater functional specialisation were often evident. In one organisation it was argued, from a trade union perspective, that some of these changes had 'de-skilled' front-line staff and reduced job satisfaction. However, where there had been moves to more specialist working in respect of particular housing functions, senior management within the transfer organisations have usually been able to point to evidence of improved performance and higher levels of customer satisfaction to support these changes.

### ***More active housing management***

This is a term we have coined rather than one used by case study interviewees. However, particularly in handling rent arrears and anti-social behaviour, most of the case study landlords portrayed a style of housing management much more proactive and preventative in character than the traditional essentially responsive way of working in the pre-transfer local authority. This was exemplified, for example, by the investment of staff resources in early intervention and the provision of support and advice in an effort to avoid the build-up of rent debt. It was about collaborating with youth workers and community groups to set up 'diversionary activities' for young people who might otherwise be drawn into nuisance activities. It was about rapid response to dumped refuse or graffiti in common areas on estates which, if left untended, could attract further misconduct. However, while the introduction of this way of working seems to have been stimulated by stock transfer in these instances, it is probably symptomatic of housing management reforms introduced by many better performing social landlords over recent years.

### **Improved housing management performance?**

In several of our case studies, performance statistics appeared to confirm staff assertions of significant performance gains since post-transfer year 1 – e.g. increases in the proportion of responsive repairs completed within target times, reductions in relet periods, higher levels of repairs satisfaction, reduced void rates and rent arrears.

Table 6.1 attempts to address this issue by drawing on national evidence on performance change in the four years to 2006/07. This relates to the 312 housing associations in the Housing Corporation's Performance Indicator dataset for 2006/07, which were also in existence in 2002. The table compares the median scores for different classes of association with respect to three performance indicators, two connected with void management, one with responsive repairs.

Table 6.1(c) shows that within the specified timeframe second generation transfer HAs tended to improve their performance to a greater extent than other types of association. Particularly notable is the performance of second generation urban transfer landlords whose performance trend was better than that of traditional HAs on all three indicators, and better than all classes of association on two of the three measures.

**Table 6.1: Performance trend, 2002/03-2006/07 – comparison between housing association types (England)**

**(a) Performance, 2002/03**

	Traditional HAs	First generation transfer HAs	Second generation transfer HAs	
			Non-urban	Urban
Voids available for letting (%)	0.9	0.7	0.8	1.2
Relet interval (days)	34.3	24.5	31.4	44.9
% of routine repairs on time	94.8	93.0	90.1	94.1

**(b) Performance, 2006/07**

	Traditional HAs	First generation transfer HAs	Second generation transfer HAs	
			Non-urban	Urban
Voids available for letting (%)	0.7	0.5	0.4	0.5
Relet interval (days)	38.3	29.4	30.9	37.5
% of routine repairs on time	96.0	95.0	97.0	96.0

**(c) Performance change, 2002/03-2006/07**

	Traditional HAs	First generation transfer HAs	Second generation transfer HAs	
			Non-urban	Urban
Voids available for letting (%)	- 0.2	- 0.2	- 0.4	- 0.7
Relet interval (days)	4	4.9	- 0.5	- 7.4
% of routine repairs on time	1.2	2	6.9	1.9

Source: Housing Corporation Performance Indicators dataset.

**Table 6.2: Inspections analysis: inspections of English housing associations undertaken 2004/05-2007/08**

	Housing management services assessed as:				Total
	Excellent	Good	Fair	Poor	
Post-1997 urban transfer HAs	1	12	10	1	24
Other transfer HAs	1	17	29	3	50
All transfer HAs	2	29	39	4	74
Non-transfer HAs	1	31	57	14	103
Grand total	3	60	96	18	177

Source of raw data: Audit Commission (<http://www.audit-commission.gov.uk/housing/hinsprogrammes.asp?CategoryID=english%5E1628>).

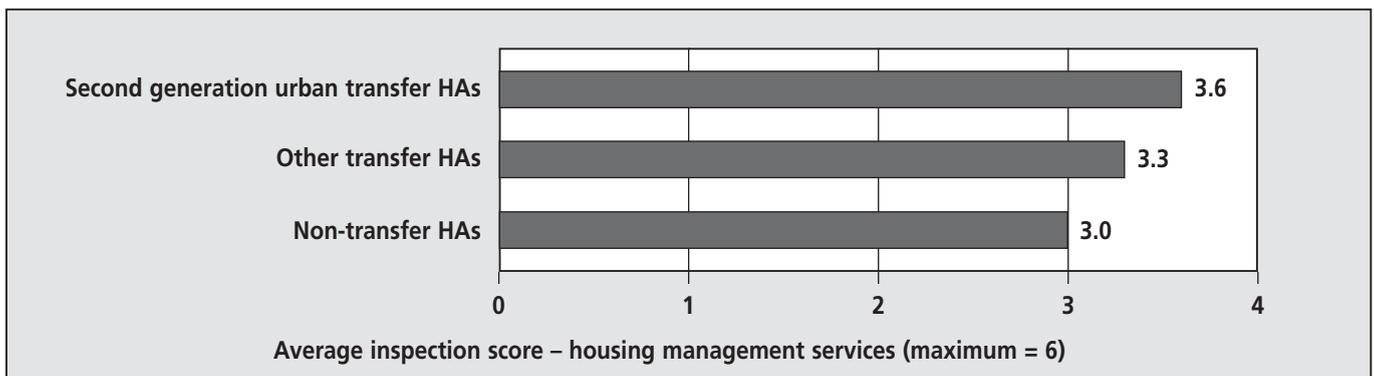
The positive performance trend recorded by second generation transfer HAs (and especially those classed as urban) is notable because it counters the hypothesis that – by comparison with the ALMO framework – stock transfer provides weak incentives for performance improvement and may, therefore, encourage a culture of ‘coasting’ with respect to front-line service delivery.

Performance indicators are, of course, rather narrow measures of performance and can also be criticised as tending to emphasise efficiency rather than effectiveness. Regulatory inspection judgements provide a broader-based assessment of social landlord services, as well as factoring in the local circumstances within which a landlord operates. Table 6.2 presents an analysis of Audit Commission inspection results for 177 housing associations in the four year period to March 2008. Where an organisation was inspected more than once during this period, the most recent inspection was taken as the organisation’s score unless it is a re-inspection (because re-inspections are, by their nature, liable to lead to higher scores than initial inspections).

As shown in Table 6.2, 31 transfer HAs were rated ‘good’ or ‘excellent’. This represents 42 per cent of transfer HAs inspected – substantially higher than the 31 per cent of non-transfer HAs assessed during the relevant period and similarly judged. Among urban transfer HAs the ‘good/excellent’ rate was still higher at 54 per cent.

Inspections also include a ‘direction of travel’ assessment of the organisation’s ‘prospects for improvement’. For Figure 6.1 we have assigned scores to current performance as: Excellent = 3, Good = 2, Fair = 1, with prospects for improvement scored as: Excellent = 3, Promising = 2, Uncertain = 1. On this basis, each landlord has a maximum possible score of 6. As shown in Figure 6.1, transfer HAs – and particularly urban transfer HAs – have typically been assessed as higher performing housing managers than non-transfer HAs. This is a particularly striking finding given that the ALMO vs. stock transfer choice which local authorities have faced since 2000 would have been expected to sift the ‘weakest performers’ towards transfer. Unfortunately, however, it is not possible to broaden the comparisons set out in Table 6.2 and Figure 6.1 to the local authority/ALMO sector because regulatory inspections of the latter are no longer undertaken according to a rolling programme.

**Figure 6.1: Regulatory inspection scores of English housing associations, 2004/05-2007/08**



Source: See Table 6.2.

Note: For scoring method see text.

While most case study transfer HA interviewees also believed that their organisation's housing management performance was substantially better than that of the predecessor local authority, few were able to evidence such claims drawing on robust statistical evidence.

Nevertheless, the general impression of improved day-to-day services post-transfer was, as a rule, confirmed by the tenants' perspective. At the same time, many respondents stressed that this should not, necessarily, reflect negatively on the former local authorities. Rather, it was a reflection of the efficiencies which could be achieved by a single-purpose organisation, as compared with a multi-service local authority. It should also, of course, be acknowledged that transfer landlords have the advantage of greater financial freedoms and that, in configuring business plans, it is likely that attempts will have been made to build in sufficient resources to address service shortcomings attributed to underfunding.

### **Hard-nosed housing managers?**

Part of the message disseminated by stock transfer critics ahead of ballots is that the proposed successor landlord, as a 'private company' will adopt a more 'unforgiving' approach to housing management. To what extent is this borne out by evidence? Certainly, most case study interviewees acknowledged that transfer landlords had adopted a more 'business-like' approach to housing management from the predecessor local authority. And, in relation to certain issues, it was perceived that the new landlord approaches were 'firmer'. This applies, in particular, to action on anti-social behaviour (ASB).

As already noted, a number of our case study organisations had introduced specialist ASB teams post-transfer. Transfer organisations reported investing more resources in dealing with ASB compared with their predecessor councils, that dedicated teams of specialist officers were able to support front-line staff, and that ASB complaints could be dealt with more quickly than previously. The emergence of dedicated small specialist teams has also meant that some transfer landlords have been able to focus on 'hotspot' areas, developing proactive local initiatives. In some cases, transfer associations have developed diversionary activities (e.g. DJ sessions, go-karting etc.) to keep young people off the streets and thus reduce youth nuisance. Clearly, such initiatives reflect a more imaginative and broad-based approach to ASB than simply a 'tougher' stance.

The other area of activity where there is evidence that transfer associations have been firmer in their approach than predecessor local authorities is in the management of rent arrears. In some of our case studies there seems to have been not only an inheritance of significant problems in relation to rent arrears on transfer, but a worsening of the position in the immediate post-transfer period. In some cases this may have reflected the new organisation 'taking its eye off the ball' on arrears management. Another contributory factor, as widely reported, had been the disjunction between housing

managers and their former Housing Benefit service colleagues remaining in the local authority. Nevertheless, despite evidence of variable performance, many transfer HA interviewees reported that their organisation was operating a firmer approach to rent arrears than their predecessor local authority, with stricter procedures, the establishment of specialist arrears teams, and more resources devoted to recovering historical debt. At the same time, however, landlords were implementing more proactive approaches to preventing the build-up of arrears and were also more active in providing debt and benefits advice to help resolve such problems when they arose. This sometimes involved joint working with other agencies (e.g. Citizens Advice Bureau, local credit unions etc.), as well as the local authority's Housing Benefit team, to develop a more supportive and preventative approach to housing debt, whilst at the same time emphasising to tenants the importance of rent payment.

**Table 6.3: Incidence of enforcement action by housing associations in England, 2006/07**

	Evictions as % of stock	ASB evictions per 1,000 stock	ASBOs per 1,000 total stock	ASB injunctions per 1,000 total stock
Transfer	0.45	0.46	0.30	0.69
Non-transfer	0.69	0.50	0.19	1.30
Transfer HAs 1988-97	0.44	0.35	0.17	0.64
Transfer HAs 1998-2003	0.50	0.59	0.49	0.75
Transfer HAs 2004-07	0.38	0.37	0.10	0.66
Post-1997 urban transfer HAs	0.51	0.48	0.57	0.78
Post-1997 non-urban transfer HAs	0.42	0.57	0.19	0.66

Source: Housing Corporation RSR data.

Notes:

1. Table excludes housing associations with less than 1,000 dwellings in ownership.
2. Figures relate to general needs housing only.
3. Table shows mean values for each cohort.

What is the net impact of all this on the likelihood of tenants being evicted from their homes? National evidence clearly demonstrates that transfer HAs evict proportionately fewer tenants than their non-transfer counterparts. As shown in Table 6.3, evictions by the former accounted for only 0.45 per cent of stock in 2006/07, as compared with 0.69 per cent for the latter. This confirms earlier evidence demonstrating that overall eviction rates are lower among transfer HAs than either traditional HAs or local authorities (Pawson, 2004). Based on data for 2001/02 and 2002/03, this showed that the national average eviction rate for local authorities – 0.55 per cent of stock – compared with a significantly lower rate for (whole stock) transfer HAs – 0.45 per cent.

The difference was less marked in relation to ASB evictions although it was even greater in relation to anti-social behaviour injunctions. Here, the rate of use by non-transfer associations was nearly twice the figure for transfer landlords (see Table 6.3). Only in respect of ASBOs were transfer associations somewhat more active than their

non-transfer counterparts, although the total number of actions involved here is relatively small (some 300 per annum for all associations across England). While transfer HAs were slightly heavier users of ASBOs than their non-transfer counterparts, less than a third recorded any during 2006/07.

In general, this evidence appears inconsistent with claims by Defend Council Housing and others that, unlike local authorities, transfer HAs are 'private landlords' with a 'profit first' mentality.

### **Problematic aspects of housing management post-transfer**

Although, transfer organisations have apparently delivered on their transfer promises regarding housing management services, these were often relatively modest. At the same time, although there are aspects of housing service delivery where the new landlords have adopted a firmer line than their predecessor councils (e.g. tackling anti-social behaviour, dealing with rent arrears), in many cases the change of emphasis may have come about as a result of the associations devoting extra resources to tackling these issues or merely that additional options (e.g. legal devices) have become available to social landlords since transfer took place.

Most of our case study organisations identified relatively few housing management problems post-transfer, although as we have noted, one organisation in particular felt that insufficient attention had been paid to improving the quality of housing services in the initial period post-transfer. A post-transfer inspection report, which gave the new organisation a 'fair' one star evaluation, with promising prospects for improvement had been used to develop a more strategic approach to service delivery, stronger customer engagement and focus, and more robust performance management to drive continuous improvement. In part, this may have been explained by greater priority given to the delivery of other transfer promises and the structuring of the new organisations.

However, in a number of our case studies it was possible to use external inspection reports (from the Audit Commission and others) to identify perceived problematic aspects of the housing service. A number of individual aspects of the service were, in individual organisations, seen as areas with potential for improvement. These included:

- Mixed performance, in terms of rent collection and arrears recovery.
- Variable standards within transfer organisations in relation to estate management.
- Backlogs of applications for aids and adaptations.
- A need to improve relationships with tenants (in one organisation).
- Scope for improved management of vacant properties.
- Need for better value for money, particularly in relation to the day-to-day repairs services.
- Need for improved performance management.

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## Customer satisfaction

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We have noted earlier in the chapter that the evidence from our research is of the new transfer organisations adopting and developing a more customer-centred approach to service delivery, and developing an array of mechanisms for engaging with customers and using feedback from them to improve service delivery.

At a governance level, of course, all of the transfer organisations have tenant and resident representation on the Board of Management – and in a number of our case studies this representation had been, or was intended to be, increased since transfer.

In terms of seeking to engage with tenants, the evidence is of transfer organisations seeking to use a wide range of approaches, often as part of a broader resident involvement strategy. In one of our case study localities, the transfer association had introduced a 'ladder of involvement' for tenants, from formal meetings, being members of text messaging or email groups, through to board membership. Others pointed to dedicated budgets to support tenant participation, regular newsletters, financial support for active tenant associations, the development of customer charters and support for tenants and residents through community engagement funds, an issue we consider in more detail in the next chapter on the regeneration impacts of transfer.

In a number of our case study areas transfer associations had taken initiatives to engage with particular groups of tenants and residents. In one organisation (Cross Keys Homes), in order to engage more fully with Black and Minority Ethnic (BME) communities, the association had developed an equality and diversity strategy/action plan, employed BME advisors and interpreters and run its first annual diversity conference, bringing together residents from different cultures to share experiences around the housing management service.

However, as we have remarked elsewhere in this chapter, although the evidence is of transfer associations developing more customer-centred housing services than their predecessor local authority landlords, there is little to suggest that the changes in service delivery are significantly different from those which have been implemented by other social landlords over the past few years.

While it was universally believed by case study landlords that tenant satisfaction had improved as compared with the pre-transfer era, none could substantiate this with robust evidence. However, it was possible in some cases to show that satisfaction levels had risen progressively in the years since transfer. Glasgow HA, for example, cited figures contrasting tenants' survey responses in 2004 (post-transfer year 2) with 2006. In the main, the 2006 data showed markedly more positive outcomes. The proportion of respondents believing that '*GHA cares about its tenants*' had increased from 40 per cent to 76 per cent, the proportion agreeing that '*GHA has friendly and approachable staff*' had risen from 48 per cent to 75 per cent and the proportion

pronouncing themselves as *'satisfied with the overall service'* was up from 67 per cent to 72 per cent.

In general, changing levels of tenant satisfaction indicate a more positive picture of housing services than some of the available performance indicator data might suggest. This may reflect the fact that standard performance indicator measures are more concerned with efficiency whereas tenants' views are more likely to reflect the perceived effectiveness of services. Where associations had examined satisfaction levels with new services (e.g. anti-social behaviour teams), the evidence was of generally high levels of resident satisfaction. It is also evident that in many instances tenants' expectations have also risen since transfer. Therefore, while the picture is broadly positive, it is clear that in some of our case study associations there is still substantial scope for improvement and no reason for complacency.

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## Chapter summary

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As might be expected, transfer HA senior manager interviewees believed that the quality of housing management had improved significantly over that of predecessor local authorities. Four key themes emerged from the research in relation to the development of housing services under the new landlords. These included a more customer-focused approach to service provision, a growing interest in neighbourhood management, and a general trend towards greater functional specialisation. In addition, most case study HAs appeared to be operating a 'more active' style of management.

Housing Corporation Performance Indicator data confirms that between 2002/03 and 2006/07 urban second generation transfer HAs tended to record improved performance to a greater degree than any other type of association. Audit Commission inspection results for the period 2004/05 to 2007/08 also suggest that transfer associations – and in particular urban second generation associations – have typically been assessed as higher performing housing managers than traditional associations. This is a particularly interesting finding given that, under the post-2000 policy framework in England, it might have been expected that it would be the 'weaker performing' local authorities with the most extensive stock repair needs which would tend to be sifted into the stock transfer cohort.

Given the critical view that stock transfer represents a form of privatisation, then the new landlords might be expected to adopt a 'hard-nosed' approach to housing management. Our evidence confirms that transfer associations have become more business-like and in some areas – e.g. dealing with anti-social behaviour and the management of rent arrears – many have tended to take a 'firmer' stance than their local authority predecessors. However, the statistical evidence is that transfer HAs are less likely to evict their tenants than either local authorities or traditional housing associations.

Although the evidence is that most transfer associations have delivered on their transfer promises with respect to housing management, and there are encouraging signs of efficient and effective service delivery, in some cases individual aspects of the housing management service have remained problematic. A minority of our case study HAs had recorded mixed performance in terms of rent collection, variable standards of estate management within the same organisations, and scope for improved performance management. So, although the overall picture is encouraging, in a number of the transfer organisations there remains scope for further progress.



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## Chapter Seven

# Regeneration impacts

### Key findings

- Over the decade to 2006/07 transfer HAs in England demolished more than 22,000 defective former council homes; such activity is in some instances undertaken within the context of major area regeneration schemes usually involving strong partnership relations with local authorities.
- Evidence from this research suggests that levels of demolition and rebuilding tend to exceed those anticipated at transfer.
- Notwithstanding their typically highly indebted status and very limited ballot commitments to wider regeneration, 'new urban transfer' housing associations stand out as the most active exponents of such activity across the HA sector as a whole. Eighty per cent developed 'community capital projects' in the five years to 2007/08, while more than half contributed to each of a wide range of 'additional services' for the benefit of neighbourhoods.
- In England alone, second generation transfer HAs are estimated to have contributed over £51 million to wider neighbourhood services in 2006/07.
- Through their involvement in community regeneration, landlords have developed close and productive working relationships with local schools, community groups and other voluntary agencies – as well as engaging closely with relevant council departments.

## Background

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Housing stock transfer is one of the strategic options available to local authorities to deliver investment in the fabric of the housing stock and to meet the government's Decent Homes Standard and similar standards in Scotland (Scottish Housing Quality Standard) and Wales (Welsh Housing Quality Standard) by set target dates. At the same time, transfer and the investment needed to achieve and sustain these respective standards is also seen as a potential catalyst for local regeneration. It has been argued that investing in the physical repair and modernisation of the housing stock via transfer not only provides the opportunity to improve the physical quality of housing and the wider environment but also to tackle broader problems of unemployment and economic inactivity, poor health, crime and anti-social behaviour and the quality of local public services. Local authorities considering transfer have been advised that this should form part of wider strategies for neighbourhood

renewal, and that where appropriate, it should address issues of community development and develop links to tackling crime, poor health and initiatives to address low educational attainment.

Many housing associations have been, engaged in community regeneration projects (including physical, social, economic and environmental initiatives) for many years (see, for example, Fordham *et al.*, 1997; Smith and Patterson, 1999; Evans and Meegan, 2006). At a broader level, housing investment has played a key role in a number of area-based regeneration policies and programmes – for example the Single Regeneration Budget (SRB) programme, the Estates Renewal Challenge Fund (ERCF) and the more recent Housing Market Renewal Package. The influential Lord Rogers report, *Towards an Urban Renaissance* (Urban Task Force, 1999), pointed towards the potential contribution of housing investment to urban renewal. However, stock transfer organisations differ in many ways from traditional housing associations, and in the last ten years or so, one of the key drivers of transfer has been the desire to attract major investment to fund the modernisation and improvement of housing stock, often of poor quality and located in areas of relative socio-economic disadvantage. This has created, for many transfer landlords, very significant potential to contribute to wider regeneration objectives, albeit recognising that such wider benefits can in some cases be delivered only via partnership with other agencies.

As noted in Chapter One, before 1996 transfer was largely a shire district phenomenon, confined to the southern half of England. In the absence of mechanisms to fund negative and low-value transfers, the emphasis was on councils whose housing stock had a positive value. However, a few individual estates in more urban areas had been removed from local authority ownership under the Housing Action Trust (HAT) programme, which was designed to deliver holistic estate regeneration. Subsequently, the Estates Renewal Challenge Fund (ERCF) was launched in 1995 specifically to support the transfer of poorer quality council housing to new landlords. This programme not only had a major impact in stimulating stock transfer in more urban areas, but also encouraged the new organisations to engage in community regeneration activities (Pawson *et al.*, 2005).

The post-1998 shift towards urban transfers has created greater opportunities for the process to contribute to area regeneration. In some of the areas where subsequent transfers have taken place, upgrading housing stock has been only a relatively modest aspect of the broader regeneration challenge (see, for example, GoWell, 2007). Other research has shown how new transfer organisations can become involved in local regeneration networks (Card and Mudd, 2006) and how post-transfer investment in stock improvement can generate local regeneration benefits (Smith, 2006). In this study we have sought to gather more evidence of the regeneration impacts which have followed transfer, particularly in more urban contexts and in relation to more recent transfers.

This chapter draws, primarily, on our case study work which considered transfer HA activities involving both physical investment in housing and involvement in wider regeneration projects and services. To set our own research findings within a wider context, we also draw on national statistical data for England. This comes from the Housing Corporation's RSR dataset and from the National Housing Federation's audit of housing association neighbourhood activity in England. Undertaken in 2008, the Federation's survey sought information under two headings:

- community facilities provided by housing associations; and
- services performed by associations over and above their primary role as landlords and which could be classified as adding value to neighbourhoods.

The Federation's survey evoked responses from a total of 362 associations, accounting for some 63 per cent of national HA stock. Among the respondents were a total of 81 transfer HAs – around 40 per cent of all such landlords. It is recognised that there is a possibility that 'more active' associations will have been more likely to participate in the research. In the absence of any evidence to this effect, however, it has been assumed in our analysis that respondents were broadly representative of the sector, as a whole. In addition, where numerical data was sought, empty questionnaire cells have been treated as 'zeros' (rather than missing or unavailable data). A full report of the audit is being published separately by the Federation. Our analysis focuses specifically on transfer HAs.

## Housing replacement and new construction

As discussed in Chapter Two, most second generation transfer HAs considered that their initial investment programmes embodied property condition standards significantly in excess of those required by national guidelines (see Table 2.3). In many instances this referred to environmental works which (at least in England and Scotland) are beyond the scope of the official standards. At least some of this activity is likely to amount to 'neighbourhood regeneration' in the sense of upgrading the physical surroundings of social housing. In this respect, it must be assumed that at least some transfer HAs have had the capacity to contribute to physical regeneration in ways which are less likely to have been possible for Arms Length Management Organisations – ALMOs. This is because, under the ALMO funding regime, additional investment sanctioned by central government is supposed to be limited to the estimated cost of meeting the Decent Homes Standard.

Beyond environmental works, 'physical regeneration' could be construed as including demolition and replacement of defective housing. Much of this section of the report focuses on these activities.

The scale of regeneration challenges varied across the ten case studies. Similarly, the extent of involvement in regeneration activities differed between case study transfer

HAs. This was, in part, explained by the relative size of the organisations, in part by the nature of the transferred stock (and its local context), and in part by the timing of transfer (and the time which had subsequently elapsed). In some instances an enhanced programme of physical regeneration had been necessary to redress underestimates of the works required prior to transfer as well as higher standards and expectations being set for associations.

In some instances transfer organisations had come to see themselves as one of the local authority's key partners – perhaps the key partner – in the overall objective of regenerating run-down neighbourhoods. Since, in the case of the whole stock transfers, the recipient organisation is the largest social landlord in their particular locality, this is perhaps to be expected. In many of our case studies the transfer organisation had been at the heart of local strategic partnerships and, in one instance, Aspire Housing had been appointed as the lead agency in one of the Housing Market Renewal Areas of major intervention (as well as the lead RSL in an adjoining authority to act as the council's agent for the delivery of its estates' investment strategy).

Aspire Housing is leading the delivery of RENEW North Staffordshire housing market renewal activity in the Knutton/Cross Heath area of major intervention (AMI), with the potential for £100 million to be invested across this area over the next ten years. At the time of the research, Aspire was already preparing to demolish up to 350 dwellings (over 90 per cent of which were in the Association's ownership), as well as starting on the construction of new homes of different types and tenures.

As transfer has increasingly engaged with urban areas containing substantial numbers of problematic and/or highly dilapidated buildings, so the task facing transfer landlords has increasingly come to involve demolition and replacement, rather than 'simple' refurbishment. For example, Housing Corporation RSR data shows that associations created by transfers in England in the period 1998-2003 demolished over 2,000 properties in 2006/07 – over 0.5 per cent of their stock at the start of the year. The data also shows that for second generation urban transfer associations a further 1.5 per cent of the housing stock was pending demolition in March 2007 (compared with just 0.3 per cent of the stock in ownership of traditional housing associations). So, clearly, albeit on a small scale, selective demolition has been one tool for regeneration at the disposal of transfer organisations.

RSR data also shows that, in the ten years to 2006/07, transfer HAs demolished more than 22,000 dwellings (see Table 7.1). While not all of this activity will have involved second generation transfer HAs it seems likely that these will have accounted for the vast majority. Notably, the average annual number of transfer HA demolitions in the period 2002/03-2006/07 – some 3,200 – was nearly three times the number in the previous five years.

**Table 7.1: Housing association demolitions and new homes constructed, England: 1997/98-2006/07****(a) Demolitions**

	Traditional HAs	Transfer HAs	Total	Transfer HAs %
1997/98	1,074	602	1,676	36
1998/99	1,244	716	1,960	37
1999/00	2,068	1,206	3,274	37
2000/01	789	1,849	2,638	70
2001/02	2,798	1,925	4,723	41
2002/03	1,496	2,099	3,595	58
2003/04	1,555	4,445	6,000	74
2004/05	1,499	3,557	5,056	70
2005/06	1,294	3,017	4,311	70
2006/07	1,330	2,662	3,992	67
Total	15,147	22,078	37,225	59

**(b) New-build completions**

	Non-LSVT	LSVT	Total	LSVT %
1997/98	27,515	2,811	30,326	9
1998/99	22,978	2,916	25,894	11
1999/00	20,345	3,464	23,809	15
2000/01	19,075	3,665	22,740	16
2001/02	19,132	4,112	23,244	18
2002/03	17,531	3,717	21,248	17
2003/04	15,890	5,479	21,369	26
2004/05	17,489	5,542	23,031	24
2005/06	18,630	5,922	24,552	24
2006/07	20,419	6,485	26,904	24
Total	199,004	44,113	243,117	18

Source: Housing Corporation RSR.

As discussed in Chapter Two, some case study transfer prospectuses stressed a commitment to demolition, sometimes on a very substantial scale. In most of the case studies, removal and replacement of at least some obsolete housing was seen as a crucial transfer objective. As shown in Table 7.2(a), more broadly across all second generation transfers (and especially in urban instances) there was a tendency for actual levels of clearance to have exceeded levels anticipated at transfer. This sometimes reflected improvements in the quality of stock condition information, recognition of changing (low) demand for particular types of properties in specific locations, or, the introduction of more systematic and rigorous assessments of housing conditions. Some associations reported that involving tenants in the decision-making process (e.g. through area committees or scheme panels) had made increases in the numbers of proposed demolitions less controversial than might otherwise have been the case.

**Table 7.2: Second generation transfers: extent of demolition and new-build activity in relation to expectations****(a) Demolitions**

	Greater	Same	Less	Total
Urban	14	3	5	20
Non-urban	8	14	1	25
All	22	17	6	45

**(b) New construction for rent**

	Greater	Same	Less	Total
Urban	20	2	0	22
Non-urban	15	4	5	24
All	35	6	5	46

**(c) New construction for shared ownership/sale**

	Greater	Same	Less	Total
Urban	16	3	1	20
Non-urban	14	4	7	25
All	30	7	8	45

Source: Postal survey. Non-responses = 2-3.

In a number of case studies, demolition and the remodelling of estates had created sites for replacement homes. This has given the new organisations opportunities to begin to change the mix of housing types, and in some cases tenure, at a local level, with a view to encouraging the long-term neighbourhood sustainability. In some instances, the freedom of transfer landlords to undertake such schemes had been constrained by a requirement to hand over cleared sites to the local authority, or to pay back to central government a significant proportion of capital receipts generated by site disposals. Significantly, in parallel with actual versus planned demolitions, the numbers of new homes being built by transfer HAs was usually reported as higher than originally planned (see Table 7.2). This was true for both new build for rent and for sale, and especially marked for urban transfers. In this sense, it could be said that these transfers are 'delivering added value' in relation to what was originally expected.

Nevertheless, it is probable that second generation transfers accounted for only a small proportion of the 44,000 new homes completed by English transfer HAs in the ten years to 2006/07 (see Table 7.1(b)).

In some of the case study areas, transfer HA clearance and construction activity was largely associated with major area renewal projects planned in partnership with the

local authority. The largest of these involved Glasgow HA and Glasgow City Council who had defined seven *'transformational regeneration'* projects in 2004 (GoWell, 2007). In total, these schemes were expected to involve up to 9,000 demolitions, with a similar number of new-build homes to be developed – roughly two-thirds of these being for private sale. Collectively, these schemes have been described by Professor Alan McGregor as *'...one of the most ambitious urban regeneration programmes in the UK'* (Glasgow City Council, 2007, para 2.7).

Under its Sunderland area Renewal Plan, Gentoo (formerly Sunderland Housing Group) envisaged the demolition of 4,100 dwellings, with 3,750 replacement homes being constructed. As in Glasgow, the plans had been developed in consultation between the transfer HA and city council. Unlike Glasgow, however, the process had been largely driven by the former, with the latter having a more passive role. The model for regenerated estates was for mixed tenure neighbourhoods with rented and for sale properties fully integrated in a pepper-potted layout where tenure could not be identified from house design. From the business viewpoint this was seen as costly because the values of for sale properties would be compromised by proximity to rented homes. However, this was seen as justified by the social benefits of community integration. In addition, recognising that housebuyers with choices would weigh up Gentoo houses against those provided by private developers in 'more exclusive' areas, new homes to be developed for sale under the plan were to be 20 per cent larger than comparable new private sector dwellings. These decisions were seen as expressions of the Group's values.

Within our case study transfer organisations, even in instances where transfer had taken place within the previous five years, new housing development had already commenced, with the transfer organisation usually being part of a larger development consortium. In many cases, new developments have been a mix of housing for rent and intermediate affordable housing. Some landlords were also looking to develop small-scale property purchase schemes (acquisition of existing satisfactory properties), often not grant funded but with a view to letting these on assured shorthold tenancies at housing benefit level affordable rents. In some instances, transfer organisations had established (or were planning to establish) commercial subsidiary companies, for example, to develop housing for outright sale or to provide services to other individuals and organisations in their area (on a commercial consultancy basis). Some transfer organisations (with their stock concentrated in single local authority area) were looking to widen their geographical horizons in relation to development and regeneration activities. However, it seems highly unlikely that this will take place on the scale of some first generation transfer associations (see Pawson and Fancy, 2003).

What is perhaps most striking across the majority of our case study organisations is the extent to which housing development and physical regeneration opportunities had been grasped, often within a relatively short period post-transfer (or in some cases

following changes in leadership and/or senior management). For many of the case study transfer HAs, exploitation of development opportunities and assuming a significant role in regeneration, had been seen as important ways of taking the organisation forward. Although all the transfer landlords covered by the research had implemented major programmes of stock modernisation and improvement, in many instances well before these programmes were complete, they had been planning the development and diversification of their businesses. Most had taken the view that sustaining organisational success demanded that they evolve and grow. In part, this marks an acknowledgement that, without new development, they would, over time, decline in scale (as a result of demolitions and ongoing sales to sitting tenants), and that revenue income would also decline.

## Social, economic and community regeneration

### The national context

The notion that social and economic renewal of deprived communities could be an important spin-off from stock transfer was first advanced in the wake of the ERCF programme, with its geographical focus on run-down estates often in inner city locations (HACAS Chapman Hendy, 2002).

Results from the National Housing Federation's 2008 neighbourhood audit set out in Table 7.3 suggest that a majority of associations in all of the specified categories developed community facilities during the six years to 2007/08. Among post-1988 urban transfer HAs this was true for four out of five of those participating in the survey. It should be noted that post-2003 transfer HAs have been excluded from this analysis because they will not have been in existence for the whole of the relevant period. Also, to achieve a fairer comparison, the 137 responding associations with less than 500 dwellings in ownership have also been excluded.

**Table 7.3: Community facilities developed by housing associations in England\*, 2002/03-2007/08: capital projects**

HA type	% of HAs reporting one or more relevant capital projects	Community centres/spaces	Play areas	Community resource/information centres	Sports facilities/equipment	Other
		% of HAs reporting one or more capital projects of each type				
Pre-1998 transfer HAs	64	33	15	18	3	48
1998-2003 transfer HAs – urban	80	60	15	5	15	50
1998-2003 transfer HAs – non-urban	63	53	16	26	16	47
Non-transfer HAs	66	44	19	16	8	35

Source: NHF neighbourhood audit 2008.

\*Excludes associations with less than 500 dwellings in ownership.

For all categories of association, community centres/spaces formed by far the most frequently cited form of capital project (see Table 7.3). Again, second generation urban transfer HAs tended to be the most active, with 60 per cent reporting having established, replaced or expanded such centres during the period.

Housing associations participating in the Federation's audit reported undertaking a kaleidoscopic range of 'additional services' to the benefit of communities. Drawing on the audit data, Table 7.4 reports results in relation to just a few of the more commonly-cited categories of activity. In general, these findings lend strong support to the hypothesis that 'new urban transfer' HAs are particularly active in community regeneration (HACAS Chapman Hendy, 2002), with a majority of such respondents reporting 2006/07 contributions here as including:

- Environmental improvements.
- Community capacity-building.
- Sports work.
- Youth diversionary activities/youth clubs.
- IT training.

**Table 7.4: Additional services undertaken by housing associations in England, 2006/07\***

HA type	Environmental improvements	Community capacity-building	Sports facilities/activities	Youth diversionary activities/youth clubs	Adult education	Breakfast clubs, after school clubs etc	IT training	Job search help	Credit union
% of HAs reporting having undertaken each activity in 2006/07									
Pre-1998 transfer HA	70	48	15	61	30	15	39	9	42
Post-97 transfer HA – urban	61	77	52	77	48	45	55	39	26
Post-97 transfer HA – non-urban	52	44	26	74	26	7	26	4	37
Traditional HA	57	54	37	62	33	22	39	22	25

Source: NHF neighbourhood audit 2008.

\*Excludes associations with less than 500 dwellings in ownership.

Partly to help quantify the extent of HA activities of kinds discussed above, the Federation's audit also sought financial data about the projects and services involved. Based on the figures submitted, Table 7.5 presents capital spend data standardised to account for the respective size of participating associations. Respondents were asked to differentiate between funds sourced from the HA's own resources and those contributed by other parties. As shown in Table 7.5, second generation urban transfer HAs reported committing proportionately larger sums from their own budgets than was true for the other classes of landlord. However, traditional associations appear to have been considerably more successful in drawing on funds from other sources.

**Table 7.5: Financing of HA 'community capital projects', 2002/03-2007/08 (England)\***

	From respondent HA	From others (e.g. central or local government)	Total
	£ per dwelling	£ per dwelling	£ per dwelling
Pre-1998 transfer Has	23	31	55
Post-1997 transfer HAs – urban	88	82	170
Post-1997 transfer HAs – non-urban	57	57	114
Non-transfer Has	74	126	200

Source of raw data: NHF neighbourhood audit 2008.

\*Excludes associations with less than 500 dwellings in ownership.

The figures set out in Table 7.5 provide a basis for estimating the total funding involved in 'community capital projects' undertaken by second generation transfer HAs in the six years to 2007/08. 'Grossing up' the figures from the table in relation to the dwelling stock numbers of all transfer HAs established in the 1998-2003 period, it can be estimated that total funding for capital projects undertaken was around £56 million (£37 million relating to landlords operating in urban areas). Some £29 million of this originated from the associations themselves (including £20 million for urban HAs), with the remainder being contributed by other parties.

Table 7.6 presents a similar analysis of the funds involved in provision of 'additional services' by HAs in 2006/07. Again, second generation urban transfer HAs report much higher figures than their longer-established and non-urban counterparts – both in relation to their own contributions and those of others. However, taking into account the amount of stock involved, the revenue contribution of the former is typically somewhat less than that recorded for non-transfer associations (see Table 7.6).

Again, it is possible to use the figures set out in Table 7.6 as a basis for estimating the global costs involved in 'additional services' provided by all second generation transfer HAs in England. Taking account of the total stock of all the relevant associations, the

**Table 7.6 – Financing of 'additional services' provided by HAs in England, 2006/07\***

	Staff costs	HA financial inputs	Other financial inputs	Total
	£ per dwelling	£ per dwelling	£ per dwelling	£ per dwelling
Pre-1998 transfer Has	19	28	14	62
Post 1997 transfer HAs – urban	43	68	41	152
Post 1997 transfer HAs – non-urban	19	44	16	79
Non-transfer HAs 500 dwellings +	55	84	76	215

Source of raw data: NHF neighbourhood audit 2008.

\*Excludes associations with less than 500 dwellings in ownership.

'£ per dwelling' figures imply that the cost of all additional services provided by second generation transfer HAs in 2006/07 totalled some £81 million, of which £53 million related to 'urban' associations. Of the £81 million total, staff costs accounted for an estimated £19 million, with HA direct financial inputs accounting for another £32 million.

In spite of their highly indebted status and their typically very limited ballot commitments to wider regeneration (see Chapter Two), second generation transfer landlords have clearly tended to be very active in this area. Indeed, both in terms of their instigation of community capital projects and in the provision of neighbourhood services, 'new urban transfer HAs' have been the most active type of association in recent years. Eighty per cent of this group have developed capital projects such as community centres (see Table 7.3), while more than half have contributed to a range of community services (see Table 7.4). In this way, such transfers can be seen as having delivered significant 'added value' over and above the renewal, refurbishment and improved management of run-down former council housing.

### **Transfer HA perspectives**

While physical regeneration had generally been high on case study landlord agendas at the time of transfer (and in the run-up to tenant ballots), this seems to have been less true in relation to wider community regeneration. However, a theme common to virtually all the case studies was that the extent of such activities had, in practice, turned out to be much greater than originally anticipated. In a number of instances there had been an early recognition on the part of new landlords that investing in social, economic and community initiatives was vital if the physical upgrading of homes and neighbourhoods was to be sustained in the medium and longer term.

We attempted to capture the extent of such community regeneration activities, not only through the individual case studies, but also through our national survey of second generation stock transfer associations. The findings from this element of the research are considered first, before we look in detail at the evidence from the case studies.

Survey respondents were asked whether their association had provided any form of community facilities. Amongst non-urban transfer organisations this was true for 72 per cent of respondents, with the proportion of urban associations being even higher (90 per cent). Such facilities/amenities provided included:

- community/neighbourhood centres, cafés/cyber-cafés;
- office facilities for tenants'/residents' groups;
- community resource centres (including support for literacy/numeracy skills);
- IT/training facilities;
- out-of-hours school clubs;

- sponsorship of a city academy;
- provision of accommodation for other public/voluntary services (e.g. youth work programme, Communities First programme etc.);
- children's play areas.

Landlords were also asked whether, in the last three years, they had initiated or supported any schemes of benefit to local communities which did not have any direct relationship to the mainstream work of the association. This was true for 81 per cent of non-urban transfer associations, and 94 per cent of their urban counterparts. Amongst this latter group (of 22):

- 18 had been involved in schemes promoting community development/capacity building;
- 16 had contributed to skills training for local residents. This had included centres for traditional craft trades and emerging technologies and often involved accredited training;
- 13 offered budgeting/money advice (other than in relation to rent arrears management).

In addition, 12 organisations had organised sporting activities for local residents, with summer play schemes for young people featuring in most of these. Seven respondents reported other types of community benefit schemes. These included various social enterprises (e.g. thrift shop, support for local decorating company), working with local schools and youth groups, part funding of a community-based post to address littering/fly tipping, support for local arts projects, community grant schemes and support for initiatives for older people.

In relation to economic renewal, most urban associations covered in the national survey reported having provided work placements for local young people, as well as joint ventures on employment and training with other sectors (e.g. local skills training centres). Most of these landlords had also provided vocational training for local residents and used local labour clauses in contracts to secure employment for local people. The evidence from non-urban transfer landlords was broadly similar (though the proportionate figures are slightly lower in most cases).

One case study landlord, GHA, justified its involvement in such activities through a Wider Action Strategy which identified the following five themes for its work in this respect:

- attractive neighbourhoods: environmental work to create more attractive, well-maintained neighbourhoods;
  - stronger, safer communities: supporting local housing officers to work with a range of partners on improving safety and security;
  - supporting tenants: helping tenants to access services promoting health, wellbeing and tenancy sustainment;
-

- 
- financial inclusion: including a contribution to the strategic development of citywide advice and information services;
  - jobs and training: maximising sustainable jobs and training gains for local residents arising from the HAs' activity.

In many ways these five themes encapsulated the breath of activities which we found across all ten case studies. But what has been the rationale for transfer associations engaging in such wider activities?

In part, engagement can be justified on the ground of self interest. As one association in its strategy stated:

*'This is a business and we need to protect our assets so that we can deliver high quality services to our tenants. Resources spent on addressing vandalism, graffiti, and trying to let properties in neighbourhoods where people do not feel safe living are resources that cannot be used to invest in our stock and improve services to our tenants'.*

One of our case studies had 'nailed its colours to the mast' to the extent of including the words housing and regeneration in the organisation's name – Poplar HARCA – HARCA standing for Housing and Regeneration Community Association. And, both physical and community transformations of its transferred estates, have been at the heart of the Association's ambitions. The development of estate-based community centres are seen as a key component in facilitating community-led regeneration. As well as providing a base for local service delivery, these centres have been open to all local residents (not just the association's own tenants). They have also provided a location for third sector organisations and local groups. To help foster community cohesion, the Association particularly emphasised the provision of services to young people, especially in the evenings and at weekends. This was reported as contributing to a number of success stories, including the rapper Dizzie Rascal who, after his involvement with a Poplar HARCA-led youth centre, has been able to develop a musical career and has subsequently returned to the area to recount his experiences.

Of course, many of the initiatives under the themes identified above were also closely linked with housing management objectives; for example supporting efforts to tackle anti-social behaviour, helping to control rent arrears, or encouraging the sustainability of tenancies. Transfer organisations may be no different from many traditional housing associations in recognising the benefits of being proactive in developing initiatives to support social and economic regeneration and local community development.

Evidence across our case studies also suggests that transfer associations were not only working with their own tenants and other adult residents, but that a significant amount of community regeneration activity had been focused on young people (sporting activities, play schemes, youth groups, after school clubs etc.). To an extent,

such activity may have been seen as integral with strategies to counter anti-social behaviour – in this case through so-called ‘diversionary projects’.

Many of the community regeneration projects identified through our case studies had involved the transfer associations working in partnership with various other local agencies; different departments of the local authority, local schools, the police, local businesses and voluntary sector agencies. Gentoo, for example, had worked with local schools through the Group’s Community Kids Citizenship programme, providing a mentoring scheme for year 10 and 11 school children. It was also sponsoring a City Academy for Sunderland. Transfer landlords had also organised and/or provided financial support for a wide range of community-based projects and activities, designed to benefit groups in the community. The benefits of such interventions often extended far beyond merely their own tenants and their families and in to the wider community. However, in some instances projects/activities have been specifically targeted by associations to those living in their particular homes, and sometimes specifically to benefit those not in employment, education or training.

This leads to the question of how transfer organisations have tried to use their own activities around the physical regeneration of housing to create regeneration benefits for local people, in terms of employment and training opportunities. It is perhaps in this respect, given the scale of investment often being made to improve the quality of the housing stock and the wider environment, that the potential contribution of transfer associations is at its greatest. Many of the case study transfer landlords were major investors in the local economy and their potential for delivering economic (as opposed to social) regeneration benefits was, therefore, particularly significant. Pennine 2000, for example, had developed an apprenticeship scheme with its partner contractors, starting with multi-skilled apprenticeships and leading on to specialism in particular trades. Apprentices were then assisted into ‘proper jobs’, some with the association, some with partners and some with other organisations. The Association had recruited a team leader to develop this initiative and to target individuals who might otherwise have experienced difficulties in gaining local employment.

A number of the case study transfer landlords reported having sought to lever in as many jobs and training opportunities as possible; contractors had been required to commit to ‘local labour’ clauses in construction agreements, support had been developed for apprenticeships, associations had worked in partnership with others (usually a local authority), to establish local skills training centres and had supported the creation and development of local community businesses/social enterprises. Valleys to Coast (V2C), for example, had contributed financially to the costs of establishing a local construction training centre. In addition, V2C had established agreements with key contractors for a modest proportion of the initial expenditure to be reinvested in local community regeneration initiatives.

From a housing perspective, the main intention behind such activity is to use the investment in improving/modernising homes to contribute to local community regeneration to:

- provide routes to mainstream employment;
- create sustainable jobs;
- target employment and training opportunities towards those who have been economically inactive and/or relatively disadvantaged;
- retain a significant proportion of the investment within local communities (by spending money in ways which are socially as well as environmentally responsible); and
- by encouraging active citizenship.

Associations had also tended to see social and economic regeneration initiatives as important ways of engaging with local residents, moving away from traditional tenant participation towards more holistic neighbourhood engagement.

Like some other case study landlords, Pennine 2000 reported having been closely involved in the formulation of the Local Area Agreement produced by the Local Strategic Partnership. As well as its Chief Executive participating as an LSP member, the Association was represented on all six LSP theme groups (e.g. education and enterprise and safer and stronger communities). The organisation had also secured Department for Trade and Industry (DTI) funding to foster social enterprise, helped fund a local credit union, sponsored a local recycling project, and participated in mentoring young people. In developing this range of community regeneration activities the association saw itself as progressing far beyond what had been envisaged at the time of the transfer.

It is clear from our fieldwork that, as stock transfer associations have worked their way through specific transfer promises, there has been a growing realisation of the need to be more proactive in social and economic regeneration. For example, following this logic, Helena Housing spent more than £5.5 million on community investment in the five years to 2008 – around two-thirds of the funding being raised externally. Around half of this investment had been committed to economic development including:

- provision of modern apprenticeships;
- working with employers to provide residents with work experience;
- providing construction skills training;
- working with the local chamber of commerce to facilitate access to employment.

The Association had also focused community regeneration activity on children and young people – e.g. through provision of access to sporting facilities and facilitation of training and work experience opportunities. Helena saw such interventions as having been highly cost-effective in terms of the resultant community benefits.

It would seem from the research that within the majority of second generation transfer housing associations there is a strong ethos towards promoting social and economic regeneration in the communities in which these organisations are working. Individual case study organisations were able to provide a multitude of different activities which are contributing to local regeneration. Many were able to provide hard evidence of the number of new training and employment opportunities which were being created as a result of their investments in physical and environmental improvements. However, without denying the potential contributions of such activities in tackling worklessness, raising incomes, and to effective labour supply, contributing to local economies and having wider benefits for demand for local services, it is often difficult to evaluate their impact within the wider local context. It is also perhaps too early to judge the long-term effects on residents and communities and the extent to which social and environmental regeneration benefits may be sustainable in the long term.

## Chapter summary

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As well as potentially enabling a local authority to meet the Decent Homes Standard (or its Scottish and Welsh equivalent), housing stock transfer can generate wider 'regeneration' benefits. Increasingly, government guidance has emphasised that authorities' transfer plans need to demonstrate how such benefits are to be maximised. The post-1998 shift towards urban areas has created greater opportunities for such spin-offs with the new organisations working in partnership with local authorities and others to achieve physical and socio-economic regeneration.

In terms of physical regeneration, most second generation transfer landlords (especially those operating in urban areas) could point to significant investment in 'environmental improvements', many of which would contribute to upgrading the public realm. Such contributions are likely to be greater than what has been possible for most Arms Length Management Organisations given that ALMO funding is officially limited to works directly connected with Decent Homes Standard compliance.

Beyond environmental works, many transfer HAs have also been involved in sometimes substantial programmes to demolish and replace transferred homes – activities which could be construed as contributing to area regeneration. In 2006/07, second generation transfer HAs in England demolished over 0.5 per cent of their total stock. Over the decade to 2006/07, transfer HAs as a whole cleared more than 22,000 homes. In the second half of this period, such demolitions were running at nearly three times the rate seen in the preceding five years. As a rule, levels of demolition and rebuilding have, in practice, exceeded those anticipated at transfer. In this sense, it could be said that these transfers are 'delivering added value' in relation to what was originally expected. In some cases – e.g. Glasgow and Sunderland – much of this activity was being undertaken in the context of major area renewal schemes planned in conjunction with respective city councils.

In addition to the evidence of the physical regeneration impacts of stock transfer, the research has also illustrated the breadth of transfer HA activity in supporting wider community regeneration. This shows the diversity of roles which housing associations often play (beyond that of social landlord), in neighbourhood management. At the same time, such activities designed to encourage social and community regeneration also often contribute to the effectiveness of the housing management role of housing associations.

Case study evidence demonstrates that some urban transfer HAs have been capturing some of the economic regeneration benefits (in terms of employment and training opportunities) of their investment for local people. Although it has not been part of our task to quantify this, it is clear that such benefits are accruing, either directly through the work of associations or via their partnerships and contractual arrangements with others. However, more needs to be done by associations to ensure that such benefits are more closely monitored and evaluated with a view to the longer-term sustainability of the neighbourhoods concerned.



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## Chapter Eight

# Transfer housing association staff perspectives

### Key findings

- On the whole, operational staff see transfer as a beneficial change, both in terms of service quality and their own working environment.
- Consistent with the 'management message', staff generally perceived transfer as having brought about a more tenant-focused service.
- Again largely confirming senior manager views, most staff focus group participants saw their organisations as having become less hierarchical and more inclusive than predecessor housing departments.
- Transfer HAs were generally seen as more business-like, less political and more sensitive to commercial considerations than former local authority employers.

## Background

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Chapters Five and Six looked at the impacts of transfer on organisational culture and housing management performance. Those chapters incorporate testimony from workforce representatives. In the main, however, they reflect senior manager views and the perspectives embedded in the official reports and publications produced by transfer landlords. So as to reduce the risk of portraying an exclusively 'top-down view of the world', the research also probed the views of transfer HA middle managers and front-line staff within a setting designed to encourage freedom of expression. This was achieved through focus group discussions held as part of every case study and usually involving six to eight staff selected semi-randomly and provided with assurances on confidentiality and anonymity (see also the summary of staff focus group methodology in Chapter One).

There is always a difficulty in seeking out and representing critical or 'non-conforming' views within an organisation. As outsiders to an establishment, researchers inevitably require managerial assistance in making contact with junior staff members. However, there is a danger that such assistance will consciously, or otherwise, favour the selection of trusted individuals. In order to address this concern it was originally envisaged that we would seek a full listing of staff members with job titles/grades and contact details. Focus group participants would be then be selected at random from those classified by the researchers as eligible (i.e. those at the front-line, with no managerial responsibility and those with managerial responsibility for front-line staff only). In practice, logistical issues meant that full implementation of this model proved

possible only in a few instances. More usually, senior managers selected focus group participants on our behalf, though with a clear understanding that: (a) participants should consist mainly of staff who had moved from the local authority to the new organisation at the time of transfer, and (b) there should be a 'random' element in the selection process, to provide participant perspectives genuinely representative of junior staff. In addition, focus group invitees were sometimes unable to attend due to sickness, absence or other priorities.

Each focus group lasted between one and one and a half hours and was structured around a topic guide which encompassed:

- the background to the transfer;
- housing management services;
- staff management and organisational culture;
- impacts on tenant satisfaction and the image of social housing.

## Evidence from previous research

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Earlier research (Pawson and Fancy, 2003) focusing on 'first generation' stock transfers examined transfer HA staff views on the significance of organisational culture (and its evolution), the shifting balance between social and business imperatives, staff empowerment and recruitment policies and practices. For example, as part of that study, staff were asked to consider a range of ten propositions loosely associated with 'good practice' in organisational management and were asked to what extent they held true before transfer, one year after transfer, and currently (which ranged from 2-11 years). In aggregate, these responses tended to show, over time, a progression towards a stronger agreement with each of the propositions (Pawson and Fancy, 2003, pp23-24). The study also showed evidence of enhanced staff empowerment within transfer organisations, a shift in the balance between 'business' and 'social' objectives (overwhelmingly in favour of the former), but more mixed views on the extent to which the new organisations had retained staff post-transfer and the impact of transfer on staff morale.

Other research has suggested that a loss of staff morale is common prior to transfer (Taylor, 2000), although Pollitt *et al.* (1998) found that morale increased for some staff when they moved across to a new landlord organisation. Research in Scotland has also found that transfer has been associated with continuity of employment, enhanced career opportunities, empowerment and diversity (Graham, 1999).

A more recent study focusing on transfer HA staff found that awareness of their organisation's overall financial position is often quite well-formed, even at lower levels of the hierarchy. This fact was exemplified by the finding that '*...[transfer HA staff have] a high degree of understanding of their employer's objectives, which 69% of staff at all levels say they understand [31% higher than the local authority norm, and*

16% higher than for the public sector]’ (Taper *et al.*, 2003, p2). According to the same study, the proportion of transfer HA staff reporting their employer as providing opportunities for staff to articulate ‘how they feel about how things affect them at work’, was 21 percentage points higher than the public sector norm, and 19 per cent higher than the comparable figure for local authority staff (Taper *et al.*, 2003).

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## Housing management practice

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### Overall approach

As might be expected, the consensus view among focus group participants in the majority of our case studies was that the quality and efficiency of housing management services had improved significantly in the period post-transfer. In a number of instances it was asserted that, under the council, housing management had been a more ‘ad hoc’ process with fewer systems in place.

In a number of organisations, those staff who had transferred under TUPE arrangements, expressed the view that the prevailing culture in the former local authority was unsympathetic to tenant preferences and concerns. Contact between staff and tenants was generally dominated by rejection of residents’ requests. There was little sense that accountability to tenants demanded that even where requests could not be met, a helpful explanation of the reasons was appropriate. Some staff reported that low levels of investment, and housing in a poor state of repair, had led some tenants to undertaking repairs and improvements themselves.

Thus, improving the quality of the housing management service (and particularly the repairs service) was a key focus for many of the new organisations. However, whilst this was the prevailing view within staff focus groups, it was not entirely uniform. Staff in one organisation, for example, argued that there had been a strong, professional approach to housing management on the part of the former local authority, and so improving service quality was, in this instance, not seen as such a major objective of transfer. Conversely, staff in another organisation argued that the new body had the finance to invest (whereas the former local authority did not), and whilst this enabled greater investment in repairs and maintenance it was difficult to compare the two organisations – ‘like apples and pears’.

As reported in Chapter Five, a consumerist ethic has been promoted in stock transfer organisations through a variety of methods. All the staff focus groups reported a much stronger customer-focus post-transfer, and in most instances it was believed that the majority of tenants were much more positive about the quality of landlord services than had been the case under the former local authority provider. In this, one group of focus group participants saw it as significant that the new organisation was prepared to pilot new customer-led initiatives at a local neighbourhood level, before rolling them out across the organisation. Staff also made the point that strengthening the customer-focus also contributed to local community cohesion.

### **Managing rent arrears**

On the management of rent arrears, case study HA staff views generally paralleled those of their senior manager colleagues in seeing policies as having become neither 'more firm' nor 'more relaxed' post-transfer. Similarly, what was often felt to have changed was the increased emphasis on early intervention, help with debt management and a generally more professional approach to the issue (though this is not to say that no such changes would have occurred in the absence of transfer). However, in a number of cases staff did report that, under the local authority, there had been a culture of non-payment of rent, and the poor quality of the housing service was sometimes used as an excuse for non-payment. By comparison with their transfer HA successors, some predecessor local authorities were also seen as unduly reluctant to take action to evict tenants in arrears.

However, effectiveness in this area of housing management seems to depend to a great extent on local relations with Housing Benefit staff. In a number of our focus groups such relations were seen as having been disrupted by transfer – when housing management and HB staff ceased to be employees of the same organisation. It was asserted that association staff had limited scope to remedy this situation. In some of the organisations, however, staff training in HB verification had helped to give a greater degree of control.

### **Dealing with anti-social behaviour**

As noted in Chapter Two, more concerted approaches to tackling anti-social behaviour (ASB) had featured prominently in some transfer prospectus documents. While such commitments had been implemented, staff believed that ASB had nevertheless become a more serious problem over the past few years (in some instances linked to rising levels of drug misuse). As staff saw it, transfer organisations have tended to respond more firmly to ASB than had been true of the former housing department (e.g. less reluctant to use police to provide evidence in drugs cases to get possession/closure orders). At the same time, however, many pointed to the 'constructive interventions' (e.g. 'diversionary activities' for young people), which had also been developed to address this issue. A number of these were highlighted in the social, economic and community regeneration section of the previous chapter.

### **Efficiency of housing services**

While improving service quality had dominated post-transfer thinking in most of our case study organisations, many staff believed that changes had been implemented within an 'efficiency conscious ethos'. Across the organisations there was a general acknowledgement that – rather than being simply a managerial aspiration – delivering the housing service in a business-like way permeated down through staffing structures. In many instances, delegation of budgets to operational managers had contributed to greater efficiency, and whilst this had placed greater demands on staff, it had also contributed to a sense of greater empowerment.

In some organisations, staff saw the need to make efficiency savings as being driven largely by external pressures (e.g. government expectations to harmonise rents, moves towards collaborative procurement to deliver cost savings, reports from the Audit Commission etc.). However, some participants believed that efficiency savings were being driven internally with the development of new sets of policies and procedures post-transfer designed to encourage both improved efficiency and value for money. In many of the focus groups, staff also identified investment in information technology as helping to improve consistency of approach as well as efficient operation.

Several focus groups acknowledged tensions between the moves towards a more business-like ethos, on the one hand, and the priority placed by many tenants on 'locally accessible services', on the other. In addition, although most staff saw their working environment as excellent (and much better than their former local authority accommodation), in a few instances, there were concerns that changes in working practices, designed to achieve efficiency savings, could increase the pressures on staff (and perhaps risks).

## **Staff management and organisational culture**

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### **More hierarchical or more egalitarian?**

Some staff focus groups saw post-transfer, organisational structures as having become flatter, though in a number of instances the numbers of managers had grown in parallel with overall organisational expansion. There was also a view that flatter structures and greater delegation had led to speedier decision-making than had been the case under council management. In general, it was believed that staff were more valued than they had been when employed by the (former) local authority, that senior managers were more approachable (and more in touch with front-line issues), and that the new organisations felt much less bureaucratic than their council predecessors.

Reflecting the findings of the Taper *et al.* (2003) research, most focus group participants saw their organisations as significantly more cohesive and less fractured than their council housing department predecessors. However, in a small minority of instances a sense of 'them and us' (management versus staff, headquarters versus local offices), reportedly remained significant. In one organisation in particular, a sense of 'them and us' was reported as not only remaining evident, but to have become significantly sharper since transfer and this was associated with a prevailing view that (again unlike all other case study landlords), the transfer HA in question had become more secretive and more 'political' than the former city council housing department. Similarly, the consensus views of staff in this organisation included the assertions that the transfer HA took less account of staff views than the former housing department, and that former council staff were less valued than had been true in the pre-transfer housing department. In interpreting these views it is perhaps worth bearing in mind that those concerned also contended (quite inaccurately), that post-transfer pay rates had fallen relative to those of council employees. Accurate or not, however, such

negative views about the transfer HA show that much in this particular garden remains far from rosy.

The evidence from most of our focus groups, however, was that post-transfer structures felt more egalitarian, and that by comparison with the situation under council control, staff were more liable to be asked their opinions (and listened to) by senior management, as well as being more encouraged to think more creatively and 'outside of the box'. In a number of transfer organisations, staff reported being called on to suggest organisational and policy changes, and, where these were implemented, to be rewarded for innovative thinking.

### **Generic v specialised working**

As reported in Chapter Six, across the case studies there had been a general move, post-transfer, away from generic working to increased functional specialisation, albeit sometimes following an initial period where a largely generic model had been retained. In some cases, staff reported an initial adverse reaction to moving towards more specialist working, expressing concerns about de-skilling, as well as wider worries about the challenge of accommodating such a large body of changes in working practices.

Some participants recognised that moves to more specialised working had been reinforced by evidence of improved management performance and, over time, people moving into functional tasks for which they were perceived as best suited. Similarly, such changes in working practices may reflect the changing nature of the 'housing manager' role post-transfer, particularly in terms of engagement with community regeneration (see Chapter Seven). This may have made it more difficult, under a model of generic working, to ensure that 'core housing management activities' (e.g. rent collections, arrears control, lettings etc.) were given sufficient attention.

In some cases, staff reported that moves towards a more centralised specialist service (e.g. in relation to lettings), had been a bone of contention with neighbourhood housing officers, who had (at least initially) seen such moves as removing their influence over the appropriateness (or otherwise) of new tenants for individual properties. It was also asserted in one case study organisation that such a move was unpopular with tenants, since it gave the impression that housing management staff on the front-line, who might be expected to have a greater degree of local knowledge, might be unable to prevent inappropriate or insensitive lettings decisions.

### **Better trained, more professional?**

Backing up the managerial view, the consensus in almost all the staff focus groups was that training and qualifications had been given much greater priority than under the former local authority. The general picture was that training opportunities at all levels had been much enhanced. Whereas a number of staff reported that such opportunities had previously been prioritised on a 'first come, first served' basis,

the post-transfer ethos tended to include more formalised assessment of training needs (through staff appraisals etc.) and planning of training provision. Increased budgets meant that in many organisations there was a presumption that all reasonable requests for training would be met (contributing to a view that staff were valued by their organisations – and not just tiny cogs in a large machine).

Again, however, staff views in one case study HA differed here with an apparent local consensus belief that training opportunities had changed little since the transfer, although by comparison with the former council landlord the new HA was believed to prioritise ‘business-related’ training over ‘housing-related’ learning. In terms of more formal qualifications, this transfer organisation was seen as less progressive than the former local authority.

Notwithstanding growing functional specialisation (see above), participants in a number of focus groups reported that the nature of housing management work had become more diverse than prior to transfer. As a result, there were perceptions of wider career development opportunities. However, it was also noted that the nature of the working environment post-transfer could be more pressurised, competitive and target driven. It was recognised that such an environment didn’t suit some people (and not just some of those who had transferred from the former local authority).

### **Improved morale and job satisfaction?**

The evidence from our case studies suggests that in a number of the former housing departments morale and job satisfaction were low in the immediate run-up to transfer. Once the decision to transfer had been confirmed, then, in some instances, expenditure was cut and staff ‘disowned’, by the local authority.

However, morale in most post-transfer organisations was reported to have been generally good (although criticisms of the new organisations in the media have often been keenly felt). This links with the tendency in most transfer HAs for strong staff identification with the new employer and a degree of pride in what is being achieved. Although a sense of ‘them and us’ amongst some staff has not entirely disappeared, such tensions seem generally less prevalent than in the former local authorities pre-transfer. As a rule, the transfer organisations in this study seem to have been unified behind a common purpose. In some of the case study organisations there was evidence of a degree of separation between office-based staff and those responsible for the delivery of repairs and maintenance. Even so, there was a common view that in the main those delivering front-line services to tenants recognised the need to provide a more flexible, responsive, customer-oriented service.

Perspectives on job satisfaction and career prospects amongst staff were more mixed. In some cases, it was clear that job satisfaction had been improved, partly due to greater resources making it possible to respond positively to tenants’ requests. In addition, the broader nature of the housing management task (and its links to neighbourhood regeneration), as well as different management styles, which were

generally seen as positive and empowering, have had positive impacts on employee satisfaction. However, while many welcomed the diversity, it was also clear that some staff had found changes in working practices, and perhaps particularly the pace of change, both stressful and threatening.

Views on career prospects within transfer organisations were also varied. Some focus group participants saw the prospects of organisational growth and development as presenting opportunities to gain broader experience and to progress to managerial positions. Others (particularly front-line staff), however, were more negative, and some believed that there was a systemic bias in recruitment procedures against internal candidates. In some case studies, staff who had transferred from the council believed that housing had previously (under the council), been seen as a 'dumping ground' for staff (from other departments), rather than a positive career path. An alternative view from staff, in one of the other case study organisations, was that working for the council had represented a 'job for life' and that the new organisation seemed to rely much more on the recruitment of temporary staff, which contributed to a lack of security and stability within the new organisation.

Notwithstanding their largely positive account of their post-transfer experiences, staff in two organisations expressed some anxieties about the future in terms of the possible impacts of organisational restructuring following on from the completion of transfer promises. Such concerns stemmed from a recognition that, at this juncture, senior managers were likely to see a need to consider potentially radical options for the way ahead. For example, there were worries about diluting what was believed a successful 'brand' by allying with currently separate organisations or reducing the association's autonomy through changes in existing relationships with linked bodies.

## Chapter summary

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Inevitably, the staff focus groups evoked a range of perspectives on the effects of transfer on housing management services and on the culture of the new organisations. Interpretations varied, to some extent, across organisations and, to a lesser degree, within organisations. On the whole, however, staff saw transfer as having generated mainly positive impacts under both these headings. In only one instance was the overall message more problematic.

Housing management services post-transfer were generally seen as more efficient, consumer-oriented and customer-friendly. A number of participants argued that under former local authority management there had been a lack of concern for tenants' requirements. As a rule, post-transfer changes were seen as empowering staff although, at the same time, new ways of working sometimes presented challenging demands. For a small number of transferred staff, these had led to departures. On rent arrears, management staff generally felt that new landlord organisations were neither 'firmer' nor 'more relaxed' in their approaches, but that greater emphasis was

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placed on preventative measures and early interventions. Similarly, in relation to 'more active housing management', most believed that the new landlord had adopted a more concerted approach to tackling ASB than its predecessor local authority.

Overwhelmingly, staff who had worked for the former council housing department saw the new organisations as less hierarchical, more egalitarian and more inclusive. At the same time, transfer HAs were perceived as more business-like, less political and more sensitive to commercial considerations. While most staff seemed to view these changes as broadly positive, some clearly found certain changes (and the overall pace of change), difficult. Staff also perceived a much stronger managerial ethos within most of the case study organisations. Testimony confirmed the general shift away from generic working towards greater functional specialisation.

In general, staff morale was reportedly low in former housing departments prior to transfer. On the whole, morale was considered significantly higher within the transfer HA, with most staff identifying with the new body and taking a degree of pride in its achievements. Perspectives on job satisfaction and career prospects were more mixed. In the latter case, some staff saw the new organisations as offering prospects for broadening experience and progressing to managerial positions. Others (particularly front-line staff) were more negative, seeing a greater emphasis being given to recruitment from outside of the new organisations.



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## Chapter Nine

# Conclusions

### **Qualifying our findings**

The purpose of this research was to investigate the consequences of housing stock transfer and the evolution of transfer landlords – particularly those established 1998-2004. It is, nevertheless, recognised that some of the changes over time reported here may reflect wider trends characteristic of social housing, as a whole. Such changes are not, therefore, genuinely a ‘consequence of transfer’. Only via a much wider study encompassing other forms of social landlord (councils retaining ownership and management, Arms Length Management Organisations, traditional HAs), could definitive judgements be made as to whether innovations and developments identified in this research have been unique to transfer HAs. This is probably true of some housing management practices (e.g. increased functional specialisation, more consumerist mechanisms). To some extent, therefore, our findings may be painting a picture of changes affecting social housing, more broadly, during the past decade.

It is, however, clear from case study evidence that transfer has often – at the very least – acted as a key stimulus for change, meaning that reforms have been introduced earlier than would otherwise have happened. And, despite the limited scope of our fieldwork, it is clear that the shift from local authority to housing association status has resulted in some fairly fundamental cultural changes incompatible with the council housing model and which would not, therefore, have been seen in the absence of transfer. For example, while the terminology of ‘business planning’ has undoubtedly entered the local authority lexicon, the status of business plan assumptions as a backdrop to managerial decision-making is undoubtedly far higher in transfer HAs than in stock-retaining councils. We believe that few of the other ‘cultural change’ developments detailed in Chapter Five will have been seen to any great extent in councils which have continued to operate as landlords on the traditional model. The degree to which such changes will have occurred in Arms Length Management Organisations is a more open question.

### **Impacts on property condition**

By and large, second generation stock transfers presented substantially greater challenges than transfers carried through before 1998. They included many urban areas with housing stock in poorer condition and neighbourhoods with more entrenched problems than in earlier transfers. Nevertheless, set against their own objectives, second generation transfers appear to have been generally no less successful than the initial wave. Transfer promises have been far more frequently outperformed than undershot.

In the central task of upgrading dwellings, second generation transfer housing associations have, as a rule, implemented works to standards above – and, in many cases, significantly above – those required under the Decent Homes Standard and its celtic cousins. This seems likely to mean that the upgrade achieved via these transfers may be markedly more extensive than what will have been achieved by Arms Length Management Organisations (ALMOs), whose access to additional funding is theoretically restricted to building-specific works, with only very limited allowance made for investment in the immediate surroundings of the dwellings and blocks concerned.

### **Regeneration and sustainability**

Outperformance of original transfer expectations seems to have been most marked in relation to regeneration. One measure of this is the extent to which – in many instances – demolition and replacement of substandard housing has turned out to be significantly more extensive than initially anticipated. But it is in the area of community regeneration where second generation transfer HA activity has exceeded expectations to the greatest extent. From the start, many landlords have been keenly aware of the deeply ingrained social and economic problems of some inherited estates. And, while pre-transfer planning has typically been dominated by property investment concerns, it has often been only a short time after commencing renovation programmes that many landlords have shifted their attention to considerations of longer-term sustainability. This, in turn, has triggered a realisation that investing in social and economic renewal of formerly deprived communities is likely to be an essential act of self-interest for the landlord itself.

Consequently, while transfer HAs are set up with an initial remit strongly focused on property investment, many have quickly widened their sphere of activity to encompass community engagement and investment initiatives way beyond the undertakings set out in the typical transfer prospectus.

Nevertheless, although many have been subject to ‘Decent Homes plus’ physical investment and significant community regeneration, concerns about longer-term sustainability of transferred estates cannot be easily dismissed. Earlier research focusing on Estates Renewal Challenge Fund (ERCF) projects – a subset of second generation transfers – cited practitioner concerns about longer-term sustainability (Pawson *et al.*, 2005). Part of the concern here was about maintaining relatively costly intensive housing management when major investment programmes were wound down and the scope for capitalising salary costs was thus reduced. Equally, anxieties arose from the fact that the rather exclusive focus on property investment in the pre-transfer planning phase meant that many ERCF HA business plans made only very limited provision for investing in community development and environmental improvements, both of which were seen as being key to estates’ long-term future. The report also noted that most ERCF schemes had concentrated rather exclusively on renovating existing properties, rather than considering whether longer-term

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sustainability of densely built estates overwhelmingly dominated by social housing, demanded significant remodelling and tenure diversification.

Worries of the kind discussed above were a concern among some managers in case study transfer HAs covered in this research (which included only one ERCF landlord), although such anxieties were much less to the fore. This may reflect the fact that most of the case study associations – being larger and with housing portfolios more diverse than those inherited by ERCF landlords – see their business plans as affording them greater flexibility. Nevertheless, the perception among half of the second generation cohort that their transfer business plan was ‘underfunded’ should give pause for thought.

### **Transfer impacts: the Glasgow case**

Returning to the issue of ‘transfer success’ the report has highlighted some of the respects in which the Glasgow project stands apart from all others. Not only was this an undertaking hugely greater in scale than counterpart transfers, but its objectives were much more challenging. The crucial point, however, is that its objectives were misunderstood, right from the start. As we have demonstrated, it was recognised at this stage by insiders that the package was not funded to achieve all of the aspirations as articulated for it by the relevant political actors. And, although this was reflected by the carefully qualified wording of the official transfer prospectus, the message of an unconditional commitment to Second Stage Transfers (SSTs) had already been received, loud and clear, by local activists and other key players. Ever since the implications of the precise prospectus phraseology started to be spelled out in 2003/04 the transfer HA has been mired in accusations of betrayal and failure.

It would hardly be surprising if there were some underlying reluctance from an organisation to abolish itself. However, as established through the intensive regulatory inspection of 2007, there has been no lack of effort on the part of GHA management to progress SSTs (Communities Scotland, 2007, p6). As the inspection report also confirmed, the financial basis on which GHA was established contained grossly insufficient provision for the costs of its break-up. Nevertheless, the organisation has been largely successful in delivering what it was, in fact, funded to do – that is, deliver a complex and far reaching investment programme. In the organisation’s first five years this has been achieved under budget and generally on – or ahead of – time. Both in aspects of the investment programme, and in the realm of community regeneration, significant added value has been delivered. At the same time, as illustrated by evidence recounted in Chapters Four and Five, the association has achieved a considerable transformation in creating an organisation far more inclusive and tenant-influenced than its housing department predecessor.

Notwithstanding the organisation’s record, the media has in general continued to feed a public perception that the GHA project has ‘failed’. However, while the organisation has clearly fallen short of some of its targets (e.g. on improved housing management efficiency), such a judgement must be challenged as one-sided, misleading and unfair.

## **The significance of cultural change**

In many respects, the findings of this research are in line with those of earlier stock transfer studies (National Audit Office, 2003; Pawson and Fancy, 2003). Like their first generation counterparts, post-1997 transfer HAs have generally succeeded in delivering promised investment programmes, have overcome any initial dysfunctional operation of governing bodies and have embedded an asset-management culture. In doing so, it is probably fair to see at least some of them as replacing an ethos where tenant welfare was a primary motivation, with one where related objectives are more balanced with those of long-term property husbandry. Whilst undoubtedly more commercial in orientation, transfer HAs could justifiably argue that in placing a higher priority on making best use of resources they are ultimately benefiting existing and future tenants.

Where second generation transfers – at least those involving urban areas – have tended to be different from their first generation counterparts, has been in relation to the importance of regeneration (as already discussed above), and in the priority accorded to cultural transformation of landlord bodies. Such change was an important impact of many first generation transfers (Pawson and Fancy, 2003). In that context, however, such change often came about in a largely incremental and unplanned way. Second generation transfers were different in that overhauling the organisation's central ethos and ways of working were much more often seen as a central priority right from the start.

It is a strong finding of this research that staff focus groups generally confirmed the picture painted by senior management of organisations which have become more cohesive, open, inclusive and customer-focused than their housing department predecessors.

The extent to which such cultural changes have permeated to the front-line is also indicated from the fact that Audit Commission inspection results show urban second generation transfer HAs as substantially outperforming traditional associations (see Chapter Six).

## **Social landlord vehicles and their future evolution**

As the study confirms (see Chapters One and Four), many transfer HAs have engaged in substantial organisational restructuring – often initially triggered by the prospect of completing initial stock renovation programmes. Some associations initially set up as independent entities have subsequently joined larger groups led by traditional HAs and a few have ceased to exist as identifiable bodies by fully merging with existing landlords.

As yet, however, the process of integration remains at an early stage. With the vast majority of associations set up as transfer landlords continuing to exist as separate entities, it remains valid to speak of 'transfer HAs' and their 'traditional' counterparts.

In the medium and longer term, however, it seems likely that this distinction will gradually become less meaningful. As some transfer HAs morph into more diversified businesses or submerge themselves within larger landlord bodies, the challenge will be to retain and build on the dynamism, the sense of purpose, and the commitment to wider community renewal established in their early years.



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