Reviewing Stock Transfer

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Stock Transfer: Headline Impacts

• 1 million homes transferred
• Council housing eliminated from one third of English LAs
• £7 bn private investment levered into repairs and improvements to former council homes
• Ratio of LA:HA housing down from 13:1 in 1986 to 2:1 in 2003
• Transfer HAs poised to overtake traditional HA stockholdings
Questions addressed by this paper

• What is the scale and pattern of transfer?
• Is the process being eclipsed by the lure of the ALMO option or by transfer ballot defeats?
• How has the policy evolved?
• Where does transfer fit within wider New Labour thinking on social policy reform?
• What is the impact of the policy in terms of
  – the nature of the social housing sector
  – housing staff
  – housing services
The Evolving Pattern of Transfers in England

- Initial transfer cohort overwhelmingly southern suburban/rural
- Transfers in northern cities and industrial areas took off after 1997
- Southern suburban/rural transfers continuing at rate similar to early 1990s
- Inner London transfers significant only in 1998/99
Types of Transfer

- Partial transfers have accounted for around a tenth of total disposals.
- Some similarities with Scottish Homes transfer programme.
- Whole stock transfers have denuded around 120 LAs (3 in Scotland, 1 in Wales) of council housing.
- Raises important issues as to post-transfer LA housing role.

Figure 2 - Stock transfers in Britain 1988-2003 by Transfer Type

- LA partial stock transfers
- Scottish Homes transfers
- Scottish New Town transfers
- LA whole stock transfers

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Recipient Landlords

- Freestanding HAs have been preferred in all contexts - seen by LAs and tenants as preserving local accountability
- Existing HAs only involved in significant way in small partial and ex-Scottish Homes transfers

Figure 3 - Stock transfers 1988-2003 by recipient HA type

- Freestanding HAs have been preferred in all contexts - seen by LAs and tenants as preserving local accountability
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Percentage of stock transferred (numerals represent stock numbers (000s))

- New freestanding HA
- New subsidiary HA
- Existing HA

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Transfer falling from favour?

- Increasingly high profile anti-transfer campaigns and flagship ballot defeats in recent years
- But perception that tenants are increasingly rejecting transfers not borne out
- Partial transfer proposals more often approved
- ALMO option generating enormous interest among LAs as transfer alternative but...
  - many LAs won’t make the grade on performance – nearly half have little chance on this criterion
  - how far will Gordon Brown’s largesse stretch?
  - not clear that tenants any less sceptical about ALMOs than transfer

Figure 4 - LSVT Transfer Ballot Outcomes in England, 1988-2003

<table>
<thead>
<tr>
<th>Year</th>
<th>No votes</th>
<th>Yes votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-91</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>1992-95</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>1996-98</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>1999-00</td>
<td>85%</td>
<td>15%</td>
</tr>
<tr>
<td>2001-03</td>
<td>83%</td>
<td>17%</td>
</tr>
</tbody>
</table>
Evolution of Transfer Policy (England)

- **1988-92** – ‘bottom-up’ dynamic
  - creative use of existing legislation to protect social housing/exploit equity value
  - influence of ‘management buyout’ model
- **1993-99** – increased central control
  - annual programme
  - transfer levy
- **Post-2000** – centrally-driven programme
  - explicit annual transfer target
  - transfer an integral element of Decent Homes strategy
- **Central government shaping transfer process and outcomes through:**
  - conditions attached to granting ministerial consent for transfer
  - registration requirements for newly-created landlords as implemented by HA regulatory bodies

[after Malpass and Mullins (2002)]
Transfer in the context of wider social reforms

• Part of the ‘choice’ or consumerist agenda?
  – Yes, because tenants have a vote and (perhaps) get consulted in option appraisal and/or selection of potential recipient landlord
  – No, because transfer proposals rarely inspired by tenants
  – No, because choice at ballot is highly constrained

• Effectively ‘privatisation’?
  – Yes, because shifts former state housing into ‘commercial sector’
  – No, because transfer landlords make no profits and because lender returns are not proportional to organisational performance
  – No, because stringent regulatory requirements prevent transfer landlords from replacing welfare-oriented with business-driven policies
Tougher Housing Managers?

Figure 5 - Eviction Rates in England by Social Landlord Type

- Traditional HAs, 2002/03: 0.56
- Local authorities, 2001/02: 0.54
- Partial transfer HAs, 2002/03: 0.51
- Whole transfer HAs, 2002/03: 0.44

Evictions in year as a percentage of all tenants

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Impact on Housing Stock Condition

- Rent guarantees in practice sacrosanct
- Only two pre-1998 transfer HAs failed to meet investment promises on time
- At least a fifth exceeded investment promises
- But...public sector costs possibly greater than if investment channeled directly through LAs and programme delivered with equivalent efficiency
A New Class of Social Landlords?

Differences from ‘traditional HAs’:

- a stock profile in terms of age, type and design
- particularly close ties with local authority founders
- substantial tenant participation in governance
- locally-focused activities
- a growth imperative resulting from stock erosion due to (preserved) RTB sales
- a longer-term potential to generate very substantial financial surpluses
Impact on Housing Staff

- Less hierarchical and more inclusive than LA landlords
- Much wider staff ownership of corporate goals
  - 69% ‘understand organisational objectives’ compared with 38% of LA staff
- Staff more highly valued than in LAs
  - 43% ‘believe new organisation provides better training opportunities’ – 13% take opposite view
- Typically providing a more demanding, yet more rewarding work experience
Impact on Tenants

• Tenancy rights – creation of two tier system with pre-transfer tenants enjoying enhanced rights
  – rents (especially in first 5 years)
  – RTB
• Rent guarantees honoured – and rents henceforward centrally controlled in any case
• Greater organisational accountability
• Improved management performance?
• More consumerist approach?
Figure 6 - Social landlords in England Compared:
Average Relet Interval, 2002/03

- **South of England**
  - Local authorities: 34.0 days
  - Traditional HAs: 26.6 days
  - Transfer HAs: 25.2 days

- **England**
  - Local authorities: 40.4 days
  - Traditional HAs: 32.2 days
  - Transfer HAs: 28.0 days

Average number of calendar days to relet vacant homes
Conclusions: Transforming Social Housing?

• In terms of stock condition, yes. But...
  – whether achieved at lowest cost to taxpayer uncertain
  – unlikely to be economically or politically feasible in certain areas

• In terms of the culture of social housing, yes, especially in terms of:
  – focus on asset management and business plan targets
  – tenant involvement
  – managerialist and entrepreneurial tendencies
  – single-minded focus on defined housing service objectives
  – inclusive and non-hierarchical approach to staff management

• Organisations subject to regulation but insulated from central government control