The impacts of housing stock transfers in urban Britain

Findings
Informing change

February 2009

The transfer of council estates into housing association (HA) ownership has transformed the structure of social housing provision across Britain; in half of English local authorities council housing is a thing of the past. From 1997, stock transfer extended beyond rural shire districts, with urban estates accounting for the majority of properties being handed to new social landlords. This study focuses on the impacts of these 'second generation' transfers.

Key points

- 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 by transfer HAs have greatly outnumbered pledges delayed or unmet.
- Second generation transfer HAs have typically implemented housing stock upgrades to standards appreciably higher than those officially prescribed (e.g. in the Decent Homes Standard).
- Second generation transfers have stimulated tenants' involvement in organisational decision-making, at both collective and individual level.
- Transfer HAs have realised aspirations to 'transform organisational culture', especially in the emergence of a less hierarchical, more inclusive and more customer-focused corporate ethos than existed in former council housing departments.
- Most 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. Most have developed community facilities and contributed to community services beyond housing management.

The research
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Background

Over the two decades 1988-2008, the transfer of council estates into housing association (HA) ownership has transformed the structure of social housing provision across Britain. With more than 1.3 million council homes transferred into HA ownership in that period, housing associations stand poised to become the majority social housing provider at the national level. By 2008, council housing was a thing of the past in half of all English local authority areas.

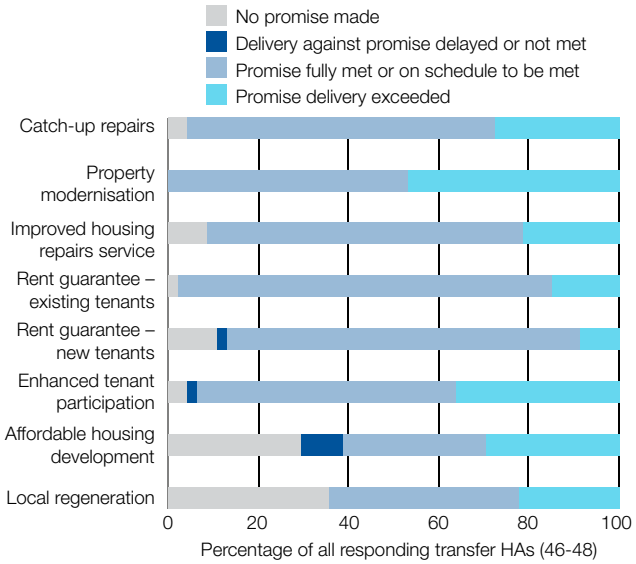
The decade from 1997 saw stock transfer extend beyond relatively affluent rural shire districts, with urban estates – many highly deprived – accounting for the majority of properties concerned. Most such transfers aimed to address dilapidated property condition, halt neighbourhood decline, and sometimes remedy a legacy of mediocre housing management. Virtually all HAs assuming ownership of former council stock have been newly created social landlords initially staffed largely by former council employees. For these new landlords, the circumstances of post-1997 transfers presented greater challenges than for most of their earlier counterparts, and in contrast to earlier transfers many required explicit public funding.

This study has termed these post-1997 transactions 'second generation' transfers. Using secondary data analysis, a national survey of transfer promises and case studies of ten transfer HAs, it investigated the impacts of the transfer process, focusing on these second generation transactions.

Transfer promises and delivery of investment

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

Figure 1: Second generation stock transfers: delivery of transfer promises



Source: Postal Survey

In their own estimation, transfer HAs have been highly successful in meeting their ballot commitments, especially on catch-up repairs and modernisation (see Figure 1). For transfer promises across the board, instances of commitments being reportedly exceeded greatly outnumber those undelivered or held up.

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

Evolution of transfer business plans

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 before 2004 benefited from falling interest rates through refinancing, the period covered by this study was also characterised by rapidly rising construction tender prices. In the decade to 2006,

the tender price index for rehabilitation 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 with 36 per cent of second generation HAs involved in non-urban transfers. Typically, this was attributed to defective stock condition surveys. Exceptionally, Glasgow HA's 'underfunding' related to new-build development and, particularly, to the costs of second-stage transfers.

In reshaping business plans to accommodate higher than expected costs and/or income below that planned, the most commonly used approaches have been to sell assets and economise on staffing costs. A few landlords have resorted to reducing works specifications.

Governance and empowerment of tenants

The tendency to make transfers to newly established HAs, using a 'local housing company' model, continued during the second generation phase of the transfer programme. However, these HAs often considered wider constitutional changes towards the end of their 'transfer promises period' (typically five years). Innovations introduced at this stage might be inspired by aspirations to 'diversify the business'. Similarly, internal restructuring as 'promises periods' expire is resulting in some of these transfer landlords becoming subsidiary bodies within larger groups.

Transfer has provided a substantial stimulus to tenants' involvement, collectively and individually. The range of mechanisms developed by second generation transfer landlords to facilitate residents' influence on organisational governance and decision-making has been substantially wider than that existing prior to transfer. Likewise, the priority accorded to tenants' views has been significantly greater. 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 residents' influence.

Organisational culture and management

Unlike first generation transfer HAs in market towns, suburban and rural areas, post-1997 transfer landlords in urban settings recognised the overhaul of organisational culture as a high priority objective from the start. Key aspirations included securing widespread staff commitment to HA goals, developing a more responsible and motivated workforce, and promoting a more business-aware, customer-focused ethos.

Junior staff generally confirmed that senior managers were more visible, accessible and approachable in second generation transfer HAs than in corresponding pre-transfer housing departments. Most of the new organisations have striven for a more inclusive, bottom-up culture that prioritises workforce consultation and encourages creativity by individual staff members. Inspiring managerial leadership tends to play a much more significant role in transfer HAs than in local authority housing departments.

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

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

Housing management

Statistical evidence shows strong performance improvement by second generation transfer HAs. Audit Commission inspection scores have highlighted post-1997 urban transfer landlords as among the highest-performing organisations in the sector. Among associations assessed by the Commission in the four years to 2007/08, 54 per cent were classed 'good or excellent'. Only 31 per cent of 'traditional' associations were similarly judged. In analysing their reforms of day-to-day service delivery, transfer HAs tended to highlight four key themes: a more customer-focused approach, a growing interest in neighbourhood management, a trend towards greater functional specialisation (e.g. designated rent arrears staff), and a 'more active' style of management.

Given the view that stock transfer represents a form of privatisation, the new landlords might be expected to adopt a 'hard-nosed' approach to housing management. This study confirms that transfer HAs have become more business-like and in some areas (e.g. dealing with antisocial behaviour and rent arrears) many have taken a 'firmer' stance than their local authority predecessors. Nevertheless, statistical evidence demonstrates that transfer HAs are, in fact, less likely to evict their tenants than local authorities or traditional housing associations.

Regeneration impacts

As well as enabling local authorities to meet official standards on stock condition and facilities, transfer can generate wider regeneration benefits. Increasingly, government guidance has required authorities' transfer plans to demonstrate how such benefits will be maximised. In terms of physical regeneration, most second generation transfer HAs (especially those in urban areas) cited significant investment in environmental improvements. Many have been involved in substantial programmes to demolish and replace transferred homes, also contributing to regeneration of the area. Actual levels of demolition and rebuilding have generally exceeded those anticipated at transfer. Hence these transfers could be said to be 'delivering added value'.

One of the strongest recurring themes in the research was the substantially greater levels of 'community regeneration' activity recorded by transfer HAs than originally anticipated. Many new HAs have become heavily involved in projects to promote education, employment and community development. After transfer they rapidly realised that their social purpose and commercial self-interest demanded active efforts to promote the social and economic renewal of their neighbourhoods.

Conclusion

In their own terms, second generation transfer HAs have mainly recorded strong successes in their first few years of operation. One key unanticipated outcome has been the extent of their involvement in community regeneration.

With most associations set up as transfer landlords continuing to exist as entities, it remains valid to speak of 'transfer HAs' and their 'traditional' counterparts. Over the medium and longer term, however, this distinction is likely to become less meaningful. As they mature further, some transfer HAs will morph into more diversified businesses or become absorbed within larger bodies, as they are likely to become increasingly attractive as partners in group structures or mergers. The challenge will be to retain and build on the dynamism and sense of purpose established in the initial phase after set-up. Both scenarios are also liable to result in diminished tenant representation at corporate level, though not necessarily a weakening of residents' influence on landlords' activities.

About the project

The research comprised an analysis of secondary data, a national survey of transfer promises and delivery, and case study work on ten transfer HAs. The bulk of the fieldwork was undertaken in England, but also included Scotland and Wales.

For more information

The full report, **The impacts of housing stock transfers in urban Britain** by Hal Pawson, Emma Davidson, James Morgan, Robert Smith and Rebecca Edwards, is published for the Joseph Rowntree Foundation by the Chartered Institute of Housing (ISBN 978 1 905018 72 7, price £19.00). It is available from the Chartered Institute of Housing, Octavia House, Westwood Way, Coventry CV4 8JP, tel: 024 7685 1700, email: pubs@cih.org. (Please add £3 p&p.) You can also download this report free from www.jrf.org.uk.

Further details of the authors' related research on stock transfer and urban regeneration can be found at www.sbe.hw.ac.uk/staffprofiles/P/HalPawson.htm and www.cardiff.ac.uk/cplan/contactsandpeople/stafflist/s-z/smith-bob-dr-overview.html

Published by the Joseph Rowntree Foundation, The Homestead, 40 Water End, York YO30 6WP. This project is part of the JRF's research and development programme. These findings, however, are those of the authors and not necessarily those of the Foundation. ISSN 0958-3084