

The impacts of housing stock transfer

Bob Smith of Cardiff University and Hal Pawson of Heriot-Watt University provide a taster of their recently published research and place it in the Welsh context.

Introduction

As is well known in the housing sector, all local authority and publicly-funded housing association properties in Wales must be on track to meet the Welsh Housing Quality Standard by 2012. Although in England the pace of transfer has slowed right down (though by 2008 almost half of English local authorities had transferred all of their housing stock), and Scotland too has seen a rise and fall in transfer activity, (and here a quarter of local authorities are no longer social landlords), in Wales transfer activity has quickened and looks set to continue.

At the same time, the consultation

tenants elsewhere in Wales have voted in favour of transfer, and other councils are expected to ballot their tenants over the coming months. So what can we learn about the impacts of some of the transfers which have taken place across Britain in the period since 1997, particularly those which have occurred in more urban locations where the challenges of poor condition and relative socio-economic disadvantage have often been most significant?

In recent research funded by the Joseph Rowntree Foundation, and undertaken with colleagues at Heriot-Watt and Cardiff Universities, we have been able to

Promises on improved housing management, though also commonly stated, were usually of a lower order.

In their own estimation, transfer RSLs 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 outnumbered those undertakings undelivered or held up.

Our study suggests transfer organisations 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 RSLs have generated procurement and other efficiency savings which have been ploughed into enhanced modernisation specification or originally unplanned works (eg on environmental improvements).

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draft new national housing strategy for Wales, **Sustainable Homes**, makes it clear that tackling the problem of poor housing conditions in Wales is not only critical to people's well-being, but that this can be a catalyst for wider social, economic and community regeneration and for empowering local residents. The new draft strategy also highlights the challenge of seeking to provide continuously improving, high quality housing services. Last year's Essex Review identified many similar concerns, as well as the need for effective governance and regulation in the registered social landlord (RSL) sector in Wales – a sector growing not only through the development activity of traditional RSLs, but also as a result of housing stock transfer. Since 2003, seven Welsh local authorities have transferred their entire council housing stock to newly created RSLs. Local authority

investigate the impacts of housing stock transfers in different parts of Britain since 1997. Focusing primarily upon 10 case study transfers which took place between 1998 and 2004 (including the one Welsh large-scale transfer in this period – Bridgend Council to Valleys to Coast) the study examined the nature of 'transfer promises', the extent to which these have been delivered, the impact of transfer on organisational culture, governance and service delivery and the contribution of transfer to wider regeneration. Some of the key findings are set out below.

Transfer promises and investment delivery

As a rule, the ballot pledges of these 'second generation' transfer RSLs were dominated by commitments to channel fresh investment into housing repair and modernisation.

Evolution of transfer business plans

The economic and housing market context for second generation stock transfers had mixed implications for the newly created organisations concerned. Although many transfer associations set up pre-2004 benefited from falling interest rates via refinancing, the period covered by our study was also characterised by rapidly rising construction tender prices.

Two thirds of urban transfer RSLs in this period considered their original business plans to have been 'under-funded', compared to 36% of second generation RSLs working in non-urban environments. Typically, this was attributed to defective stock condition surveys.

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

The tendency for transfers to be made to newly established RSLs on the 'local housing company' model remained largely intact during this period. However, transfer organisations often consider wider constitutional changes towards the end of the (typically five-year) 'promises period'. As transfer organisations mature further they are likely to become increasingly attractive as partners in group structures or mergers. Similarly, internal restructuring is resulting in some original transfer landlords becoming subsidiary bodies within larger groups.

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 RSL tenants see their landlords as particularly open to resident influence.

Organisational culture and management

Post-1997 urban transfer landlords typically recognised the overhaul of organisational culture as a high priority objective right from the start. 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 has tended to play a much more significant rôle in transfer RSLs than in local authority housing departments.

Together with enhancement of tenant influence on organisational governance, a critical culture change aspiration for many transfer RSL senior managers has been to develop a more customer-focused ethos. On the whole, transfer RSL staff involved in our research saw the new model of provision as having impacted positively on both services to customers and on their own working environment.



Housing management

There is statistical evidence of strong performance improvement on the part of second generation transfer RSLs. Audit Commission inspection scores highlight post-1997 urban transfer landlords in England as typically among the highest performing organisations in the entire sector. In analysing their reforms of day-to-day service delivery, second generation transfer RSLs themselves tended 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 (eg designated rent arrears staff) and a 'more active' style of housing management.

Regeneration impacts

As well as enabling a local authority to meet official standards on stock condition and facilities, our research suggests transfer can generate wider regeneration benefits. In terms of physical regeneration, most second generation transfer RSLs (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. 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 RSLs

than had been originally anticipated. There is also evidence of transfer organisations using regeneration activities to capture wider economic benefits (training, apprenticeships, local employment and procurement etc). However, more needs to be done to systematically record and monitor these impacts.

Conclusions

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

In the medium and longer term, it seems likely that the distinction between transfer RSLs and traditional RSLs will become less meaningful. As some transfer organisations morph into more diversified social businesses or submerge themselves within larger landlord bodies, the challenge will be to retain and build upon the dynamism and sense of purpose established in the early post-set-up phase. Of course, in Wales the new transfer organisations are already amongst the largest social housing organisations.

The full report, *The Impacts of Housing Stock Transfers in Urban Britain*, is published for the Joseph Rowntree Foundation by the Chartered Institute of Housing and is available online at www.jrf.org.uk/publications/impacts-housing-stock-transfers-urban-britain