THE DEVELOPMENT AND OPERATION OF LARGE SCALE VOLUNTARY TRANSFER ASSOCIATIONS 1988 – 1999

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This thesis examines the development by local authorities of alternative models of ownership of public housing, focusing on large scale voluntary transfers (LSVTs) to specially created housing associations. I attempt to place stock transfer within the wider policy context of changes in the State's role in the provision of services; and changes in organisational development, reflected in transfer structures; and the wider shift in responsibility for the delivery of public services to the private sector.

I examine theories that explain the development of the State's role in housing and discuss their relationship to LSVT. As discussions involving 'the State' must recognise the different interests and motivations of Central and local government, I examine action taken to promote and achieve stock transfer by local authorities and central government.

The research method adopted to achieve my aims includes both analysis of existing data and the collection of new data through a sample survey of twenty LSVT associations. I approached the research in five stages: background research – including reviewing literature and examining the legal and regulatory framework for LSVT; identifying the characteristics of early LSVT associations; selecting a sample of twenty selected associations for in-depth survey; conducting in-depth interviews with the twenty associations; analysing and tabulating the data collected and drawing conclusions.

The survey focuses on staff perceptions of the reasons for transfer and why politicians and tenants accepted the change; organisational and management change brought about by the new landlords; and the changes brought about by private sector involvement, including new personnel brought in to help run the organisations and the influence of private funders. I attempt to draw key conclusions about LSVT associations from the evidence presented. Finally, I examine how early LSVTs paved the way for a wider stock transfer programme, including transfers by inner-urban authorities and large city councils. I argue that while LSVT may have been developed in response to the financial pressure upon local authorities from the early 1980s onwards, the process has created a new style of business orientated social landlord.

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THE FOCUS OF THIS STUDY

Between 1988 and 2001, 118 local authorities (25 per cent of authorities in England) transferred all or some of their housing stocks to newly created or existing registered social landlords under the Large Scale Voluntary Transfer regime (LSVT). Almost 600,000 units were transferred. The earliest transfers, pre-dating the LSVT regime, took place in 1982. Scottish authorities undertook transfers to community-based housing associations and co-operatives from 1986 onwards, paving the way for a much wider programme. Local authorities transferred their housing stocks for four practical reasons – to tackle an increasing backlog of repairs; to secure new sources of investment; to avoid large rent increases imposed by central government; and to provide resources for the development of new social housing (Mullins et al, 1995). LSVT is linked to wider changes in the way government and local authorities deliver services (Forrest & Murie, 1988; Le Grand and Bartlett, 1993; Pollitt, et al, 1996), which followed the election of the Conservative Government in 1979 and its ambitions to 'roll back the frontiers of the state' (Thompson, 1990).

In this study, I attempt to place stock transfer within the wider policy context of changes in the role of local authorities in the provision of services and the Conservative Government's aim of reducing direct provision; and to analyse changes in organisational development in both the private and public sectors, reflected in transfer structures. I explore how stock transfer organisations have developed; whether they helped the Conservative government to achieve its aims; and whether stock transfer changes council housing fundamentally. Existing literature, some of which is explored in this thesis, suggests that the Conservative Government was pursuing an ideologically driven policy shift through transfers. However, my main focus is on the managerial and ownership changes that have led to the creation of new style, business oriented social landlords.

Why is it important to examine LSVT associations

Councillors of the 118 transferring local authorities have promoted LSVT to their tenants as a solution to the problems they face. Councillors in the remaining 360 authorities have either attempted to transfer only for their tenants to reject their proposals; are still considering the idea of transfer; or have decided that the interests

of their tenants and communities are best served by retaining council ownership of housing.

LSVT is the voluntary transfer by a local authority of 500 or more units of housing to a newly created or existing registered social landlord (RSL) with major restrictions on use and protection of tenants' existing rights. The transferred housing must continue to be used as social housing, and is valued on an "existing use" basis, which means that the new landlord must continue to provide social housing to people in housing need. This method of valuation helps to ensure that the new landlord can be financially viable, while continuing to function as a social landlord (DoE, 1988; Gardiner et al, 1991). LSVT seems to provide a solution to some of the problems that local authorities face. During the 1980s, councils began to realise that their ability to maintain and improve their housing would be limited by an increasingly tough financial regime imposed by the Conservative Government elected in 1979, whose aim was to shift responsibility for service provision to the private sector (Thompson, 1990). Many councils had already accumulated large repairs backlogs (Audit Commission, 1986), which could not be addressed with the resources at their disposal. Development of new housing all but ceased by the early 1990s due to restrictions on local authorities' ability to borrow to invest, but at the same time, demand in many authorities continued to outstrip supply. Local authorities also faced the prospect of imposing large rent increases on their tenants, as Central Government reduced housing subsidies from the late 1980s onwards. Although the prospect of large rent increases receded, the financial regime introduced in 1989 severely constrained the ability of local authorities to keep their housing stocks up to date, and to provide services that more closely met tenants' expectations in the 1990s. The new landlord organisations created by LSVT are largely free of the financial constraints faced by local authorities. As independent sector organisations, LSVT associations are able to access private finance to provide for long term investment. They are able to offer tenants a programme of repairs and improvements to their homes, as well as a degree of certainty about the future level of rents (Mullins et al, 1992; 1995). The new landlords appear to adopt more private sector styles of management and perhaps focus more closely on the needs and aspirations of tenants, in order to ensure that they meet the business objectives imposed by their debts (Interviews, 1998 and 1999). Although transferred tenants lose their Secure tenancies, their Assured tenancies with the new

landlords contain similar rights, including the Right to Buy and succession of the tenancy. New tenants do not enjoy these rights. Local authorities that transfer are then able to develop new roles as 'enablers' involving regulating and monitoring performance of providers; identifying local needs and providing funding to other organisations to address these needs (Goodlad, 1993; Aldbourne Associates, 1997). They retain their statutory homelessness duties so they have a continuing interest in the new landlord, but at arms length. Freed from management responsibility, and the need to defend the performance of organisations under their control, councillors are seen to be better placed to act more effectively as 'tenants' champions' (Interviews, 1998 and 1999).

To examine the impacts, outcomes and progress of LSVT is important, as the process involves the largest transfer of undertakings from local authorities to the independent sector that has taken place. The LSVT process has created what appears to be an entirely new breed of organisation, which has its roots firmly within local government, and also has much in common with housing associations, which are independent and apolitical not-for-profit providers of affordable housing governed by voluntary boards. Transfer provides an opportunity for staff to create new structures, to adopt new ways of working, and to provide tenants with opportunities to participate in management more directly than is traditionally possible in local authorities (Clapham, 1989: Henney, 1984). Some LSVT associations have expanded rapidly beyond the boundaries of their sponsoring authorities, while others concentrate on their original area. Many LSVT associations have used their new freedom to address housing needs in different ways from local authorities by developing new housing for market renting and working with NHS trusts to develop housing for key workers, for example.

The LSVT process has already moved over half a million tenants and their families from the public sector to newly created and often heavily indebted independent sector organisations. All major political parties promote LSVT as a solution to the investment problems of council housing, but arguably also to the organisational and management problems of large public landlords. LSVT has the potential to remove housing from the arena of local politics (Malpass & Mullins, 2002), where housing issues are often used to gain political advantage over other parties. The current Labour

Government has expanded the transfer programme to 200,000 units per annum, and allows for more units should there be demand from local authorities and sufficient funds (DETR, 2000). In 2000, the Conservative Party expressed an aspiration for all local authorities transfer their housing as soon as possible, and was reportedly prepared to compel councils to transfer if they do not do so voluntarily (Conservative Party, 2000). Although the Conservative Party's more recent stance has softened (see for example Conservative Party, 2001), the major political parties appear to have reached a consensus about the long term future for publicly owned housing - that the state should divest itself of responsibility for direct provision. Describing, analysing and explaining stock transfer "constitutes a significant challenge to housing studies" (Malpass, 2001: 2) and consequently, very little is known about the nature of the organisations created by the LSVT process, and the long-term implications of handing control of a valuable national asset to the independent sector. There are many unanswered questions about LSVT associations, some of which are set out below and summarised in table 1.1.

LSVT associations are set up to attract investment. They take on a large debt burden for up to twenty-five years, and spend up to their first ten years of independence making losses, funded by private finance. The only assets they hold as security are tenants' homes. What are the risks to the associations of taking on such debts, and what might be the result if plans are thrown off course? Are there financial pressures upon LSVT associations to expand in order to generate revenue and spread overheads, and are there implications for the quality of service to existing tenants? Are they sustainable over the long term, and are they better equipped than local authorities to deal with changes in demand for their 'product'?

LSVT associations are initially staffed almost exclusively by former local government employees who transfer with the housing stock. Are LSVT associations therefore housing departments 'in exile' or do they actively seek to evolve into new organisations with distinctive aims, objectives and working practices?

LSVT associations are governed by boards, which include tenant representatives, local authority nominees and independent members. How effectively do they control their associations, and do tenant board members participate as fully as others do? Do board members take a lead in developing policy and strategy, or do they follow the

direction adopted by their chief executives and senior managers? Is the board perceived as being more effective than a Housing Committee, and is it seen as accountable to tenants and the wider community?

Are tenants offered an opportunity to get involved in the management of their homes? Do tenants take up these opportunities, or do they prefer to leave management in the hands of paid staff?

Tenants continue to enjoy the rights they had as council tenants, and they are offered a package of catch-up repairs and improvements to their homes. They are offered a short-term guarantee on the levels of future rent increases. Tenants who join the association after transfer are not covered by the guarantee, and start on rents which reflect average rents charged by other housing associations operating in the same area. They do not enjoy the enhanced rights offered to former council tenants. What are the implications for organisations and tenants of operating "two tiers" of tenancies?

Development of additional housing units by LSVT associations may mean that some housing applicants are re-housed more quickly. But will LSVT associations seek to become more selective to weed out potentially 'difficult' prospective tenants in order to make their management 'task' easier and to protect their long-term financial viability? Is there a danger that LSVTs may divert more resources into peripheral activities, such as market renting and key worker housing, at the expense of developing their social role? Or will they house a broader range of tenants in line with Government policy concerning the need to create mixed and viable communities? How much control do local authorities retain over access to housing?

LSVT associations attract on average £9,000 of investment per home for catch-up repairs and improvements in 2001 prices (DETR, 2000). Is LSVT an opportunity for reinvestment in a national asset, which transfers to the independent sector, but continues to be subject to public regulation? Or is LSVT merely a disguised way of attracting the investment council housing needs, without diverting resources from other priorities, including health and education? Does LSVT change council housing fundamentally?

Table 1.1: Key questions about the LSVT process and its outcomes

- What are the risks for councils, tenants and the new landlords of their heavy debt burden? Are LSVT associations sustainable in the long term?
- Are LSVT associations perceived as being fundamentally different from local authority housing departments?
- How are LSVT boards perceived compared to local authority housing committees as effective bodies for developing strategy?
- Are tenants offered more opportunities to get involved in the management of their landlord?
- What are the implications of "two tiers" of tenancies?
- Have LSVT associations sought to be more selective in the tenants they re-house?
- Is LSVT a way of changing the way social housing is managed or just a disguised way of attracting investment for council housing?

This study does not claim to give definitive answers to all these questions, but it provides background and historical information on the change in the role of government and the changing balance between the public and private sectors in service provision, which appears to have led to stock transfer. The study examines the central government framework for LSVT, which enables local authorities to withdraw from direct provision. It examines in detail the first fifty-one LSVT associations to provide detailed information on the pattern of stock transfers. By examining twenty in-depth case studies of LSVT associations, I provide evidence on the outcomes, processes and early impacts of stock transfer. Finally, I draw conclusions about the changes stock transfer brings about, and make an early assessment of the impacts.

This thesis does not explore in detail the reasons why many councils have not yet transferred, although councillors' and tenants' reluctance to consider transfer might possibly be attributed partly to the lack of research on the process and outcomes of LSVT associations (Malpass, 2001). Some councillors and anti-transfer campaigners have arguably filled this gap with misinformation and anecdotal evidence to suggest that any costs of LSVT outweigh any potential benefits (see, for example, www.defendcouncilhousing.org.uk). A major motivation in carrying out this research for a PhD was to provide accurate information on the process and outcomes, with a preliminary assessment of the impacts.

THE AIMS OF THIS THESIS

This thesis examines the emergence of LSVT as a widely adopted strategy to help address the housing problems local authorities have faced for at least twenty years. It examines a number of theories that may help explain the development of the Government's role in housing and discusses their relationship to LSVT. It explores how closely LSVT organisations match broader theoretical models of organisational development and how transfer is linked to the changing role of government in service delivery and the shift in the balance between the public and private sectors in service provision.

The aim of this thesis is to help advance our understanding of the following three questions:

1. To what extent has LSVT helped the Conservative Government achieve its aims of encouraging local authorities to withdraw from direct provision?

2. How have the new housing organisations developed at ground level, in terms of management, ethos, goals, operation and structure?

3. Has the influence of a shift away from public provision towards a more private sector style of provision affected how the organisations develop and operate?

In order to develop our understanding of LSVT I examine in detail the following issues: the background to the changes in housing policy introduced by the Conservative Government and early attempts to withdraw from direct provision; the legislative and financial framework that enables local authorities to transfer; the characteristics of LSVTs undertaken up to 1996; the impacts and outcomes of LSVTs in a survey of twenty associations in 1998 and 1999; and the changes transfers have created in established patterns of the organisation and management of social housing.

The theoretical framework for the thesis is provided by wider studies of how states have sought to withdraw from direct provision of public services; organisational and management theories; and the shift in responsibility for service delivery from the public to the private sector.

Research Method

The research method adopted to achieve the aims set out above includes both analysis of existing data and the collection of new data through a sample survey of LSVT associations. The detailed methods used are outlined below.

Stages of research development

1. A review of the literature on the financial problems of council housing, linked to the changes in housing policy introduced by the Conservative Governments from 1979 and management problems that emerged from the early 1970s onwards, and and the approaches developed by central government and local authorities connected to the transfer of stock. This sets LSVT in context of wider housing policy and organisational development.

2. Analysis of the central government framework that enables local authorities to transfer their stock, including legislation, guidance and consultation documents, and interviews with senior civil servants, consultants and local government officers responsible for stock transfer.

3. A detailed study of the size and nature of LSVT associations and the political control of the local authorities that create them. Three sources of existing data were analysed. Firstly, the DETR's database of completed LSVTs was examined to determine the regional spread and size of LSVT associations; the political control of authorities undertaking transfer; and the level of turnout and support among tenants for transfer. Secondly, the annual reports of the first 51 LSVT associations were collected and examined to gather background information on their aims, values, structures and finances. Thirdly, the Housing Corporation's monitoring data on LSVT associations and the Audit Commission's data on local authorities was examined to compare their performance to housing departments and "traditional" housing associations.

4. A "close-up" examination of how LSVT associations develop from the perspective of senior managers; how they operate; the changes they bring about; and the perceptions of risks and opportunities associated with their independent status and large debts. This information was gathered in a survey of twenty

representative LSVT associations. The selection of the sample and survey method is discussed below.

5. All information was processed through the use of a matrix of characteristics and analysis of systemised raw material, bringing together all the survey information into tabulated form.

Developing the study approach

My initial interest in LSVT was sparked by my involvement in a two year study of a stock transfer in Brent (see Lee, Power and Tunstall, 1999). This study provided an opportunity to examine the financial, legal and political implications of stock transfer and the impact upon tenants on the basis of a single case study, which we tracked over two years. We examined government documentation regulating the LSVT process; Local Authority documentation on its difficulties and how stock transfer might help address its problems; the role of a Housing Association as partner in the stock transfer association; and interviewed regulators of the transfer process including the DETR and the Housing Corporation. We also interviewed Board members, councillors, council officers, tenants and consultants involved in establishing the Association. The findings from the Brent study are not included in this study as it was an urban housing company transfer under a later Government framework. Nonetheless it provided me with a clear knowledge base and method of research from which I developed my approach to this study – a combination of historic and document research; with a cross section of interviews with key actors.

Stage 1: Background Research

This background research sets LSVT in context of wider housing policy and organisational development.

Stage 2: Identifying the characteristics of the first 51 LSVT associations

In order to analyse the characteristics of the first fifty-one LSVT associations, four indicators were selected from the Housing Corporation data to assess the relative performance of each organisation - rent collection, new development, void levels and rent increases – to help our understanding of organisational efficiency and the ability of the associations to adapt to their new operating environment. Indicators on rent collection, rent increases and voids help us to assess the efficiency of housing

management services, both in terms of cost control and effective use of resources and procedures. Indicators on new development reflect the ability of the organisations to identify new development opportunities, to borrow and deliver schemes. Since this often requires innovative ways of working and the ability to change course quickly if projects run into difficulties, it helped us to assess how efficient, viable and adaptable the associations are.

Stage 3: Survey of Twenty LSVT associations

It was not possible to conduct in-depth interviews with all 51 LSVT associations. I studied a significant sample from the whole population of LSVT associations. Ferber (1980: 3) describes a sample survey as "a method of gathering information from a number of individuals, in order to learn something about the larger population from which the sample is drawn". Moser and Kalton (1983) identify several advantages to the study of a sample drawn from a population, rather than attempting to study the population in its entirety. In contrast to enumeration of the whole population, data are cheaper and easier to collect; it saves time in both collecting and analysing data; and a smaller number of cases makes it possible to collect and deal with more elaborate information from each. Bell (1999: 11) argues that such an approach enables the researcher to "concentrate on a specific instance or situation and to identify, or attempt to identify, the various interactive processes at work…[which] may remain hidden in a large scale survey but may be crucial to the success or failure of systems or organisations".   Similar approaches have been adopted by other researchers, including, for example, Centre for Housing Research (1989), Mullins et al (1995) and Power (1997). Studying a sample of twenty LSVT associations enabled me to spend time with each organisation, interviewing three representatives on average in each. This helped to produce detailed in-depth data. By studying a sample of twenty associations, the process of analysing detailed qualitative material was more manageable than a larger sample of all 51 LSVT associations.

The sample of twenty associations was selected so that it was as representative of the whole population of 51 LSVT associations as possible, along the lines of region, size of association, the nature of the area of operation and performance. Random sampling was rejected in favour of quota sampling, described by May (1993: 70) as a method that "attempts to approximate or represent the population characteristics by dividing

the sample along dimensions of, for example, class, race and gender". In the LSVT sample, such divisions would not have been appropriate. However the method was particularly suitable to ensure representation of the whole population along the lines of region, size of association, the nature of the area in terms of its level of urbanisation, and performance of association. The actual selection process is detailed in Chapter six.

Stage 4: In-depth Interviews

Self completion questionnaires and focus group approaches were rejected in favour of in-depth face to face interviews. Self completion questionnaires are limited in scope and offer no opportunities to probe or seek clarification. Interviews have the advantage of offering opportunities for probing and clarifying, and enabling the respondent to provide sensitive information. Interviews were semi-structured in order to allow the interviewee to "answer more on their own terms than the standardised interview permits". (May 1993: 93). I used a checklist of issues (attached as Appendix 1) to explore respondents' perceptions of the motivations behind their authority's decision to transfer, why they believed tenants voted in favour, their perceptions of the hopes and fears of staff, councillors and tenants, and whether, in their view, those hopes and fears have been realised. The checklist was sent to interviewees in advance to enable them to consider their response. The key aspects of LSVT associations that were examined are summarised in table 1.2.

Table 1.2: Key aspects of LSVT associations examined

- Background on local authority, including perceptions of performance as landlord
- The organisational culture of the transferring authority and the respondents' perceptions of the reasons for transfer
- Respondents' perceptions of the reasons for tenant support
- Respondents' views on the effectiveness of LSVT associations' systems of governance
- The process of breaking away from the sponsoring local authority from the perspective of respondents
- Financing arrangements and the influence of private finance upon the organisation
- How LSVT associations develop their own culture and the respondents' perceptions of how that culture affects the way the organisations work
- How staff perceive the differences in the management of housing compared to the local authority housing department.
- How LSVT associations operate on the ground.
- How LSVT associations seek to involve tenants in the running of the organisations.

Source: Interviews, 1998 and 1999

Within each of the twenty associations, I interviewed between one and five members of staff. In total, I interviewed fifty-four members of staff between August 1998 and March 1999. Respondents were notified in advance of the issues to be discussed during the interviews. All interviews were carried out face-to-face and lasted for approximately one hour. Interviews were tape recorded in order to maximise data collection. Following initial analysis of the interviews, further information was obtained to ensure clarity.

Each interview involved adapting a core checklist of issues to relate them specifically to the roles of interviewees (see Appendix 1). Discussions with chief executives, for example, focused on organisational and corporate issues, and discussions with Housing Directors focused on housing management issues. The main focus of the interviews was to examine how respondents perceived affect of the withdrawal of the State from social housing provision upon their jobs and organisations; to explore the organisational changes that LSVT associations introduced and the impacts on housing services; and to examine how the new organisations match wider changes in public service delivery.

Stage 5: Data analysis

The taped interviews were analysed in two stages. In the first stage, I developed a single pro forma based on the issues discussed in the interviews with all respondents (attached as appendix 2). The approach was piloted with one association, and amendments were made to the pro forma to rectify its limitations. Fifty-four taped interviews were analysed using this method with a single pro forma per organisation. All the interviews in each organisation were analysed and views recorded in the pro forma. This helped to identify common themes and areas where members of staff disagreed. The questionnaire grouped the views and perspectives of all the main actors in each organisation in a single location on the form, which facilitated the second stage of analysis.

The second stage involved tabulating key data from the twenty completed pro formas. Thirty-eight tables of key data on motivations for transfer, service delivery and organisational development were developed. This second stage analysis provided both numerical data on the perspectives of interviewees, which was used to build charts included in the text, and key quotations that were used to illustrate particular themes.

This research examines the development and operation of LSVT associations from a specific perspective, namely the perspective of senior staff involved in managing, and in many cases establishing, the organisations taking over council housing. This places limitations upon the conclusions that can be drawn from the case studies, although the respondents are well placed to report on both the historical background of their organisations as well as the ways in which they are changing and developing. It also provides insight into organisational change, social responsibility and quality, for which the respondents were responsible for delivering.

The Structure of this thesis

The thesis is divided into two sections – section one reviews the literature on transfers and the legal and regulatory frameworks that enable stock transfers, and section two examines transfer activity and presents the findings of the representative survey of twenty LSVT associations.

Chapter two develops a framework for the study by exploring a number of theoretical models based on political, economic and management theory and housing management literature, that help us to understand stock transfers. I develop a core thesis that stock transfer provides a practical way for the State to withdraw from direct provision of housing; that it helps change the organisation and management of public housing; and that it reflects wider changes in the State's approach to service delivery, which involves shifting more responsibility to the private sector. This development is driven by the ideological opposition of the Conservative Governments from 1979 to public provision of housing, but arguably Ministers were interested in changing the way housing is organised and managed to address alleged poor performance in some local authorities (Malpass & Mullins, 2002).

Chapter three explores how Central Government came to be involved in developing stock transfer; the steps it took to promote transfers; and how these steps fit within the core thesis outlined in Chapter two.

In Chapter four I attempt to explain how local government responded to Central Government pressure to become involved in developing stock transfer; and how their actions fit within the core thesis.

Chapter five examines the regulatory and legislative regime for LSVTs that enables local authorities to withdraw from direct provision; change the way social housing is organised; and shift responsibility for housing to the private sector.

In Chapter six I present data on the transfers that were completed between 1988 and 2001, including the regional distribution, political control and type of transferring authorities; size of associations; successful and unsuccessful ballot results; valuations and private finance raised. The Chapter concludes by presenting the process used to select a representative sample of twenty associations for inclusion in the survey. In

Chapters seven, eight and nine I present the findings from the survey. I examine the respondents' perceptions of the reasons for transfer among the twenty local authorities; organisational change brought about as a result of establishing the new organisations; and how a move to the private sector is perceived to impact upon the tenants, staff and housing transferred.

Chapter ten draws out main findings from the survey and shows how the findings relate to the three themes of the core thesis.

In Chapter eleven, I examine how the evidence presented in the thesis fits within core thesis, and explain how the early transfers examined have helped to pave the way for a wider stock transfer programme.

The idea that councils should cede their landlord role to the RSL sector through LSVT has been gaining broader acceptance across the political spectrum, if only at national level, since the mid 1990s, although some political groupings, tenants' organisations and trades unions are opposed. It is therefore important that we understand the implications of handing over ownership of a valuable national asset to the private sector. This thesis explores some of these implications and attempts to place LSVT within the wider policy context of withdrawal of the State from direct provision; organisational change and development; and the shift in responsibility for the delivery of services towards the private sector.

INTRODUCTION

In this chapter, I examine a number of explanations of the State's role in housing provision in order to develop a framework for studying stock transfers. How should we account for stock transfers? What is the most convincing way to explain them? In what ways are stock transfers different from other initiatives that change the way public services are provided? We study a number of accounts of the withdrawal of the State from direct provision of housing; explanations of organisational development in housing provision; and the relationship between stock transfer and wider changes in the State's approach to the delivery of public services. These three different sets of theories offer different - but interlinked - ways of advancing the understanding of a major structural change in housing provision. Table 2.1 sets out accounts of governments' attempts to withdraw from direct provision; explanations for organisational change and their relevance to stock transfer; and the way LSVT matches the wider shift in the balance between the public and private sectors in service delivery. This table of theories provides the framework for this chapter.

Table 2.1: Changes in the role of government and the nature of organisations

Explanations for the withdrawal of the State from direct provision of housing	Shifting balance between the public and private sectors	Drivers for organisational change
Stages in development of housing policy *McGuire (1981)*	'Rolling back the State' *Forrest & Murie (1988)* *Thompson (1990)* *Feigenbaum, Henig & Hamnett (1998)*	Scale, producer interests and break-up of municipal landlords *Henney (1984)* *Jacobs (1961)* *Clapham (1989)*
'Fiscal crises' *Osborne & Gaebler (1992)* *Forrest & Murie (1987)* *Hamnett (1987)*	Right to Buy *Jones & Murie, (1999)*	Arms length ownership and management and public sector management ethos *Power (1987; 1993)* *Stewart (1988)* *Leach, Stewart & Walsh (1994)*
Central-local relations *Jones & Stewart (1985)* *Harloe (1994)* *Forrest & Murie (1985)*	Quasi privatisation through stock transfer *Le Grand & Bartlett (1993)*	Changes in organisational culture *Handy (1993)*
		Excellence in service provision *Peters & Waterman (1982)*

In this chapter, I will argue that although the main driver for local authorities pursuing transfer was the financial difficulties they faced since 1979, due to cuts in public housing budgets by the Conservative Government, transfer has also helped to address organisational problems of council housing, identified by a number of writers, including Power (1987; 1993; 1997), Henney (1984), Stewart (1988) and Clapham (1989). Clapham, for example, has argued that:

> *"the defenders of council housing are right to place much of the blame for its present parlous state at the door of the [Conservative]government, but the key question is whether council housing, even in its ideal form, is worth defending. Has the 'crisis' been entirely caused by the malevolence of central government or are there weaknesses in council housing which have contributed to its decline and lack of support?"* (Clapham (1989:16)

It is not my intention to give a definitive answer to this question, but I will draw upon different sources of evidence that suggests that the problems of council housing are rooted both in the financial regime under the Conservative Government and also the way council housing management is structured and operated by local authorities. While the major motivation of local authorities to transfer may have been to escape from the financial 'straightjacket', they were also motivated in part by the political need to change the way services were delivered in response to sustained attacks by the Conservative Government (Cairncross, Clapham & Goodlad, 1997: Malpass & Mullins, 2002). I start this chapter by examining interpretations of the role of the state in order to develop an understanding of council housing, and its transfer to independent landlords, within the context of wider social and economic structures.

UNDERSTANDING THE ROLE OF THE STATE

In this section, I briefly examine a number of alternative interpretations of the role of the state in the direct provision of housing to assist us in understanding the changes that occurred since the mid 1970s onwards: the rational model of state welfare, as expounded by the Fabian movement; the Marxist interpretation (Castells, 1987; Ginsburg, 1979 and Gough, 1979); and Ball, Harloe & Marten's (1992) interpretation of the state's role which recognises that structures of housing provision are embedded in the wider economic, social and political structures of society.

The rational model

The rational model interprets the state's role as identifying problems, surveying their causes, and finding and implementing solutions (Pickvance, 1982: 19). The state is therefore seen as essentially benevolent, acting in the interests of society as a whole by enacting reform to help foster social progress. Rees & Lambert (1985) argue that this interpretation is attractive for those within the state, as it is seen as acting in the interests of society as a whole and not in the interests of a particular group or groups. Through this interpretation, it is therefore possible to assume that there was "a fairly direct relationship in welfare state regimes between the existence of housing needs and state policies which responded to them" (Harloe, 1995: 4).

Marxist rejection of the idea of the benevolent state

From the 1970s onwards, the idea of a neutral, benevolent state came under attack by Marxists writers (Castells, 1987; Ginsburg, 1979 and Gough, 1979), but also by the New Right, who challenged the Fabian view that government "must be the chief architect of welfare provision" (Taylor-Gooby, 1991:3). Pierson (1991) summarises the Marxist interpretation of the role of the state as serving the needs of the ruling class, by assisting in the reproduction of labour power to ensure capitalist accumulation. He goes on to point out that "the benefits of the welfare state to the working class are not generally denied, but they are seen to be largely the adventitious by-product of securing the interests of capital" (Pierson, 1991:51).

The Marxist interpretation has been criticised on a number of fronts. Daunton (1983) points out that there are alternative vehicles to direct state provision for reproducing labour and legitimating capitalist social relations, including, for example, tax breaks for owner occupation and capital grants for provision by the private sector. Cole & Furbey (1994) argue that State housing policies may emerge in response to the needs of capital, but the Marxist account does not offer any explanation as to why the State continues to provide when political and economic conditions have improved. Dearlove & Saunders (1984) suggest that Marxist interpretations imply that only a minimum standard of housing should be provided to support the reproduction of labour. However, they argue that

> "the post war welfare state in Britain would seem in many respects to
> have exceeded these 'requirements'. It simply makes no sense, for

> *example, to suggest that capital 'requires' its workers to be housed in centrally-heated council housing with garages…There is an enormous gap between the level of provision which capitalists may deem 'necessary' for reproducing labour-power or ensuring legitimacy, and that which has actually been provided over the years"* (ibid: 317).

Structures of housing provision

Ball, Harloe and Martens (1992) reject both of the interpretations outlined above, in favour of an approach which analyses changes in structures of housing provision. They argue that such an approach recognises that housing provision is a social construct and "there are combinations of social agents involved in housing provision that relate to each other in empirically observable ways" (ibid: 3). Harloe (1995) identifies three structures of housing provision: the 'workers co-operative model' – which seeks to replace commodified forms of housing provision by decommodifed alternatives – the "mass" model – which saw widescale direct provision by the state – and the "residual" model – which sees direct state activity focusing on provision only on those members of society unable to procure housing for themselves through the market.

This analysis is arguably superior to the rational state model and Marxist interpretation as the role of the state is interpreted in relation to changing social structures of accumulation. Harloe (ibid) argues that the role of the state changes during the periods of liberal capitalism, welfare capitalism and post-Fordism. During the post-Fordist era, public housing became an ever more residualised form of provision as "the initial rationale for post-war mass housing was eroded by the very social and economic developments to which it had earlier contributed" (ibid:11).

The move away from the mass model – which gained state support only in "abnormal" times (ibid: 7) - towards a more residual model, through policies of 'privatisation', can be interpreted as a signal of further progression of the post-fordist structure of accumulation (Amin, 1994; Burrows & Loader, 1994). Malpass (2001) argues that the centralised and bureaucratic style of local authority housing provision can be seen as "exemplars of Fordist service providers, concentrating on mass production of standard products for homogenised consumers" and that their replacement by housing associations, which are reputed to respond to a wider range of needs "can then be interpreted in terms of a transition to post-Fordism" (ibid: 12).

1. EXPLAINING THE STATE'S ATTEMPTS TO WITHDRAW FROM DIRECT PROVISION OF HOUSING

The state has been involved in the direct provision of housing in Britain for most of the 20th century. The Conserative Government elected in 1951 started a gradual process of withdrawal, with a quickening of the pace of withdrawal from 1979. This section examines three explanations for this withdrawal; McGuire's (1981) stages in housing policy development; Osborne and Gaebler's (1992) thesis that fiscal crises lead to the re-invention of government services, a position which is challenged by Forrest & Murie (1987) and Hamnett (1987), who point to changes in political ideologies that change the way governments direct public expenditure; and the role of central-local relations (Jones & Stewart, 1985; Harloe, 1994; and Forrest & Murie, 1985).

Stages in development of housing policy systems

McGuire's (1981) comparative study of housing systems identifies four stages of housing development, based on the experience of America, Japan and countries in Europe. Firstly, as countries industrialise, cities grow rapidly to accommodate expanding populations. There is an acute shortage of housing and "State intervention is required to stimulate the level of housing production in order to ameliorate the housing shortage in a numerical sense" (ibid, p.11). Housing is designed to meet basic needs only and each household has one room only. Secondly, when basic needs have been provided for, households aspire to better their conditions by obtaining access to more than one room. The State is compelled to intervene in housing as the first two stages result in a high degree of social dislocation. The State's role at this stage is to help stimulate provision. In the third stage of development, emphasis shifts from quantity and size to quality of accommodation. There are enough units of accommodation of the right size to satisfy demand and population growth slows to a level that cities are able to more readily absorb. There are still major differences in the quality of accommodation enjoyed by citizens, and the State still has a high level of involvement in housing, through regulation, subsidy and possibly direct provision of housing for a wide range of social groups. The fourth stage "sets in once this upgrading of a nation's housing stock has been completed" (ibid, p.12). The State attempts to withdraw from housing, as the majority of the population is now well housed. The State seeks to reduce the scope of its activities and its financial burden

by targeting assistance on people on low incomes, and by encouraging people on higher incomes to rely less on the state by taking responsibility for their own housing by purchasing properties of their own or renting privately. The State has an on-going role either as direct provider or through financial support for people who are unable to provide for themselves. The State may also provide support to other organisations that provide low cost housing.

McGuire asserts that "political reality will not let a government withdraw from housing" (ibid: 14). Once involved in housing, governments are reluctant to withdraw altogether, although they may seek to reduce their role due to the burden of the financial commitment required, particularly in direct provision of housing. It is even more unlikely that they will be able to withdraw from the provision of support for people on low incomes. They are also likely to continue to provide grants to housing providers, and to continue to regulate them.

The fourth stage of housing policy development in the UK
The origins of the Government's withdrawal from direct provision of housing can be traced back to the mid 1950s, at a time when the State had become deeply involved in housing following the inter-war and post war building programmes. Following the Second World War, there was tremendous pressure on the State to provide new housing, due to the combined effects of a virtual cessation of house building during the War, bomb damage and an accelerating decay of existing housing (Power, 1987: 41). The Government's aim in the immediate aftermath of the Second World War was for housing to become a service that the State provided for all people. The Government was "determined to make council housing a general service, like health and education" (ibid, p.41). The pressure to build continued into the 1950s, although the Conservative Government re-focused the housing programme on re-housing the most deprived people on a minimal welfare basis, and relied increasingly upon the private sector to help meet its target of building 300,000 new homes per annum. By the 1960s, the Government encouraged councils to sell properties to sitting tenants as it felt that the most pressing needs had been met. The Government believed that the private sector was now capable of providing for general needs (Cooper, 1985: 15). When returned to power in 1964, Labour took several steps to increase home ownership, recognising the popularity of the tenure among its own supporters, whose

increasing prosperity meant that home ownership had become a realistic goal. But the Party was still ideologically attached to the idea that public rented housing was preferable to private landlordism, and so aimed to reflect the increases in national spending on private owner occupied housing with higher state spending on public housing (Cooper, 1985: 15). By this point, the UK had reached stage three in McGuire's schema – the State's building programme had re-housed large numbers of people from poor quality and overcrowded private rented accommodation, and the growth in owner occupation helped people who could afford to buy to access better quality accommodation. In the context of McGuire's four stages of development, the Government's attempts to be even handed between the private and public sectors by seeking to match spending of the former by the latter were possibly misplaced. The expansion of the public housing building programme in the second half of the 1960s helped contribute towards an oversupply of housing which later became unpopular and difficult to let, as people's aspirations had moved beyond what the state seemed to be capable of delivering.

The financial crisis in the mid 1970s and intervention of the International Monetary Fund led to reductions in public expenditure on direct provision of housing. By this time, the Labour Government argued that there was a surplus of housing (Department of the Environment, 1977), most of which provided reasonable accommodation. However, any surplus was merely a crude surplus, and it coexisted alongside an unmet need (Greve, 1964; Glastonbury, 1971; Greve, 1985), unleashed in part by the contraction in the private rented sector and the extension of an obligation upon local authorities to house a wider range of people under the Housing (Homeless Persons) Act 1977 (Donnison and Ungerson, 1982). Following the general election in 1979, the Conservative Government began withdrawing public expenditure significantly from 1980 onwards. I explore the reasons for these cuts later in this chapter. Seventy-five per cent of the reductions in public expenditure between 1980 and 1984 were borne by the Housing budget "as it was felt that any shortfall in production would be met by the private sector" (Cooper, 1985: 3). The anticipated expansion of activity by private house builders failed to materialise (Malpass & Murie, 1987).

The Right to Buy appeared to demonstrate that it was possible for the State to partially withdraw from direct provision of housing, but that the majority of tenants

did not have access to the necessary resources, or did not want to buy their homes. However, Malpass & Murie (1987:97) argue that the Conservative Government's policy of privatisation through the Right to Buy "has not meant a disengagement of government from housing" and that new policies represented "a shift in the nature, direction and methods of state intervention, rather than a simple withdrawal or abandonment of the tradition of intervention through the general provision of council housing". When the momentum of the Right to Buy began to slow by the mid 1980s, the Government sought other ways of maintaining the pace of privatisation (Malpass & Mullins, 2002). The stock transfer models adopted by the Conservative Government relied on a degree of pressure on local authorities and were successfully resisted by local authorities. The Conservative Government's failure to force local authorities to transfer did not result in any change in its ideological opposition to public landlordism, and the financial regime for council housing was indeed tightened further from 1990 onwards. A small number of local authorities started to explore ways of removing their housing from the impact of this financial regime (Kleinman, 1993), following the early lead set by Knowsley in 1982 and Glasgow in 1996 (see chapter four), resulting in LSVT, which is a voluntary process that occurred in spite of conflict between Central and local government, not because of it. The role of relations between central and local government in the withdrawal of the State from direct provision is explored later in this chapter.

Fiscal crises

In this section, we explore the work of Osborne & Gaebler (1992) who assert that fiscal crises have forced states to change the way they provide services. We go on to examine the perspectives on fiscal crises and housing policies expounded by Forrest & Murie (1987) and Hamnett (1987), who assert that the Conservative Government cut public housing programmes for ideological, rather than economic reasons.

Re-invention of the role of governments

Osborne & Gaebler (1992) and other American writers (see for example, Wolch, 1990 and Wunthnow, 1991) advance the thesis that the fiscal crises of the 1970s helped bring about changes in the way governments deliver services. They argue that politicians offered voters two choices to escape from a cycle of repeated crises in public finances – to increase taxes or cut spending. Osborne and Gaebler claim to

have identified a demand among voters for a third option - the same level of taxes and enhanced services. They describe governments as being like fat people who need to lose weight – "they need to eat less and exercise more; instead, when money is tight, they cut off a few fingers and toes" (Osborne and Gaebler, 1992: 23). Governments needed to find a way of reconciling demands for better services while their budgets remained static or even decreased in real terms. This pressure is believed to have driven change in the way services are delivered:

> *"Under intense fiscal pressure, state and local leaders had no choice but to change the way they did business. Mayors embraced 'public-private partnerships' and developed 'alternative' ways to deliver services." (Osborne and Gaebler, 1992: 12)*

Osborne and Gaebler assert that the debate about the scale of government, and whether there is too much or too little, is a "red herring", and that the fundamental problem is that "we have the wrong kind of government" (ibid: 23). They argue that fiscal crises taught governments that it is possible to procure better services with less tax revenues if they "facilitated problem solving by catalysing action throughout the community…to steer rather than row" (ibid: 28). Political leaders are said to have discovered that it is easier and often more cost effective for them to facilitate action to address problems if they disengage from service delivery: "Steering is very difficult if an organisation's best energies and brains are devoted to rowing" (ibid: 30). Separating strategy from service delivery is believed to leave governments free to "see the entire universe of issues and possibilities" and to "balance competing demands for resources", while providers are said to concentrate on "finding the best methods to achieve their goals" (ibid: 35).

Stock transfer and the changing role of government in housing provision
One interpretation of Osborne & Gaebler's thesis is that fiscal pressures and resistance among voters to pay higher taxes, coupled with voter expectations of better services for less money, encouraged local authorities to search for new ways of providing services. Many politicians and officers started to ask searching and difficult questions about the services they provided, and came to the conclusion that it was not in the interests of their tenants and communities to continue to own and manage housing. Stock transfer appeared to be an acceptable option for local authorities for two reasons. Firstly, it offered a solution to some of the problems they faced, and

enabled withdrawal in a way that helped to ensure that the interests of tenants were protected. Transfer could be structured in a way that gave comfort to councillors that their housing stock could be preserved as a single entity (Malpass & Mullins, 2002), even though they gave up direct control. They also have a certain degree of influence over the independent organisations they create as one of the major stakeholders. Secondly, it was a course of action that local authorities were not directly forced by Central Government to enter into. In assessing the relevance of Osborne & Gaebler's work to housing policy in the UK and actions by local authorities, it is important to consider the ideological position of the Conservative Government, which made public provision of housing an early target for budget reductions (Cooper, 1985; Forrest & Murie, 1988). Arguably, the ideologically driven fiscal pressure upon local authorities left some councillors feeling that they had little alternative but to transfer.

Fiscal crisis or reorientation of housing expenditure?
While Osborne & Gaebler's study provides a useful account of how states may have reacted to fiscal pressure, a number of authors challenge the view that the Conservative Government's housing policy was driven by the perceived need to reduce public expenditure. Forrest & Murie (1987) assert that the Conservative Government reoriented public expenditure from public housing programmes towards funding measures to support the promotion of owner occupation, and alongside Hamnett (1987), they assert that Conservative housing policies were ideologically driven, and the savings to the Exchequer that resulted were an unintended, although perhaps welcome outcome.

Forrest & Murie (1987) examine changes in public expenditure between 1979 and 1986, and identify a major shift from capital investment in public housing towards means tested personal housing subsidies and support for owner occupation through mortgage interest tax relief.

Political debates at that time were said to have been dominated by the perceived need to address a fiscal crisis and shifting greater responsibility for financing housing to the private sector (Cooper, 1985). Forrest & Murie reject the notion that changes in public expenditure on housing should be seen as an inevitable outcome of fiscal constraint, as the combined cost of mortgage tax relief, central and local government subsidies, benefits and improvement grants increased by two thirds between 1979 and

1983. They go on to argue that

> *"the policy of privatisation through council house sales did not emerge because of some financial calculation. Rather it was presented as a means of extending home ownership; redistributing wealth; and reducing the power and control of the State. However, as the policy has emerged since 1979, it has increasingly contributed to the relief of fiscal problems." (ibid, p29).*

The authors assert that, despite the rhetoric of austerity, the reality was an expansion of existing expenditure, with redirection from direct provision of housing to support for private provision.   Kleinman's (1996) assessment of the Conservative Government's financial support for owner occupation draws rather different conclusions. He argues that "behind the rhetoric, the reality was [that] the Treasury was known to be hostile to mortgage tax relief" (ibid: 30). The real value of mortgage interest tax relief was eroded over the course of the 1980s, due to a combination of lower income taxes; increases in house prices, while the level qualifying for relief remained constant; and the withdrawal of dual tax relief, where joint owners could both claim (ibid).

Hamnett (1987) argues that the financial benefits of council house sales were not the principal rationale for the Conservative Government's policies, as to do so "would be to fall into the trap of inferring causes from their effects" (p212). He identifies the primary motivating factor for sales of council housing and cuts in public housing programmes as being the Conservative Government's ideological objective of expanding home ownership. Although there were fiscal benefits from sales and cuts, these were "a secondary bonus" (p212). To back up this thesis, Hamnett points to a number of alternative cuts available to the Conservative Government to reduce expenditure that were not explored – including, for example, cutting or withdrawing mortgage interest tax relief – all of which were rejected as being politically unacceptable.

In the section above we outlined accounts of the withdrawal of the state from direct provision to help advance the understanding of stock transfer. The State began to withdraw from direct provision, perhaps reluctantly, in the 1970s because of the fiscal and economic problems of the Labour Government, although it argued that the vast majority of the population were, by then, well housed. The Conservative Government,

elected in 1979, asserted that direct provision had become both a financial burden and a source of conflict between central and local government. Ministers were ideologically opposed to direct provision by the public sector and wanted to encourage local authorities to withdraw. Withdrawal from service delivery would help to resolve central-local conflict over housing policy; shift – but not eliminate - the financial burden of housing provision; and enable government to focus on strategy and to monitor the performance of providers.

Central-local relations

Central and local government both claim that they have legitimacy of authority delivered through the electoral system, although local authorities are directly judicially dependent upon the centre. Housing has been a major political issue throughout the 20th century, and central governments chose at various stages to address housing needs through direct local authority provision. Over time 70 per cent of rented housing was provided by local authorities, which became increasingly difficult to manage (DoE, 1981; Power, 1987; Henney, 1984). In spite of these mounting problems, Central government attempts to take more control of the activities of local authorities were met by resistance. Local authorities were reluctant, for example, to accept imposition of statutory homelessness duties and the duty to prevent racial discrimination in allocations policy and practice. Relations between central and local government have been in crisis since 1979 due to increasing attempts by the centre to control and constrain the activities of local authorities. The Right to Buy, for example, was accepted reluctantly by many authorities, but others refused to divert resources from other services to process sales within centrally set timescales. Anticipating opposition from some councils, the Conservative Government included powers of intervention in the Housing Act 1980, resulting in intervention in the administration of council house sales in Norwich (Forrest & Murie, 1985). Central government sees local authorities as agents through which it delivers its policies, while local authorities seek to implement their own programme, upon which they were elected into office. The result is a relationship characterised by conflict and blame:

> *"Central government and local authorities… are organisations subject to many and often conflicting pressures, and whose key actors may be as likely to disclaim responsibility for their actions and to blame others, as to*

> *seek responsibility in order to achieve their goals." (Jones and Stewart,*
> *1985:27)*

The post second World War era witnessed a growing pressure for better public services and uniformity of provision. There were pressures upon both central and local government for enhancements in services. Local authorities' dependence upon grant funding meant that the Government felt most of the pressure to find the additional resources required to provide more services, whereas local authorities were under intense pressure to provide beyond their capacity to organise or manage. Central government has to be concerned about the *totality* of expenditure, of which spending by local authorities is an important component. The election of the Conservative Government in 1979 precipitated a crisis in relations between local and central government. One of the main manifesto commitments of the Conservative Party in the election was to reduce Government spending (Conservative Party, 1979). In order to deliver upon its commitment, the Government increasingly sought to control the spending and activities of local authorities.

By the time the Conservative Party came to office in 1979, public housing - particularly flatted estates in inner urban areas - was becoming less popular (see for example Dennis, 1970; Parker, 1983; Cooper, 1985; Kleinman, 1996). A widely held perception of public provision was that the professionals who developed it had paid scant regard to the needs and aspirations of the people they housed (Dunleavy 1981; Henney, 1984) and that the scale of estates proved unmanageable for local authorities (Power 1987). However, Forrest & Murie (1987) challenge the view that council housing was unpopular. They reject assertions by other authors (see, for example, Saunders & Harris, 1987) that tenants chose to exit the sector because of their dissatisfaction with their landlord. Forrest & Murie point to survey evidence suggesting that 85% of tenants purchasing their homes in London were satisfied with their experience as tenants. However, this survey data was gathered between 1968 and 1973, and it is possible that these tenants exited the sector before management problems emerged, or before tenants were encouraged to expect higher quality services from their landlords. It is clear, however, that the provision of housing by the State was antithesis to the Conservative Government's commitment to private provision. Withdrawal on a wide scale began with the Right to Buy, which compounded the problems of public provision, by removing the most attractive stock

and limiting opportunity and choice for those remaining in the sector (Sewell, Twine & Williams, 1984). The Right to Buy was popular with tenants, who were more likely to be Labour supporters than Conservative supporters (Johnston, 1987). Kleinman (1996) argues that although Labour's support for council housing began to waver in the mid 1970s, the Party instinctively opposed forced sales through the Right to Buy and pledged to end the policy in its then current form in its 1983 manifesto (Labour Party, 1983). Following its poor results in the 1983 General Election, this commitment was dropped and the party accepted the Right to Buy (Merrett, 1985). The Right to Buy was accompanied by central government attempts increasingly to control the activities of local authorities (Forrest & Murie, 1987). Local authorities attempted to resist these assaults on what had become their empires or "municipal fiefdoms" (Cooper, 1985).

The Conservative governments devised a number of policies that were designed to either encourage or force local authorities to downsize the scope of their activities, including cuts in grants, rate-capping, Compulsory Competitive Tendering and compulsory stock transfer through Tenants' Choice and Housing Action Trusts. The Conservative Government had a vision of local authorities that did not provide services directly, but employed contractors instead and acted as a regulator and an enabler (DoE, 1987; Waldegrave, 1987; Ridley, 1988). Stock transfer can be seen as a model that the Government attempted to use against councils who were reluctant to transfer their housing voluntarily (Clapham, 1989) as shown in see figure 2.1.

Figure 2.1: Central-local conflict and stock transfer
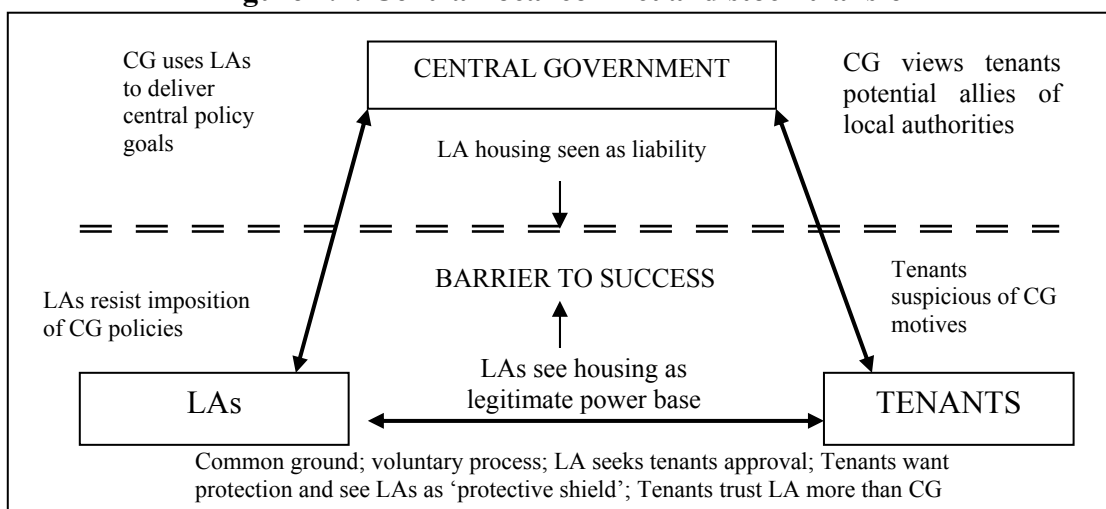
Source: Based on Cooper (1985), Dunleavy (1981) and Power (1987)

Government attempts to impose its will upon reluctant local authorities through directed transfer were successfully resisted by local authorities and feared by tenants (Woodward, 1991). The combined efforts of local authorities and tenants set up a "barrier" to the success of the Government's schemes. Tenants were suspicious of central government motives and were fearful of the involvement of 'private' landlords. They felt disenfranchised by the Government's approach to stock transfer, and wanted to have a say in the process. At the same time, however, tenants had a high stake in their housing and a desire for better conditions, including re-investment and improved management (Woodward, 1991; MacDonald, 1986). Local authorities came under pressure to transfer their stock due to centrally imposed restrictions on housing budgets but the problems of direct provision were arguably also an important factor (Cole and Furbey, 1994; Henney, 1984; Stewart, 1988; Clapham, 1989). These problems are explored in the next chapter. Tenants arguably accepted transfers proposed by their local authorities as their existing rights were largely unchanged following transfer. The authorities sought the opinions of tenants, and asked them to vote on the process. This engendered trust and a new feeling of partnership between councils and tenants (Lee, Power & Tunstall, 1999). We explore further the reasons for the limited direct impact of the Government stock transfer initiatives in Chapter Three.

2. DOES ORGANISATIONAL CHANGE AND DEVELOPMENT HELP TO EXPLAIN STOCK TRANSFERS?

In this section, we explore four accounts of organisational change and development in housing provision and their relevance to the changes brought about by LSVT associations. Direct provision of housing by local authorities was believed to be problematic (see for example Henney, 1984; Clapham, 1989; Saunders, 1990 and Power, 1997), and the Conservative Government and some local authorities looked for ways of changing the organisation and management of their housing stocks to improve the services provided to tenants (Malpass & Mullins, 2002). The Conservative Government wanted to "break up local authorities' near monopoly of rented housing" and "diversify tenures and bring in private sector money and expertise" (Ridley, 1988: 20). In response to the Conservative Government's changes to the financial regime for council housing and political attacks on management (Cairncross, Clapham & Goodlad, 1997), local authorities started to explore new ways

of placing the management and ownership of their housing at arms length, where it could be run by independent organisations. Organisational change can help to break up local authority monopolies and reduce the scale of public housing, arguably leading to fundamental changes in the nature of public housing (Clapham, Kintrea and Whitefield, 1991; Tym et al, 1988). We explore Jacbob's (1961) thesis that public housing bodies are unsustainable as they are too large, leading to break-up into smaller entities, and Henney's (1984) assertion that public housing has failed due to its mass scale and lack of incentives for the organisations providing services to tenants, echoed later by Clapham (1989), who argues in favour of the phased transfer of council housing to tenant controlled bodies, to redress the inherently unequal power relationship between producer and consumer; Power's (1997) thesis that direct provision is inherently weak, leading to pressure to move towards arms length ownership and management; and we also explore the organisational theories of Handy (1993) and Peters and Waterman (1982) and discuss their relevance to stock transfer.

Scale of housing provision

Jacobs (1961) describes a number of prerequisites for cities to work. Cities are said to need diversity and a good mix of primary uses and a high concentration of people. "Massive single elements" in cities can cast a "deadening influence", and both private and public money have a tendency to either *glut* or *starve* development and change. Under this pattern, public housing is cited as a prime example.

Jacobs predicted that slum clearance and replacement by public housing would be self-defeating, adding its own "tincture of extra hardship and disruption". Cities in Britain were subjected to the kind of "cataclysmic money" described by Jacobs. Generous subsidies from central government encouraged local authorities to clear "slums" and replace them with council housing (see figure 2.2). Parts of many cities in Britain were subjected to mass clearance and new build when local authorities received considerable levels of grant funding:

> *"Public housing is employed cataclysmically instead of for gradual, steady street and district improvement, because we thought that cataclysms would be good for our slum dwellers."* (ibid: 328)

Figure 2.2: Effects of money on poor neighbourhoods

Poor neighbourhoods (starved of private money)

↓

Cataclysmic money (public investment)

↓

"slum" clearance and replacement by public housing

↓

Public housing "abstracted out of wider city"

↓

Break-up essential to restore diversity to make areas work
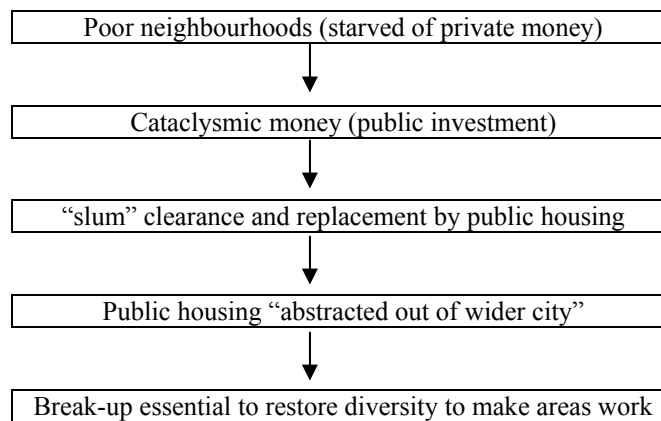
Source: Based on Jacobs (1961)

When central government subsidies to local authorities were reduced, investment in some areas dried up, and they declined rapidly.

The effect of "cataclysmic money" was that public housing did not meet Jacobs' key criteria for success:

> *"All city building that retains staying power after its novelty has gone, and that preserves the freedom of the streets and upholds citizens' self-management, requires that its locality be able to adapt, keep up to date, keep interesting, keep convenient, and this in turn requires a myriad of gradual, constant, close-grained changes." (ibid:284)*

Much of post war council housing, in its original form, arguably fulfilled the large-scale cataclysmic money category, and not the staying power criteria of Jacobs, as it has not kept pace with changing expectations (see table 2.2). Councils appeared to find it difficult to maintain the new forms of housing and keep them up to date so that they met the expectations of tenants in the 21st century. Residents found it increasingly difficult to manage or control the conditions immediately around their home, because of design, scale and lack of defensible space (Newman, 1973). Scale and design also made council housing difficult to adapt or keep up to date. The size of buildings means that reconfiguration – where possible at all – is expensive and time consuming. This makes a large proportion of council housing incapable of both gradual and constant change:

> *"Although the need to break up large estates was frequently recognised, their form was often such, and the expenditure involved likely to be so high, that there was little possibility of doing this." (DoE, 1981: 5)*

Table 2.2: Jacob's criteria for success and local authority housing

Jacob's criteria for success	Local authority housing
• Staying power	• Declining popularity and increasing demolitions suggest that local authority housing has not kept up with expectations.
• Self management	• Self-management of areas around homes is believed to be difficult because circulation spaces on estates are 'public' or 'communal' areas and there is very little 'defensible' space.
• Adaptability	• Scale makes adaptability difficult and prevents individual control over residents' homes and surrounding areas.
• Capable of gradual change	• Arguably incapable of gradual change due to size of buildings and estates, which are difficult to adapt without major reconfiguration.

Source: Based on Jacobs (1961)

Why growth leads to break up

Rescuing public housing involves re-integrating areas which have been "abstracted out of the ordinary city" (Jacobs, 1961) back into fabric, which strengthens the fabric too. To rescue public housing, Jacobs asserts that cities need to identify which conditions for diversity are missing, including a lack of mixed primary uses; blocks that are too large; an insufficient mixture in ages and types of buildings; and whether the concentration of people is sufficient to maintain an area. Diversity is said to equal difference, which makes the break up of the monotony and "sameness" of public housing essential.

Jacob's model of growth and diversity may offer a useful explanation for stock transfers in urban areas with large estates. Her explanation also offers some useful pointers in explaining stock transfers in shire district authorities. Although the bulk of council housing in these areas is not built in estates, and more of the pre-requisites for diversity are in place, management structures were arguably centralised and remote, and tenants often tended to have little influence or control.

Mass scale, incentives and producer interests

In a publication that arguably helped to influence later Conservative Government housing policy, Henney (1984) attacks council housing on a number of fronts. He criticises the scale of council housing and recommends the transfer of small groups of dwellings to statutory trusts, as a way of increasing tenant satisfaction by providing sharper incentives for producers. Henney accuses councils and professionals of developing council housing programmes "on far too large a scale, which took little or

no heed of popular preference, little or no heed of scope for improvement rather than [slum] clearance, little or no heed of the likely social and economic consequences" (ibid: 12).

Henney characterises the system that evolved as more expensive than other housing solutions, having produced defective stock with day to day management problems, due to remote staff "locked within the town hall system" (ibid:15). He makes six specific criticisms of council housing: little consumer influence over the construction of their homes or over allocations; rents that did not reflect the cost of housing, and a lack of transparency in the true cost of housing to the public; councillors using construction and management of council housing to seek political advantage; a widescale failure by architects to design the types of homes that people wanted to live in; a lack of accountability to the end user as council housing was "commissioned by one group of people, designed by another group, managed by another, occupied by another, paid for by another" (ibid:18); and that the scale of the operation of managing the housing constructed was too big, and smaller landlords would eventually be required.

Henney's proposed solution was to give tenants more responsibility for, and control over, their homes; remove political patronage; introduce more choice and competition; and re-focus local authorities' activities on a residual welfare role, while other agencies provided for a broader range of needs. These aims would be achieved through a number of measures, the most radical at the time being the transfer of council homes to Housing Management Trusts (HMTs) either at the initiative of local authorities themselves, or tenants or at the direction of ministers. Each HMT would own and manage between 500 and 2000 units, and would be controlled by trustees, five of whom would be elected by tenants, one member nominated by the local authority, a representative of the funder, and two independent members.

Henney's analysis of council housing is clearly partial, and assumes public provision *per se* to be inferior to market based solutions. His analysis clearly influenced Conservative Government housing policy in the 1980s, as his proposal to transfer housing to small quasi independent trusts would help break up the near local authority monopoly of provision of rented housing, as well as shifting responsibility for financing social rented housing to the private sector, and is reflected in both the

Housing Action Trust and Tenants Choice models.

Devolving control to tenants

Clapham (1989) echoes some of the themes of Henney (1984) although he considers council housing within the context of the social objectives of equality, freedom, democracy and community. Clapham argues that, while council housing has provided access to decent housing for disadvantaged people and placed the provision of housing firmly within local political debates, it has a number of weaknesses. Firstly, Clapham argues that the provision of housing by the State has not significantly enhanced equality. Owner occupiers accumulated personal wealth, aided by state subsidies in the form of mortgage interest tax relief, resulting in wider inequalities between owners and tenants. Secondly, the systems of management of council housing have placed unnecessary restrictions upon tenants' use of their homes, as well as restricting personal choice. Thirdly, Clapham argues that councillors have been reluctant to devolve control to tenants, as this might threaten their role as elected representatives. For staff, the requirement to be accountable to politicians for all decisions results in "rigid management structures and the use of standardised procedures, resulting in the stifling of initiative among staff" (ibid: 32). Finally, Clapham argues that council housing has not nurtured communal living. Standardised approaches, especially slum clearance, have been insensitive to existing communities. Council housing itself is said to have reinforced social divisions by locating disadvantaged people on highly visible and often segregated estates.

Clapham proposes a fundamental shift in the power relationship between landlords and tenants as a means of helping to achieve the social democratic goals of equality, freedom, democracy and community. This would be achieved by devolving ownership and control of housing to as small a scale as possible:

> *"small scale is necessary to achieve effective tenant involvement in which all tenants can be informed of what is happening and have the chance to participate in decision-making. Small scale is also important in the provision of an effective, speedy and flexible repairs service. What seem to be insurmountable problems in organising an effective repairs service at the scale of a large district council seem to become insignificant when the service is organised at estate level." (ibid:43)*

Clapham acknowledges the advantages of larger scale organisations (for example, greater opportunities for developing specialist staff; cost savings through bulk purchasing), while Dearlove (1979) points to a number of disadvantages of small scale, with reference to local authorities. They are said to have more difficulties in recruiting staff of a high calibre; they are believed to be unable to derive the benefits of economies of scale; and they are believed to be unable to benefit from specialisation and division of labour. However, Clapham argues that small scale organisations are essential for management of housing stock, while larger organisations could take on the role of building and refurbishment. Maclennan et al (1989) and Clapham (1992) provide further evidence that small landlords perform better than larger ones. Clapham argues that tenant co-operatives of up to 300 units could take over the ownership and management of the stock and that the new organisations would be well placed to inform and involve tenants in taking decisions.

Arms-length ownership and public sector management

Power's (1997) study of housing in Britain, Ireland and continental Europe advances the argument that direct state provision of housing is inherently weaker than management by independent bodies operating at arms length from the State. Power argues that state landlords cannot adapt easily to changes in circumstances, and are torn between the need to be accountable to their political masters and the need to provide services to their tenants. Arms length landlords are said to be stronger and more focused on the needs of tenants and able to adopt a long-term approach afforded by secure and stable funding. For example, Emms (1990) argues that councils have weak incentives to maintain their housing stocks as a result of the lack of a direct link between an individual tenant's rent and the service received, due to the practice of rent pooling. The Centre for Housing Research study (MacLennan et al, 1989) points out that housing associations are able to devote more resources to housing management, resulting in some cases in higher tenant satisfaction than in local authorities. Power argues that the strength of independent landlords encourages central and local governments to seek to move management and ownership of their housing to independent bodies in order to introduce "greater flexibility, autonomy, business efficiency and investment into the complex management tasks of social landlords" (ibid: 369) as well as to extend withdrawal from direct provision, as discussed above. Kleinman (1996) argues that developments including LSVT and a

reduced direct role for the State point to a convergence between British and European housing systems.

Direct management of social housing arguably placed councillors in a difficult position of being responsible for a service and at the same time acting as tenants' democratically elected representatives. Councillors received a large volume of complaints about the housing service, but often responded defensively, leading to disillusionment among tenants with both politics and public housing (Power 1987).

Councillors seemed to be able to do very little to improve management or the condition of their housing stock, given the financial constraints imposed by the Conservative Government and placing management and ownership of housing at arms length offered a possible route to improvements. This meant that more resources could be accessed, but more importantly, it meant that councillors would be free to act on behalf of their tenants, with no compulsion to defend the performance of the service provider. Some councils have placed ownership and management of housing at arms length through LSVT. Their continuing role as key stakeholders, with nomination rights and places on LSVT boards, arguably helps to ensure that local interests are protected. It can also be argued that councillors are better placed to act on behalf of the consumers of housing services, as they have less interest in defending the performance of the provider.

Power argues that the complex business of social housing requires a single purpose and vision. She asserts that while local authorities can change the way they work - for example, through decentralisation - management will always be weaker, as they are multi-purpose bodies, which lack the single purpose required (Power, 1997). This view is supported by Stoker (1985) who demonstrates how local authority interdepartmental conflicts can lead to the division of functions that would be more efficiently handled by a single department. Malpass (1975), Paris & Blackaby (1979) and Stoker (1985) argue that interdepartmental rivalries can make the management of a project difficult and cause delays, while Davies (1981) argues that rivalries may even lead to the abandonment by departments of policies which have been adopted by councillors. In a challenge to the dominant view in the literature – that LSVT is driven by Central Government fiscal policies and ideology – Power asserts that local authorities need to transfer to place the ownership and management of housing at

arms length to provide the focus and investment required.

Public Sector management ethos

Linked closely to arms-length management and ownership, it is possible that stock transfer can be explained by a desire by some staff to remove housing from the effects of public sector management ethos. There is a tension within local authorities as organisations for effective service delivery, and as political institutions constituted for debate and challenge (Leach, Stewart & Walsh, 1994). In order to provide an effective service, an organisation is said to require shared aims and values. This is often not compatible with the governing process of a local authority, which involves groups of actors with different values engaging in debate and disagreement. Where shared aims and values do exist, the organisations are often not sufficiently focused to deliver, which can create the impetus for a move towards single purpose organisations, which operate independently of local authorities.

Public sector management is believed to seek to steer a route between service delivery aims, and the political processes operating within an authority. Management is consequently geared to the needs of politicians and the political cycle. Clapham (1989: 33) argues that "the emphasis on representative democracy has overburdened channels of accountability and control and contributed to inefficiency and unresponsiveness to tenants' needs. Few top managers in local authority housing know what tenants think about the service provided, but *all* know what councillors feel about the service". Henney (1984) argues that local authorities need to consider political priorities as well as the business needs of their Housing departments and in the past this has often led to low levels of rent and a consequential lack of resources for investment in some authorities.

Stock transfer can provide officers with an opportunity to establish organisations that are less constrained by the effects of public sector management ethos, arguably making it easier to structure the organisations around the service of providing social housing, and not the political cycle. The boards of the new organisations are intended to be apolitical and are believed to structure their approach to service delivery around a common statement of aims and values. The new organisations have access to their own core long-term funding, and no longer need to compete with other departments for resources (Stoker, 1991).

Management or administration?

Stewart (1998) argues for widescale changes in the way council housing departments are organised and managed, to reflect the changing environment in which they operated from the early 1980s onwards, particularly changing social norms and aspirations. He argues that "local authorities can no longer so readily assume that the public is or should be satisfied with their services. Neither can they assume that the tenant is or should be grateful for the housing provided" (ibid: 11). Although Stewart stops short of advocating a change of ownership, he encourages housing departments to move away from the *administration of procedures* to *management of services* for tenants.

Through visits to local authorities, interviews with key staff and through the examination of documentary evidence, Stewart concludes that housing departments have traditionally operated by establishing procedures and implementing them, leading to centralisation, specialisation and restricted learning:

> *"The administrative tradition was linked to the paternalism of the past. The organisation knows best and the organisation operated through its procedures. Success was measured by adherence to procedures."* (ibid: 17)

Stewart agues that this type of structure has a tendency to centralise, as centralisation is the best way of ensuring that the organisation implements procedures. The staff within the structure are said to become more remote from the tenants, and "the organisation becomes closed to learning from outside" (ibid:17). When demands from tenants grew and resources declined, housing departments withdrew further from the frontline and took on the role of gatekeeper. The result can be a Housing Department that does not manage its stock or recognise the implications of its actions or lack of actions:

> *"The enclosed department can enclose itself against learning, whether it is learning about the changing housing situation; about the changing composition of its own tenants; about the state of its stock; the results of its allocations policies; the extent of discrimination being applied; tenants' views; or problems not dealt with and issues not resolved."* (ibid: 18)

Stewart advocates wide ranging changes to the structure of housing departments, including changes in the role of councillors, who would focus on strategy and the broad direction of their staff. New management for council housing would require moving staff back to the frontline, helping them to focus on conditions on the ground and stay closer to their tenants. If housing departments remained as centralised and remote organisations, it is argued that conditions would deteriorate rapidly.

Organisational Culture

Handy (1993) stresses the importance of ensuring that an organisation adopts the right kind of structure to fit its culture. He attributes many of the problems experienced by organisations to the imposition of "an inappropriate structure on a particular culture, or from expecting a particular culture to thrive in an inappropriate climate" (ibid: 181). Handy identifies four main organisational cultures – Power, Role, Task and Person. These cultures are outlined in Table 2.3.

Table 2.3: Handy's Organisational Cultures

	Power Culture	**Role Culture**	**Task Culture**	**Person Culture**
Characterised by	Spider's web	Greek temple	Net	Cluster of stars
Organisation	Strong central figure	Roles and departments strictly demarcated	Small autonomous teams which are task orientated	Individuals are focal point of organisation
Control	Few rules and little bureaucracy	Bureaucratic and rule driven	Focus is on outputs rather than means	Few shared rules. Difficult to impose management structure
Advantages	Fast to adapt to changing circumstances	Cannot adapt easily to changing circumstances	Extremely adaptable and sensitive to the market	Enables individuals to pursue their own goals
Disadvantages	Only works in small organisations	Liable to collapse in unstable environment	Working environment can be tough leading to high turnover and low morale	Impossible to agree and/or achieve any organisational goals, unless another culture is adopted.

Source: Based on Handy (1993)

Organisations characterised by the Power culture depend on a strong central figure or small nucleus of leaders. There are few organisational rules and they are only effective when the central figure is able to trust his subordinates, who must be empathetic with the organisation's aims and values. This type of organisation can "move quickly and react well to threat or danger" but only works well in small

organisations as "the web can break if it seeks to link too many activities" (ibid: 184).

Role cultures depend on "defined job roles, procedures for communication and rules for settlement of disputes" (ibid: 185). This type of culture only works well when the organisation can control its operating environment, and when conditions are stable. Handy characterises this culture as a Greek temple, which "rests its strength in its pillars" which are "strong in their own right" but when the operating environment changes "Greek temples are insecure when the ground shakes" (ibid: 185). These organisations find it difficult to identify the need to change and are slow to change, as employees and departments do not look beyond their own individual tasks. This type of organisation therefore only works where there is little competitive pressure, such as the work of government departments or local authorities.

Handy describes the Task culture as "job or project orientated" with an emphasis on "getting the job done" (ibid: 187). There are very few rules and outputs are more important to the organisation than the way the teams go about achieving them. Individual teams are afforded a great deal of autonomy. This type of organisation is adaptable and is appropriate where "flexibility and sensitivity to the market or environment are important (ibid: 188). The focus on results can often create a highly pressured working environment, and this may lead to low morale and a high turnover of staff.

The Person culture can be found in small organisations where "the individual is the central point" (ibid: 190), such as small consultancies or barristers' chambers. Handy characterises such organisations as clusters or galaxies of stars, as there is no management structure and individuals have autonomy and control over their own work. There are few, if any shared or common goals, and it is very difficult to impose control or management on organisations with this type of culture.

Organisational culture in housing and local government

Handy warns of the dangers of imposing an inappropriate structure on a particular culture. Local authority housing departments are believed to adopt the "role" culture, which works well in stable operating environments, but can be unstable when there is change. This culture can prevent variations in styles and systems, in order to prevent staff from innovating, taking risks and making mistakes, which might be turned into

political issues at councillor level. These structures can consequently be slow to recognise the need to change and slow to adapt. Individual employees and departments are said to focus on their own tasks, as laid down in their job descriptions, and they are often unable to recognise the need for change. If they do recognise the need to change, their attempts to adapt are often fruitless, unless other departments change too. LSVT associations arguably move closer to the "task" culture, with an emphasis on getting the job done. They are able to operate with more flexibility and with less demarcation. Pay scales can be linked more closely to performance. Staff can be given more freedom from their managers to innovate and take risks, and collectively, the organisation can learn from its mistakes and develops.

Handy's schema helps us understand stock transfer by demonstrating the effects of the local authority culture on service delivery, and explaining how stock transfer can help to provide a more appropriate structure for alternative management styles. Local authority structures are designed to ensure that staff work only within a defined role. It largely prevents them from innovating and making improvements within their own roles difficult. The structure arguably prevents local authorities from being as responsive as they could be. In contrast, stock transfer organisations are structured around the task of providing services. The methods used to achieve the goal of effective service delivery are said to be less important than the goal itself.

Seeking excellence in service provision

Peters and Waterman (1982) give an account of research undertaken by the management consulting firm McKinsey between 1977 and 1980. McKinsey was concerned with problems of management effectiveness, and the nature of the relationship between strategy, organisational structure and effectiveness. The authors studied 75 highly regarded organisations in order to identify key criteria for excellence. They identified eight attributes that characterise most closely the distinction of what are described as "excellent innovative companies". Firstly, excellent organisations have a *bias for action*, and have at their disposal a range of devices to maintain "corporate fleetness of foot" in order to avoid the "stultification that inevitably comes with size". Secondly, excellent organisations are *close to their customers* and learn from the people they serve. They obtain their ideas from customers by listening intently and regularly. Thirdly, excellent organisations give

their staff *autonomy and enable entrepreneurship.* They foster innovation and leadership among their staff, and give them sufficient scope to enable maximum creativity. Companies allow staff to take risks and make mistakes so that the organisations can learn. Fourthly, excellent companies focus on improving *productivity through people.* They treat their staff as their most important resource and seek to break down "them and us" cultures between workers and management. All employees are treated as "sources of new ideas" rather than as a pair of hands. Fifthly, excellent companies are *hands on and value driven.* Managers aim to be as close to the "shop floor" as they can, by visiting outlets and assessing them on the factors that are important to the companies. Sixthly, excellent companies *stick to the knitting*. In other words, they only do what they are best at and what they know about. They do not seek to diversify into areas of business that are not closely allied to their core business. Companies who diversify into non-core areas are less likely to be successful. Seventhly, excellent companies have *simple forms and lean staff.* They have structures and systems that are "elegantly simple" and very lean top level staff complements, so that there are as few layers between the most senior person and the interface with the customer as possible. Finally, excellent companies have *simultaneous loose-tight properties.* They are both centralised and decentralised. They seek to push autonomy down to the lowest levels of staff, but at the same time, seek to centralise control over their companies' values and mindsets.

It is possible to apply the measures of success to LSVT associations as a way of assessing the value of organisational change from public bureaucracies to single purpose, arms length organisations. Stock transfer arguably moves social housing into an arena where it is more easily able to adopt the attributes required in order to provide excellent services. Within local authority structures, operational and policy matters must be referred to committees for approval by politicians. Housing departments can be slow to make decisions and it is difficult for them to change course once politicians have made a decision. Officers cannot connect as closely to tenants as they may wish to, as they must have regard to the political process (Stewart, 1989). Staff lack the autonomy and freedom to innovate (Stewart, 1988), and their creativity and ideas can therefore remain untapped. Tenants often feel that they have no control over their homes and their landlords are unresponsive (Henney, 1984; Stewart, 1988; Clapham, 1989).

In Chapter 11 we use Peters and Waterman's analysis to assess how far arms length management and private sector practices can achieve excellence through provision of housing services through LSVT associations.

Some local authorities attempted to find new ways of delivering housing services because of the Conservative Government's limits on their finances, which affected their ability to deliver services, but possibly also because direct provision proved to be problematic. They placed the ownership and management of their housing at arms length. The new landlords are single purpose organisations that focus on the core business of running social housing. Some local authorities also sought to reduce the scale of housing operations by creating more than one transfer landlord, although the dominant model is whole stock transfer to a single landlord. Placing management and ownership at arms length enabled the new landlords to adopt alternative structures for managing housing, which enabled staff to deliver different styles of services to tenants.

3. LSVT AND THE SHIFTING BALANCE BETWEEN PUBLIC AND PRIVATE SECTORS

In the previous section, I developed the idea that stock transfer can be viewed as a way of helping to remove housing departments from the bureaucratic local authority structure, helping staff to change the way they deal with their customers; providing greater scope for innovation; and to adopt alternative ways of providing services. In the 19th and 20th centuries, direct provision of services by the State arose from perceived market failures and the need to address inequalities resulting from market provision (Le Grand, 1982). Local authorities became large multi-purpose organisations, providing services ranging from housing to education and refuse collection. Elected councillors were responsible for both the strategy and provision of all these services, even though they do not necessarily have any expertise in these areas (Audit Commission, 1986), and cannot reasonably be expected to do so. Consequently, councillors necessarily came to rely heavily on officers (Wilson, et al 1998), who in turn are not directly accountable to the end user. Focusing more effectively on tenants' needs might therefore require two things – firstly, breaking up the multi-purpose local authority into smaller autonomous or quasi-autonomous entities, and secondly, making service providers directly accountable to consumers.

LSVT can be seen as both a way of creating break away entities from local authorities, and also to help to make staff more directly accountable to tenants through tenants on governing boards and encouragement of more customer feedback. Right to Buy, LSVT and similar initiatives in other sectors have reduced the scope of directly provided activities, leaving local authorities to re-focus on purchasing services on their electorates behalf.

Stock transfer can contribute towards the shift in the balance of provision of services from the public to the private sector. Following this shift, the role of the public sector is typically to identify needs; commission and fund services provided by private sector organisations; and to act as regulator to prevent exploitation of users by monopoly providers (Goodlad, 1993). Stock transfer can be seen as a 'quasi privatisation', as the new landlord acquires public sector assets - to which the public sector will have long-term access on agreed terms – with a continuing involvement by the public sector, both as funder and regulator, but also as a board member.

Privatisation of council housing can be viewed from two perspectives (Feigenbaum, Henig & Hamnett, 1998). It can be seen as a pragmatic response to solving some of the organisational or economic problems emerging from direct provision, particularly lack of certainty over long term funding for investment. Alternatively, privatisation can be viewed as being driven by of a wider ideological goal of reasserting market mechanisms and shifting responsibility from the State to the individual. In this section I outline briefly the beliefs of the New Right, the goals of privatisation and how privatisation of council housing has played out in practice.

Background: Privatisation and the 'New Right'

Thompson (1990) points to a lack of any agreed definition of the beliefs of the New Right, beyond a faith in the market in the allocation of goods and services. The New Right is said to believe that "the market dispenses benign virtue and discipline" and that political involvement in the allocation of resources leads to coercion and corruption (ibid: 3). The New Right's ideas came to ascendancy in the higher echelons of the Conservative Party in the second half of the 1970s, as a result of perceived 'Government failure', and a failure to develop adequate economic and financial controls for nationalised industries (Veljanovski, 1987). This 'failure' was believed to have been at the root of the UK's economic problems and poor

performance of public corporations (Thompson, 1990), which were increasingly seen as a political and financial burden (Feigenbaum, Henig and Hamnett, 1998). The New Right believed that the market was best placed to maximise welfare, asserting that the State was inherently less efficient at providing services than the private and voluntary sectors, as there were constraints on the information governments can gather about the economy in order to manage it:

> *"Government is largely seen as…invading an otherwise self-regulating, cost minimising and welfare maximising social arrangement – the market mechanism."* (Thompson, 1990: 16)

Borrowing by governments to invest diverted capital from private sector organisations (which are said to create wealth) to government sponsored activities (which are said to be were unproductive). Privatisation of state agencies was said to have reduced the burden of public sector borrowing upon the economy, and arguably encouraged them to become more competitive and efficient.

Rolling back the State

Forrest & Murie (1988) argue that the Conservative Government, elected in 1979, broke the post World War II consensus that the State had a legitimate role as a direct provider of services, allocated on the basis of need. Privatisation would reassert market forces, reduce costs, increase efficiency and freedom and reduce, in the Conservative Government's view, "the perceived debilitating effects of dependency on paternalistic, oppressive bureaucracies" and "roll back the frontiers of the State" (ibid: 4)

The Conservative Government's overriding priority was its ideological goal of extending home ownership and reducing state provision, initially through the Right to Buy and later through transfers of tenanted stock. Home ownership was seen as the most effective way of decentralising power from the state to the market and to individuals:

> *"The creation of a property owning democracy was a central part of the ideological crusade of the Thatcher administration."* (ibid: 6)

The Conservative Government sought to shift the emphasis of public housing provision from a position where it was viewed as a right of citizenship and preferable

to private landlordism, to a system which provided only for the most disadvantaged members of society. Those who had access to resources would have to secure their own housing through the private market. This shift in emphasis has led to a residualisation of council housing, which lowered its status and increased stigma (see, for example, Murie & Forrest, 1980; Malpass & Murie, 1982; Malpass, 1983; Clapham & English, 1987; Forrest & Murie, 1991).

The politics of privatisation

Feigenbaum, Henig and Hamnett (1998) argue that privatisation is viewed by many commentators as a pragmatic solution to problems of service delivery or as a way of addressing fiscal or economic problems. They argue that while fiscal and economic aspects are important, the political dimension of privatisation is of equal or greater importance.

The authors categorise privatisations as administrative; economic or political (see figure 2.3). The administrative perspective sees privatisation as one of a number of tools which can be employed to solve a service delivery problem. The emphasis of this approach is on 'who does what best' and officials and politicians are seen as being ambivalent between public and private providers. The "third way" advocated by the Labour Government since its election in 1997 provides a good example of this type of approach.

Figure 2.3: Perspectives on privatisation

	Administrative	**Economic**	**Political**
Emphasised goal	Achievement of socially defined goals	Maximisation of individuals' utilities	Redistribution of power and control
Unit of analysis	Discrete social problem	Individual or firm	Group or class
Concept of privatisation	Tool box	Preferred mechanism	Weapon

Source: Feigenbaum, Henig & Hamnett, 1998

The economic perspective presents privatisation as "the "inevitable consequence of neoclassical truths that dictate the retraction of a bulky, intrusive and parasitic state"

(ibid: 38). Advocates of this approach to privatisation argue that public provision is less efficient than provision through market mechanism, leading to higher costs and higher taxes, and less private investment.

Fiegenbaum et al develop the idea that privatisation is essentially a politically driven phenomenon, rather than an adjustment to solve service delivery problems or economic difficulties. Privatisation is viewed as a mechanism with which politicians can further the cause of a particular class or interest group:

> *"privatisation often takes the form of a strategy to realign institutions and decision making processes so as to privilege the goals of some groups over the competing aspirations of other groups."* (ibid: 41)

Housing privatisation through the Right to Buy was designed to radically change tenure patterns in the United Kingdom. It can be viewed as part of a "systemic privatisation" as the Conservative Government's motivation was to "reshape the entire society by fundamentally altering economic and political institutions and by transforming economic and political interests" (ibid:42). Privatisation through the Right to Buy helped to shift public perceptions of the activities which Governments should take responsibility for, resulting in a more residual role for council housing, as described earlier in this section.

Privatisation in practice: Right to Buy

Although local authorities had powers to dispose of their housing from 1936 onwards, very few units were sold before 1980. Conservative governments in the post war era sought to encourage sales, while Labour governments sought to restrict them (Murie, 1975). The Conservative Government elected in 1979 introduced the Right to Buy (RTB), which granted tenants a statutory right to purchase their council property at a discount on the market value of up to 70 per cent, subject to limitations on the cash amount of discount granted. The RTB is the largest government privatisation to date, with some 2.2 million homes sold and receipts totalling £7.6 billion by 1996 (Moody & Ball, 1996), and a further 251,000 sales up to 1999/2000.

RTB has significantly reduced the stock of social rented housing in many authorities. While this has reduced local authorities' overall capacity to re-house homeless people and waiting list applicants, the reduction in the stock was accompanied by an increase

in turnover in the retained stock. Lettings to new tenants in England increased from 236,200 in 1988/89 to 249,900 in 1998/99 (see table 2.4). However, lettings to new tenants in the south east, south west and London fell, where pressure on affordable housing appears to be greatest.

Table 2.4: Lettings of Local Authority Housing

Government Office Region	All lettings	
	1988/89	1998/99
South East	20,500	17,000
South West	13,400	12,900
London	33,200	32,200
East	15,500	18,300
West Midlands	31,700	32,000
East Midlands	20,500	26,000
Yorkshire & Humberside	34,600	37,900
North East	22,300	25,100
North West	44,600	48,300
Total (England)	236,200	249,900

Source: DTLR, 2001

Although the sale of council housing to tenants is popular as it is perceived to enhance an individual's control over his or her dwelling (Saunders 1990), the RTB has deliberately contributed to the residualisation of the sector by removing economically active households from council housing and by removing the most desirable accommodation, thus reducing choice for those who remain in the sector (Sewell, Twine & Williams, 1984; Jones and Murie, 1999). It is also reducing the stock of affordable rented housing which the private sector has largely failed to replace, although it is possible to argue that increasing prosperity and changing aspirations have reduced the requirement for such a large rented stock (Saunders, 1990). Continued ownership by local authorities will allow the sale of dwellings to continue, but in contrast LSVT protects the existing tenants and helps to preserve the transferred stock for future generations of applicants (Malpass & Mullins, 2002) - once transferring tenancies have been relinquished, the new assured tenants who take their place do not have the RTB.

Quasi-Privatisation and competition - Is Large Scale Voluntary Transfer really "privatisation"?

LSVT is a form of privatisation, in that assets are moved from the public sector to the private sector, for which local councils receive a capital payment. Services attached to the asset are then provided by a 'private' sector organisation. LSVT shares many of the objectives of other privatisations, which have been identified by Veljanozski (1987). There are, however, some clear distinctions between 'privatisation' of council housing through LSVT, and other privatisations that took place in the 1980s and early 1990s. Tenants of local authorities are balloted on transfer proposals, whereas users of other services, such as the utility companies or British Rail, were not consulted. In contrast to other privatisations, LSVT associations do not make profits and are not "floated" on the stock market, and their status as registered social landlords is ambiguous. In this section, I explore the objectives LSVT shares with other privatisations and some of the distinctions which sets the policy apart from the wider programme.

The wider objectives of privatisation and LSVT

Veljanovski (1987:8) identifies eight objectives of privatisation, which are "to reduce government involvement in the decision making of industry; to permit industry to raise funds from the capital market on commercial terms and without government guarantee; to raise revenue and reduce the Public Sector Borrowing Requirement (the PSBR); to promote wider share ownership; to create an enterprise culture; to encourage workers' share ownership in their companies; to increase competition and efficiency; and to replace ownership and financial controls with a more effective system of economic regulation designed to ensure that the benefits of greater efficiency are passed to the consumer."

It can be argued that LSVT shares many of these objectives with the wider programme of privatisation. The Conservative Government had long espoused the idea of an "enabling state" (Ridley, 1988) which facilitated action by private sector bodies, with no direct government involvement in day-to-day decision making. LSVT can be interpreted as a way of enabling housing departments, as going concerns, to move into the private sector to access private finance without increasing the PSBR.   LSVT and the changes in the grant funding regime for housing

associations has arguably led to more competition and a more entrepreneurial style in social housing provision, arguably resulting in more effective use of social housing grant (DETR, 2000). LSVT has also moved council housing into an arena where it is regulated by the Housing Corporation, including regulation of rents and rent setting. It cannot be demonstrated, however, that LSVT results in wider share ownership, nor does it facilitate employee shareholdings in social landlords, which would, in any case, be inappropriate for not-for-profit landlords. There are further specific distinctions between LSVT and other privatisations, which are outlined below.

User consultation through ballots

LSVT guidelines have always laid emphasis upon the requirement to consult tenants on whether authorities should transfer their stock. Although the Guidelines have never prescribed a ballot of tenants, no transfer to date has been approved without one. Nor has any local authority attempted to seek the Secretary of State's approval to transfer without having balloted tenants. In contrast, the Conservative Government never balloted users of British Telecom, British Gas, the water authorities or British Rail on privatisation, although it sought approval of voters indirectly through the ballot box at general elections. Tenants of a local authority considering stock transfer therefore have a level of control over the future of a public asset that users of other services do not enjoy.

Shareholding members

Privatisations of profit making state owned corporations commonly involved "floatation" on the stock market. Shares were sold to small investors and investment funds, who appear to demand continuously increasing dividends and growth in business. In contrast, housing authorities are legally prevented from distributing profits, and the concept of floatation does not work in this context. Although they are not suitable for floatation, councils' housing stocks and the management services attached are attractive to RSLs, who are keen to expand their core business by purchasing the stock on an existing-use basis.

The ambiguous status of RSLs

Recipient landlords of the LSVT process are registered social landlords. There is a debate as to whether RSLs are really 'private sector' organisations at all. As industrial and provident societies or limited companies, RSLs have legal autonomy. They are

governed by independent boards and are financed privately. But they receive government grants and are subject to Housing Corporation regulation. The Housing Corporation has authority to place RSLs "under supervision", which can include placing its own nominees on RSL boards (Housing Corporation, 2002). The Conservative Government up to 1997 was keen on RSLs being seen as firmly in the private sector, although they stopped short of branding LSVT as 'privatisation'. This was essential in securing positive ballot results, as many tenants would not have voted in favour of a proposal that transferred their homes to 'private' landlords (Woodward, 1991).

The aims and objectives of associations are determined largely by regulations laid down by the Housing Corporation. They continue to be highly regulated by Government agencies, and also receive substantial government grants. In other privatisations, the new company formed from the former public corporations are undoubtedly in the private sector. They are subject to an element of Government regulation, but the regulators do not have the same extensive powers to intervene as the Housing Corporation.

LSVT is not "privatisation" in its purest sense, as the new bodies do not distribute profits and they are not "floated" on the stock exchange or sold to private companies. The State retains an involvement both as stakeholder and member of governing bodies, and also as an active regulator. LSVT shares many more characteristics with the quasi-market revolution in education, health and social services, where service provision has been split from purchasing (Le Grand, Glennerster and Maynard, 1991). Local authorities become "enablers" and effective "purchasers" or commission new services by inviting housing associations to bid for grants, which are awarded on a competitive basis (Goodlad, 1993). In contrast to NHS trusts and grant-maintained schools, LSVT associations are more clearly in the private sector, and consequently appear to be more independent of the State.

How is LSVT different from other shifts in the roles of the private and public sectors?
Table 2.5 outlines the key characteristics of, and motivations for, privatisations and 'quasi' privatisations in Britain. To explore the key differences between LSVT associations and other organisations created by privatisations, I divide the organisations into two distinct groups. The first group – including, for example, BT,

utilities companies and Railtrack - comprises organisations whose primary driver is profit maximisation. Distribution of their services is based upon ability to pay. Key drivers for the second group – LSVT associations, NHS trusts and grant maintained schools – are to increase turnover, to grow, to maximise outputs, while minimising costs. Distribution of their services is based on need, which is defined and assessed by professionals within each sector.

Private Finance Initiative (PFI) schemes sit somewhat uncomfortably between the two groups – they are run by private companies whose aim is to make a profit, but their contracts include incentives to increase outputs and quality of service. PFI schemes are also common for public services where access is determined on the basis of need and not ability to pay. They are effectively 'public' services provided by a for-profit provider.

LSVT shares only one common feature with the first group of organisations. The process yields a capital receipt for the disposing council, in the same way that Right to Buy and flotations of former public corporations produce capital receipts for the local authorities and the Government respectively. LSVT has much more in common with the other organisations in the second group. NHS trusts, LSVT associations and grant maintained schools are all managed by boards of volunteers; they have a fairly high degree of operational control; fairly low level of involvement by politicians; and they are regulated by non-departmental organisations, such as the Housing Corporation or OFSTED.

The crucial difference between LSVT associations and health trusts and GM schools is arguably the proximity of the service user to the provider. For LSVT associations, the relationship with the tenants can be seen as close, as they are often direct purchasers of the organisations' services. LSVT associations do not, therefore, require complex 'purchasing' or commissioning structures found in other reformed public services, such as the 'internal' or 'quasi' market in the NHS. LSVT associations do not require quasi markets to function effectively. The nature of their relationship with users makes LSVT a unique kind of reform – a 'quasi' privatisation because the new landlords depend more directly on consumers for their income, like private organisations.

Table 2.5: Privatisation and quasi privatisation in Britain

	BT, utilities companies, Railtrack	Right to Buy	PFI schemes	LSVT	NHS Trusts	GM schools
Motivation	Political	Political	Admin-istrative and economic	Admin-istrative	Admin-istrative	Admin-istrative
Capital receipt for state?	Yes	Yes	Sometimes	Sometimes	No	No
Key drivers	Profit and meeting demands for increasing dividends from private shareholders	Profit, control, ownership	Profit for provider. Reduction in risk for public sector	Turnover, growth, value for money	Turnover and growth	Revenue and results
Structure	Public limited companies	Single owner occupier	Special purpose vehicle, or long term contract, short term transfer of assets	IPS or limited company	Charitable Trusts	Financially autonomous charitable bodies
Control	Directors and shareholders	Owner occupier	Public sector purchaser	Voluntary Board	Voluntary Board	Voluntary Governors
Nomination of directors	Shareholders	N/A	Shareholders	Existing board members, LAs and tenants	Department of Health	Existing governors and parents
Funding	Sale of shares on stock market, private funding	Mortgage lender	From service income and revenue payments from purchaser	Self financed through rents. Private finance for major repairs	Health authority purchaser pays for work undertaken	Per capita funding
Level of autonomy	High	High	High – focus on outcomes not methods	Medium to high	Medium	Medium
Responsibility for strategy and policy	Directors	Owner	Public sector purchaser	Housing Strategy for area – LA. Operational strategy - Board	Local health authority as 'purchaser' of services	Local Education Authority
Involvement of public sector	None	None	Low	Low to medium	Medium – NHS highly politicised	Medium
Regulation	Government appointed regulatory bodies	Mortgage funder	Public sector purchaser/ contract monitor	Government Agency (Housing Corporation)	Very strong regulation by NHS Executive, self regulation by BMA	Very strong regulation by Local Education Authority/ Government agency (OFSTED)

Although tenants may not chose which RSL houses them, they have a direct purchasing relationship with their provider, which is almost unique in public services, as other services rely on internal markets, or other mechanisms, where a purchasing

body will have a purchasing relation with providers on behalf of users. In the NHS for example, general practitioners act as gatekeeper and as 'purchasers' on behalf of their patients. (Ham, 1991). Patients often do not have sufficient expertise or purchasing experience to buy their own care (ibid). Although tenants may not have much experience of receiving services from a wide range of housing providers, it is possible that some are able to judge the performance and value for money offered by their current landlord. However, social researchers attempting to quantify tenant satisfaction have come in for heavy criticism (for example, Donnelly, 1980; Lipman & Harris, 1980) for oversimplifying the relationship between respondents and their housing. However, there is a direct relationship between tenants and housing departments, so that providers are arguably more exposed to customers than other public services. Some local authority housing departments reacted to their exposure to customers by withdrawing from estates and communities (Andrews, 1979; Henney, 1984; Stewart, 1988). Financial incentives for LSVT associations may encourage them to forge successful relationships with their customers to ensure that rents are collected, and that turnover and empty properties are minimised to protect income. For many tenants, the relationship with the landlord is not a direct commercial one, as the State pays some or all of their rent through Housing Benefit. It is still important for landlords to forge a relationship with these tenants, partly to ensure that benefit is claimed and paid to the organisation, and also because they may, at some point in the future, start paying rent directly to the landlord.

In this section, we explored how stock transfer fits within the wider shift in responsibility for the delivery of public services towards the private sector. Both central and local government sought private sector involvement, for very different reasons. The Conservative Government was ideologically attached to the notion that private sector provision was preferable to public sector provision, and cut public housing budgets to encourage a shift away from state landlordism. Local authorities consequently sought to involve the private sector, perhaps reluctantly, as they faced the twin pressures of dwindling resources available for investment and increasing demands from users for enhanced services. Shifting responsibility for managing public housing and financing reinvestment in the stock helped address some of the local authorities' financial difficulties and helped the Conservative Government achieve ideological goals.

SUMMARY AND CONCLUSIONS

Although the first LSVT was completed in 1988 there is very little research on the ground in the organisations that the programme has created. Therefore it was not possible to determine at the outset of undertaking this study what bigger ideas LSVT was rooted in. LSVT clearly has links with the ideological position of the Conservative Government and its desire to reduce the scope of public provision, but there must be links with wider ideas, otherwise local authorities would have been unlikely to voluntarily cede their landlord role to independent housing providers.

Governments from 1919 onwards have accepted public provision of housing with varying degrees of enthusiasm, but there was a consensus, particularly following the end of the second World War, that local authorities had an important role to play as landlords to a wide range of people (Harloe, 1995). The Conservative Government elected in 1979 broke this consensus by declaring that direct provision was inferior to owner occupation and private renting. Referring back to the discussion about the interpretations of the role of the State at the beginning of this chapter, British State housing has moved from the 'mass' model to the 'residual model' as the post-Fordist era advanced. Ministers argued that council housing had become a financial burden that central government was unable to bear, and sought to force local authorities to withdraw, through policies including the Right to Buy and compulsory stock transfer. At the same time, however, the Conservative Government continued to provide financial support for owner occupation. While local authorities were able to resist the imposition of compulsory stock transfer, the financial regime for council housing encouraged some councillors to consider withdrawing voluntarily, in a way that protected the stock and tenants' rights. Withdrawal from direct provision in housing has some links with wider changes in the provision of public services, where Governments sought fundamental changes to deliver better services while devoting the same or less taxpayers' money to those services. Governments disengaged from direct provision and enabled other bodies to provide services.

Stock transfer can also be explained to a less important degree by a desire to radically alter the way housing is organised and managed. It has been argued that the scale of provision and management of public housing became too big, and multi-purpose political authorities are believed to be weaker landlords than independent bodies, such

as housing associations. Stock transfer can be seen as an attempt to place the housing 'culture' – which arguably requires a strong business focus, flexibility, adaptability and a focus on customers – within a more appropriate structure. By doing so, housing organisations may have a better chance of delivering services that more closely reflect tenants' aspirations. Housing organisations have more freedom to innovate, get closer to their customers by giving staff more autonomy, and to develop and expand upon their strengths.

Finally, LSVT is part of a wider shift in the balance between the public and private sectors in the provision of public services. During the 1980s and 1990s, the Conservative Government attempted to reduce the State's direct role, through outright privatisations – such as the Right to Buy or flotations of nationalised industries such as BT and Railtrack – and by breaking up multi-purpose bodies into smaller entities, and the splitting of commissioning of services from provision. In local authorities, schools were given the opportunity to manage themselves; refuse collection and other services have been contracted out; and some authorities have transferred the ownership and management of housing through LSVT. In other public services, such as the National Health Service, providers of services have been given semi-autonomous status as NHS trusts, while health authorities retain responsibility for identifying needs and commissioning services to meet those needs. Although there are clear ideological undertones to the shift towards private provision, there are arguably strong links with a desire on the part of the Conservative Government to change the way services are delivered. Veljanovski argues that the original impetus for privatisation "appeared to be purely financial and managerial" stemming from "a desire to discipline the nationalised industries by subjecting them to market forces" (Veljanovski, 1987:8). Existing systems of control and performance management "had largely failed" and organisational change would be required, including "the fear of bankruptcy" and non-political management at arms length from government (ibid:8). Conservative Government housing policy after the 1987 can be interpreted as an attempt to introduce market disciplines into public housing by giving tenants a collective exit and creating independent landlords which operate at arms length from local authorities.

This thesis helps to set what is a significant structural change at ground level in the context of broader changes driving the new role of local authorities in housing; a contraction in their role as direct providers, as a result of the shift in responsibility for provision to the private sector, driven by reductions in public funds made available for investment; which has resulted in changes in the way social housing is organised and managed.

INTRODUCTION

In this Chapter, I explore how Central Government came to be involved in stock transfer; the steps it has taken to promote transfer; and how these steps fit within the core thesis outlined in Chapter Two. I begin by providing a historical account of the development of Central Government's involvement in stock transfer. In the second section, I examine the reasons for Central Government's involvement in stock transfer. These reasons derive from changes in the way public services are organised and delivered, resulting from the Conservative Government's ideological opposition to state landlordism and preference for owner occupation and private renting; the attempts by the Conservative Government to encourage local authorities to withdraw from direct provision of housing; the political need to deliver organisational change; and the policy of shifting the balance of service delivery from the public to the private sector. Thirdly, I examine how far the nature of the Government's involvement helps us to understand and explain the phenomenon of stock transfer, which is one of the most significant shifts in recent policy and ownership of housing (DETR, 2000).

1. THE DEVELOPMENT OF CENTRAL GOVERNMENT'S INVOLVEMENT IN STOCK TRANSFER

This section provides a historical account of the development of Central Government's involvement in stock transfers between 1974 and 2001. Table 3.1 provides a chronology of transfer initiatives developed by Central and Local Government.

Central Government mooted stock transfer as early as the 1960s, although its first steps can be traced back to 1975, when its Review of Co-operatives (DoE, 1975) provided positive support for small scale local initiatives already started by local authorities, such as the London Borough of Islington, in the early 1970s. The 1981 Study of Difficult to Let Estates (DoE, 1981), which commenced in 1974, provided Government with evidence that demand for new publicly built housing was falling, and that the State was not always a good provider (Andrews, 1979). In 1985, the Conservative Government introduced the Estate Action programme, which provided funding for reconfiguring and improving unpopular and difficult to let estates, and through which Ministers hoped to encourage organisational change and greater private sector involvement (Pinto, 1992). In the same year, the Conservative

Government introduced legislation to enable local authorities to dispose of their tenanted stock to other landlords, although the intention was to facilitate partial transfers (Malpass & Mullins, 2002).

Table 3.1: Central and Local Government Transfer Initiatives

Initiative	Year established
Local authority management co-operatives (e.g. LB Islington)	1974
Glasgow Tenant Management Co-operatives	1976
Government Review of Co-operatives	1976
Difficult to Let Study (commenced 1974)	1981
Cantril Farm/ Stockbridge Village Trust	1982
Thamesmede Town	1982
Glasgow Community Ownership Schemes	1985
Estate Action (involving some transfers)	1985
Housing Act 1985 enables voluntary transfer	1985
English local authorities first propose whole stock transfers	1986
First whole stock transfers in England	1988
Housing Act 1988 introduces Tenants Choice and Housing Action Trusts	1988
Rapid expansion of the LSVT programme outside metropolitan authorities and Greater London	1988-1995
Estates Renewal Challenge Fund introduced to facilitate urban transfers	1995
Continued expansion of stock transfer programme following election of Labour Government	1997 onwards
First large city whole stock transfer proposed	1998
Central Government proposals on dealing with Overhanging Debt	1999
Housing Green Paper – target of transfer of 200,000 units per annum	2000

Source: DoE/DETR/DTLR 1974-2000

The Housing Act 1988 introduced Housing Action Trusts (HATs) and Tenants Choice. HATs were originally conceived as a method of forcing some local authorities to withdraw, but later provided a framework for partial voluntary transfer for a small number of authorities. Tenants Choice provided tenants with the power to exit from their local authority by 'selecting' another landlord. The impact of both HATs and Tenants Choice was marginal, but they arguably helped pave the way for a wider local authority led transfer programme by providing a model which councils could adapt (Cole & Furbey, 1994; Kleinman, 1996). In 1995, the Conservative Government introduced the Estates Renewal Challenge Fund (ERCF), which aimed to facilitated transfers of inner urban housing in very poor condition by providing dowries for acquiring landlords (DoE, 1995). The ERCF helped to facilitate the creation of new partnerships between the public and private sectors to address the housing problems of some inner urban authorities (Lee, Power & Tunstall, 1999). In 1999, the Labour Government changed the rules on overhanging Housing Revenue Account (HRA) debt in order to make whole stock transfers of negatively valued housing stock possible. These developments are examined in turn below.

The Review of Co-operatives (1976)

Tenant co-operative initiatives established in the early 1970s served to demonstrate that public housing could be made to work more effectively with significant local involvement and devolution of control, providing that the solution adopted was appropriate for local circumstances (Power, 1977; MacDonald, 1986). The first breakthrough came in 1972, when residents established the Holloway Tenants' Co-operative (HTC) to provide more local control, more sensitivity to tenants, and to house people who councils were unwilling to accept (Power, 1988). The success of HTC and other pioneering cooperatives led to a growth in tenant co-operative initiatives, including the Granby co-operatives in Liverpool, the Summerston tenant management co-operative in Glasgow, and thirteen other housing co-operatives in Islington.

Noting the success of early tenant management co-operatives, the Government established a working group on housing co-operatives in 1975. The group examined ways of encouraging the formation of co-operatives and enhancing opportunities for tenants to control the management of their homes separately from local authorities.

Central government wanted to support co-operatives as they represented "a highly desirable departure from traditionally remote and depersonalised forms of [public] housing management" (DoE, 1975:5). They reportedly fostered shared responsibility and involvement, as well as protecting tenants from "the arbitrary decisions of even an efficient and well meaning landlord" (ibid:5). For local authorities, the main advantage was perceived to be that housing co-operatives could take over responsibility for management and maintenance, and that their small scale and local control could help them focus more closely on tenants' aspirations. For tenants and housing applicants, one of the main advantages was that co-operatives provided an alternative to council rented accommodation, access to which was restricted for some groups, particularly ethnic minorities (Henderson & Karn, 1987). The creation of co-operatives is also seen as effective in improving services and enhancing opportunities for tenant involvement (Clapham & Kintrea, 1992).

Although there was significant interest in housing co-operatives, very few were established, due largely to a lack of support from the Conservative Government (ibid). Very few councils actively encouraged tenants to form co-operatives. Even when councils were keen, tenants were often put off by the "substantial commitment and time" required in setting up a co-operative and the on-going management (ibid, 128).

Difficult to Let Estates (1981)

From the early 1970s onwards, reports of difficult to let estates, some of which were newly built, became increasingly common. The Government commissioned a research study into the phenomenon in 1974. The study (DoE, 1981) revealed that difficult to let estates varied in age, design and location. The emergence of difficult to let estates was "disturbing because they involved new dwellings of a technically high standard" and the problem "gave rise to speculation that there was simply no demand for housing" (ibid: 1). Although estates were not empty, they displayed signs of instability, including high turnover and large numbers of applications for transfers. The study found that only the most desperate housing applicants accepted offers on many of the difficult to let estates, and that councils had left in areas designated as slums the most 'difficult' tenants, or tenants ineligible for rehousing, until last.

The authors of the study attribute the unpopularity of difficult to let estates to three main factors: design and quality; the policies and practices of the local authority

landlords who owned and managed the estates; and social stigma. Firstly, the study points to the inhuman scale of the estates, and the recognition by landlords that break up into smaller units was needed to help make the estates more manageable and acceptable to tenants and applicants. Although the study revealed a widespread recognition among politicians and managers that break up of the most difficult estates was vital, "their form was often such that there was little possibility of doing this" (ibid: 5). Secondly, the authors argued that intensive housing management inputs were frequently missing from difficult to let estates. Up to the 1970s, many councils concentrated on their role as developers, but as their stock expanded through development, they did not expand the expertise of their housing management service to cope with the additional workload created by new and more difficult to manage and maintain forms of building. Thirdly and equally importantly, there was reportedly a social stigma, which originated in the slum clearance areas that the estates replaced, exacerbated by subsequent allocations policies, which concentrated tenants with social problems on estates that were commonly the most difficult to live on.

The Report pointed to evidence that councils had built sufficient units of housing to satisfy demand. The study arguably provided practical justification for the Conservative Government's ideologically driven policy of favouring owner occupation and private renting. Evidence that new council estates were unpopular and simply 'not wanted' by potential tenants arguably gave the Conservative Government grounds for halting new building of council housing and shifting the emphasis of council housing from a service for all to an 'ambulance' service (Forrest & Murie, 1988). Central Government housing investment for development channelled through local authorities was subsequently cut severely between 1981 and 1984, following earlier less draconian – and reluctant (Malpass, 1990) - cuts by the Labour Government from 1976 onwards (Cooper, 1985). The DoE study also argued that tenants' and prospective tenants' expectations of quality and amenity had moved beyond what local authorities appeared to be able to provide. It pointed towards the need to break up the most difficult estates and to change the way they were managed. The scale of the task of breaking up and reconfiguring estates meant that it was unlikely that the public sector would be able to provide the resources and the focus to deliver change (DoE, 1981:5).

Estate Action (1985)

Estate Action is arguably a response by the Conservative Government to the Difficult to Let study. Estate Action had two core aims. Firstly, the programme aimed to encourage local authorities to create independent co-operatives and trusts to take over responsibility for the provision of socially rented housing. This would "encourage the contraction of the council housing sector" (Pinto, 1992: 77). Secondly, the programme aimed to encourage local authorities to change the way they managed their housing; to improve tenant consultation; and to improve the environment and security on their estates (ibid).

Estate Action built in as a condition of central government grant some degree of diversification of ownership, often involving housing associations, although the original aim had been more direct privatisation (Provan, 1993).

Generous Central Government funding for Estate Action schemes was clearly attractive to local authorities. They used this funding to look for new ways of improving the management and maintenance of their stock. They were not, however, interested in tenure diversification, or transferring ownership of their housing to the private sector, or to "involve it in any way so as to renovate run-down estates in partnership" (ibid: 109). Estate Action was mainly targeted at cities and Labour controlled local authorities, which generally had a hostile attitude towards the Conservative Government.

Housing Act (1985)

The Housing Act (1985) enabled local authorities to undertake voluntary transfers of tenanted stock to other landlords, subject to approval by the Secretary of State. Approval was subject to a majority of secure tenants not being opposed to transfer. This section of the Act became more significant in the late 1980s when some non-urban local authorities developed an interest in transferring their housing. The Housing Act 1985 provided the legislative framework that enabled them to do so.

Housing Action Trusts (1988)

Housing Actions Trusts (HATs) were introduced by the Conservative Government in its Housing Act 1988. HATs were non-departmental bodies with a time-limited life, sponsored by the Department of the Environment. They were to be responsible for the

physical, social and environmental regeneration of geographically defined areas covering large council estates. HATs were devised for estates where "the social problems and housing problems [were] so serious that in the Government's view, more direct action – involving both public and private sectors – [was] needed to obtain improvements over a reasonable timescale" (Department of the Environment, 1987b). HATs were devised to focus 'scarce' resources on the worst estates, supposedly leaving local authorities with a more manageable portfolio.

The Conservative Government originally envisaged that HATs would be imposed upon estates or areas, with or without the cooperation of the local authority landlords and without consulting tenants (DoE, 1987b). The Government's proposal to push ahead with changes of landlords, from local authorities to HATs, without consultation with tenants met with widespread opposition, both from tenants themselves – who feared the prospect of private landlords and property speculators taking over their estates - and from the House of Lords (Woodward, 1991). The House or Lords amended the Housing Act to force the Government to consult with tenants before transfers to HATs could proceed. Following this change, if a simple majority of those voting were in favour, schemes could proceed.

Central Government proposed six transfers to HATs in 1988, all of which were either withdrawn or rejected by tenants in ballots. Table 3.2 shows the six proposed HATs, the estates and local authorities involved, and the reasons for their failure.

Table 3.2: Government proposed HATs 1988

HAT	Estates	Reasons for failure to establish
Lambeth	Angell Town & Loughborough	Withdrawn – vocal public opposition and Tenants Association refused to proceed to a vote.
Southwark	North Peckham & Gloucester Grove	Rejected in tenants ballot (80% against) after expensive efforts on both sides to sway tenants.
Tower Hamlets	Solander Gardens, Shadwell Gardens, Berner, Boundary, Holland, and part of Ocean	Strong political opposition. Withdrawn on the basis that inadequate land was available to provide additional housing off site. Disruption to existing communities would have been unacceptable.
Leeds	Halton Manor, Seacroft South & Gipton	Consultants concluded that the only compelling case for a HAT was at Gipton. Tenants Association refused to proceed to a vote.
Sandwell	Lion Farm, Wallace Close & Titford	Consultants concluded that the case for a HAT was inadequate.
Sunderland	Downhill, Town End Farm & Hylton	Rejected in tenants ballot (70% against).

Source: Chumrow (1995) **Note:** In addition, Hulme and other estates were considered, but local opposition undermined the proposals.

In the late 1980s, a number of local authorities began to take interest in the success of Glasgow Council in transferring estates to community-based ownership schemes. These authorities sought approval from the Conservative Government to voluntarily use the HAT model for transfers of some of their stock. The Conservative Government imposed strict controls on transfers but at the same time accepted several key changes to HAT proposals, including the right to return to the local authority following the completion of improvements; tenant representation on HAT boards; and the introduction of programmes to help regenerate local economies and communities (Karn, 1993; Power & Bergin, 1999). The Conservative Government granted its approval for transfers to proceed, although this was made conditional upon the new landlords being called 'Voluntary HATs'. Local authorities proposed six Voluntary HATs, all of which achieved positive ballot results (see table 3.3).

Table 3.3: Voluntary Housing Action Trusts

Housing Action Trust	Number of dwellings transferred	Planning figure for central government grants (£ million)	Government grant per unit (£)
North Hull	2,084	115	52,200
Waltham Forest (London)	2,422	227	93,700
Liverpool	5,337	260	48,700
Castle Vale (Birmingham)	3,423	205	59,900
Tower Hamlets (London)	1,629	123	75,500
Stonebridge (London)	1,777	165	92,900
Totals	**16,672**	**1,095**	**Average 65,700**

Source: DoE 1991   **Note:** There were often additional indirect financial inputs on a large scale, including spending on training, community facilities, tenants advisers and social and economic regeneration programmes (Power & Bergin, 1999).

In 1997, the National Audit Office undertook an evaluation of the Waltham Forest HAT and found that it had made considerable progress in transforming four estates and had made "a significant impact in achieving a new sense of community and helping tenants become more involved in the management of their homes" (NAO, 1997). But the success of the scheme came at a high price of £93,700 per unit. While more local authorities may have pursued the option for reducing the scale of their

stock through transfers to voluntary HATs, the scheme proved too expensive to be sustainable as all costs were grant funded directly by central government.

Tenants Choice (1988)

Tenants Choice was introduced alongside HATs in the Housing Act 1988. The provisions of Tenants Choice enabled tenants to transfer with their homes to alternative landlords. The Government suggested that tenants might wish to transfer "…to do something about serious, cumulative disrepair, [to obtain] a better standard of maintenance [and to] take control over their own destiny" (Department of the Environment, 1987a). The Government argued that the scheme would give council tenants the power to 'choose' a new landlord, and it was seen as a way of breaking up municipal housing monopolies and reducing the role of local authorities.

A key element of Tenants Choice was consultation with residents. Before any transfer could proceed, landlords proposing to take over an estate were required to formally consult residents on their proposals. In common with HATs, ballots on Tenants Choice proposals gave tenants an unprecedented level of say in the future of their homes. Local authorities recognise that Tenants Choice was a threat to both their future financial viability and to their future role as landlords (Cairncorss, Clapham & Goodlad, 1997). This was because the legislation forced local authorities to pay dowries to acquiring landlords to clear the backlog of repairs (see, for example, WECH, 1998). No Central Government funding was provided for funding dowries, and local authorities had to fund them from existing capital programmes. This would probably have resulted in reductions in investment in the retained stock.

Although a very small number of estates was transferred through Tenants' Choice, the programme arguably acted as a catalyst for change (Kemp, 1991; Kleinman, 1996; Cairncross, Clapham & Goodlad, 1997; Malpass & Mullins, 2002). It can be seen in terms of enfranchising tenants by giving them greater control over the future of their housing stock, although the scheme provided a "once and for all transfer" (Clapham, 1990). For those councils who had largely ignored the wishes of their tenants up to 1988, the programme could have threatened their future as landlords. Many councils sought to change, either by making improvements to their services, or by seeking voluntary transfer.

Tenants Choice transfers attracted little interest from both tenants and potential new landlords. Only eight potential landlords carried out initial feasibility work, involving a little over 2,000 council dwellings (see table 3.4).

Table 3.4: Tenants' Choice schemes 1988 – 1996

	Number of properties considered	Number of properties transferred
Initial feasibility work on eight schemes	2,114	-
Schemes which did not progress to ballot Dawson Heights (London Borough of Southwark) Trowbridge Community Homes (London Borough of Hackney)	297 260	-
Schemes unsuccessful in Ballot Torbay Tenants' HA (Torbay) Wheathampstead (St Albans)	2,709 500	-
Schemes successful in Ballot Walterton and Elgin Community Homes (City of Westminster) Holtsfield (Buckinghamshire) Hayles Community HA (London Borough of Southwark) Family HA (Merton) Minster HA (Peterborough)	918 55 21 8 1	918 55 21 8 1
Total units	6,883	1,003

Source: Housing Corporation 1995

Seven schemes proceeded to ballots of tenants, five of which were successful. The largest scheme involved the transfer of 918 council dwellings from Westminster City Council to Walterton and Elgin Community Homes. A highly organised residents action group pushed strongly for transfer through Tenants Choice, as a way of preventing the Council selling the estates to private developers. The action group went on to form its own community-based housing association, which acquired the estates from Westminster City Council in 1992 (WECH 1992; 1998).

The WECH experience unearthed major faults in the Tenants' Choice scheme: the definitions of "repair" and "disrepair" in the 1988 Housing Act were open to very different interpretations; residents were virtually powerless when faced by strong opposition from their local authority; and the scheme relied on intensive voluntary effort by tenants, which meant it was unlikely to work in the absence of a core group of dynamic and charismatic individuals (WECH, 1998).

The scheme seemingly proved to be too expensive to be sustainable. The Housing Corporation provided grant funding totalling £4.2 million between 1988 and 1996, to work up schemes involving just 6883 units, of which 1003 eventually transferred. The high costs were related to the lengthy timescales between the initial proposals and transfer, largely because local authorities resisted, thus slowing the process down.

Tenants Choice proved to be highly political, as the largest transfer was based in the City of Westminster, where tenants used the scheme to bite back at a council which attempted to act against tenants' wishes (ibid). The Conservative Government arguably hoped that the scheme would be used against Labour councils, but the negative publicity surrounding Westminster Council's activities arguably weakened ministerial commitment to the scheme.

Estates Renewal Challenge Fund (1995)

Following the failure of the Conservative Government's housing policy measures introduced under the Housing Act 1988, no major new measures were introduced until 1995. Between 1989 and 1995, the new financial regime had considerably tightened local authorities' finances, and many more started to consider transfer, including inner urban authorities (Inside Housing, 1995). In 1995, the Conservative Government introduced the Estates Renewal Challenge Fund (ERCF) to assist local authorities with low or negative value housing stock to address their most pressing stock condition problems by transferring small amounts of stock, enabling them to place the management and maintenance of their retained stock on a more sound footing. Without some form of Central Government grant funding, many transfers of run-down housing would almost certainly have been impossible (Wilcox, 1993).

The ERCF facilitated the transfer of 43,114 units of council housing in 39 transactions over three years. The scheme provided total grant funding of £488m, awarded on a competitive basis, while the acquiring landlords themselves raised £827m of private finance, using the value of future net rental income and their track record as successful managers of socially rented housing as security. The scheme helped to establish new forms of partnership between local authorities and housing associations (see for example, Lee, Power & Tunstall, 1999). This arguably helped local authorities to place the management of their retained stock on a more sound footing, and offered RSLs opportunities to expand their core business into inner urban areas,

where local authorities tended to dominate as landlords of socially rented housing. It also helped establish the notion that urban, Labour led local authorities could gain from stock transfer (Jacobs, 1999).

Overhanging HRA Debt (1999)

Until 2000, local authorities could only consider transferring their housing if the capital receipt they would receive was greater than the debt outstanding in their Housing Revenue Account (HRA). This prevented a majority of local authorities in inner urban areas from considering whole stock transfer (DETR, 1999). For these authorities, only partial transfers were possible, as the outstanding or 'overhanging' HRA debt could be serviced from the rental income from the retained stock.

In 1999, the Labour Government recognised a growing demand from cities and inner urban authorities for the option of whole stock transfer to be made available to them. The Government proposed that it would provide grants to redeem overhanging debts in order to make transfer possible. This change in Government policy made the prospect of large citywide transfers in Birmingham and Glasgow more feasible. Although the proposals in Birmingham were rejected by tenants, both of the proposed transfers would not have been possible without Central Government assistance.

Summary

Central Government used local authorities as the vehicle through which it would deliver public housing programmes from 1919 onwards (Merrett, 1979). The Conservative Government elected in 1979 broke the consensus around the role of local authorities as landlords, and shifted support towards the promotion of owner occupation (Forrest & Murie, 1988) and provision of housing for those not able to house themselves towards housing associations (Kemp, 1991; Malpass, 2001). The financial regime for council housing became increasingly tough, arguably as a way to force local authorities to withdraw from direct provision. When the Conservative Government sought a change in pace in 1988 - by shifting decision making power from local authorities to tenants through Tenants Choice and HATs - local authorities resisted what they saw as an assault on their power bases. Local authorities successfully resisted wide scale transfers through Tenants Choice and HATs, as tenants feared the prospect of private landlords or property speculators taking over their estates, and trusted their councils more than central government. However, these

schemes – accompanied by a step change in financial pressure upon housing departments by the Conservative Government from 1989 onwards – arguably paved the way for a wider voluntary transfer programme by enfranchising tenants and encouraging them to expect more from their landlords, but at the same time limiting councils' capacity to respond.

2. WHY CENTRAL GOVERNMENT PROMOTED STOCK TRANSFER

In this section, we review explanations for the development by the Conservative Government of policies and frameworks that encouraged and facilitated stock transfers by local authorities. The section explores why the Conservative Government sought to encourage local authorities to withdraw from direct provision; how transfer would help to change the way council housing is managed; and how it helped the Conservative Government to encourage greater involvement by the private sector in the ownership and management of social rented housing.

Table 3.5 below plots the Conservative Government's perception of the problems of council housing and public provision, and its policy responses, between 1979 and 1997.

It is possible to identify four policy stages, which roughly coincide with each government elected in 1979, 1983, 1987 and 1992.

In the first period, between 1979 and 1983, the Conservative Government's prognosis of the role of the state generally, was that it had become involved in areas of society that belonged in the private sphere, at the expense of individual freedom. Allied to this, the Conservative Government believed that the state took too large a share of national income (Conservative Party, 1979). Its housing policy response was to cut local authorities' capital budgets and reduce public provision by encouraging tenants to purchase their homes through the Right to Buy (Forrest & Murie, 1987: Hamnett, 1987).

Table 3.5 Council housing and the Conservative Governments 1979-1997

Period	Perceived problem	Policy response
1979 – 1983	• Balance of society titled in favour of the State. • Government taking too great a share of national income (Conservative Party, 1979).	• Right to Buy. • Cuts in public housing investment.
1983 – 1987	• Government succeeds in cutting housing budgets for LA housing (Conservative Party, 1983). • Reduced budgets exacerbate problems of many inner urban LAs, which began to emerge in the 1970s (DoE, 1981; Audit Commission, 1986). • Concern about social unrest in inner city areas, for example riots at Broadwater Farm (Gifford, 1986).	• Estate Action to target worst estates. • Extension of RTB to tenants in flats and increases in maximum discount.
1987 – 1992	• Estate Action fails to diversify ownership of council housing (Pinto, 1993). • RTB appears to stall, with low proportions of dwellings sold on some estates. • Tenants remaining in the LA sector denied choice and an effective voice in the management of the housing service (Conservative Party, 1987). • Perceived inefficiency of LA landlords (Conservative Party, 1987).	• Conservative Government takes powers to impose HATs to focus public resources on worst estates. House of Lords forces Government to include provisions for balloting tenants. • Shift in decision making power from councils to tenants through 'Tenants Choice'. • Ringfencing of HRAs to increase financial pressure upon councils and encourage them to reconsider their role as direct providers.
1992 – 1997	• Tenants Choice and HATs successfully resisted by LAs and tenants. • Ringfencing increases financial pressure on LAs, including district councils. • Voluntary transfer fails to make significant in-roads into urban areas.	• Government allows some urban councils to transfer voluntarily. • LSVT, pioneered by district councils, supported by Conservative Government. • Targeted Central Government support (ERCF) to pave the way for a wider reduction in the State's role as direct provider.

In the second period, between 1983 and 1987, the Government claimed that it had halted "the relentless growth of local government spending" and to have reduced staffing to 1974 levels (Conservative Party, 1983). Budget reductions arguably had the indirect effect of exacerbating the problems of some inner urban authorities, which had already begun to emerge in the 1970s, as identified by DoE (1981) and Audit Commission (1986). Deep rooted social problems on some estates resulted in social unrest, including, for example, riots at the Broadwater Farm Estate (Gifford, 1986). The Conservative Government's policy response during this period was to continue to rely on shifting council housing to the owner occupied sector through sales to tenants

at a discount to market value. The Right to Buy was extended to tenants in flats, and the maximum discount was increased to 70 per cent of the value of a property. The Government also introduced Estate Action to help tackle conditions on some of the worst estates and diversify tenure and ownership on estates.

In the third period, between 1987 and 1992, Estate Action had largely failed to diversify ownership of housing (Pinto, 1993) and the RTB had failed to make significant in-roads into some urban estates. The Conservative Government suggested in its 1987 Manifesto that tenants remaining in the local authority sector were denied choice and an effective voice in the management of the housing service, which was characterised as being inefficient and unresponsive (Conservative Party, 1987). Kemp (1991) argues that the Conservative Government exploited apparent weaknesses in design, management and maintenance on some estates to support their critique of public sector provision. Apparent discontent among some tenants helped the Conservative Government to portray local authority housing itself as the problem (Kemp, 1989). The Conservative Government's response was to attempt to break up local authority housing, by taking powers to establish Housing Action Trusts (HATs) to focus public resources on the worst estates, and to give tenants the power to instigate transfers of their homes to alternative landlords under 'Tenants' Choice'. The rationale behind HATs was that council housing itself was the problem, and that the private sector could provide the solution (Kemp, 1991). Allied to these changes, the Government introduced a new financial regime for local authorities, which involved 'ring fencing' their Housing Revenue Accounts and changes to the subsidy regime, enabling greater central control over local authorities' finances, including rent setting.

In the fourth period, between 1992 and 1997, both of the Conservative Government's policies aimed at breaking up council housing – HATs and Tenants Choice - had failed to make any significant impact. Meanwhile, a significant number of district councils had successfully transferred their stock through LSVT. Ringfencing of HRAs was more successful at encouraging more local authorities to reconsider their role as direct landlords, and by 1995, as many as 50 per cent of all housing directors were considering the option of transferring to alternative landlords (Inside Housing, 1995). LSVT had so far failed to make in-roads into inner urban authorities, and the

Conservative Government introduced targeted support through the ERCF to pave the way for a wider reduction in the role of local authorities in direct provision.

Stock transfer as a means of withdrawal from direct provision

After 80 years of large scale construction of rented housing by local authorities, housing needs had crudely been met, in that the Nation's stock of dwellings was sufficient to house all households (Department of the Environment, 1977), although there was still a large unmet housing need (Greve, 1964; Glastonbury, 1971; Greve, 1985). The UK was unusual in its reliance on the State to develop and manage housing in response to need (Daunton, 1987), and the post Second World War mass housing programmes left the State with responsibility for managing and providing funds for investment in a large stock of dwellings. The State started a gradual process of withdrawal from the 1970s onwards, as the Labour Government argued that needs had broadly been met (DoE, 1977), and because the financial burden of housing began to mount at a time of fiscal crisis from 1976, and evidence of low demand for council housing emerged from 1974. The juxtaposition of perceived lower demand for council housing and the economic problems of the Labour Government arguably enabled the Conservative Government elected in 1979 to justify its ideological position that new housing needs should be met by the private sector. Consequently, the Conservative Government shifted state intervention from council housing to owner occupation, in the form of tax relief for mortgage interest payments (Malpass & Murie, 1987).

State housing programmes and housing needs

The DoE's (1981) study of difficult to let estates provided some evidence that public housing was difficult to manage, while the 1977 Housing Green Paper (Department of the Environment, 1977) argued that demand for public housing had broadly been met. By 1981, the State house building programme had already slowed dramatically to some 50,000 completions in that year, compared to over 100,000 completions throughout the 1970s and even higher rates in the previous two decades (Holmans, 1987). This can be attributed largely to deep cuts in public housing budgets from 1981 onwards, which were part of the Conservative Government's strategy to re-orientate state intervention to owner occupation (Forrest & Murie, 1987; Hamnett, 1987). A majority of households aspired to owning their own homes, as demonstrated

by the popularity of Right to Buy, which showed that many residents of council housing were satisfied with the quality and amenity offered by their homes (Forrest & Murie, 1990) but were dissatisfied with the form of tenure (Saunders, 1990). Hamnett (1984) compares census data from 1961, 1971 and 1981 to show the development of socio-tenurial polarisation.   This provided evidence that "the semi-skilled and unskilled have become increasingly concentrated in the council sector relative to other socio-economic groups" (ibid: 397).   White (1983) points to evidence showing that two thirds of the long term unemployed were in council housing. Council housing was arguably becoming a tenure of last resort, and increasingly only the most desperate households applied for or accepted council housing in some areas (Power, 1987).

In the 1990s, new evidence began to emerge that some estates were becoming unviable, and required major changes that local authorities were unable to fund or deliver (London Borough of Tower Hamlets, 1995; London Borough of Hackney, 1995; Lee Power & Tunstall, 1999). Lack of investment in some estates, combined with wider city de-population and specific trigger factors, such as neighbour nuisance, led to near abandonment of some estates (see for example Power & Mumford, 1999). In areas where populations were declining, council housing suffered disproportionately, as other tenure forms were more attractive and increasingly affordable in comparison to social housing (ibid). In these areas, some authorities sought to withdraw, either by demolishing unlettable estates, or by transferring to private sector organisations, which are able to fund long-term investment programmes, so that the housing met or exceeded current expectations.

UK reliance on direct provision and management difficulties
Power (1993), Emms (1990), McCrone & Stephens (1995) and Oxley and Smith (1996) examine social policy in Europe. Power (1993) identifies two extremes in housing policy. Housing can be seen as a consumer good, which is bought and sold in the market like any other commodity. In this model, the State's role is to provide housing only for those who cannot compete in the market due to insufficient income or inability to borrow to finance the purchase of property. Housing in the USA is perhaps the best example of this type of system. At the other extreme housing can be considered to be a universal right, rather than as a consumer good. Housing is seen as

a citizenship right, provided to all regardless of their economic status. This type of housing system could have been found – at least as a stated aim - in former communist countries in Eastern Europe.

Housing systems in western Europe are located around the centre of this spectrum, where housing is seen as a consumer good, but also as a limited social right, in so far as the State accepts a duty to house the homeless or subsidise rents for those people on low incomes (see figure 3.1). In other words, the State supports the market, by attempting to make it affordable and provide directly where it fails.

Figure 3.1: Models of Social Housing Provision

	Market system	Mixed systems		State provision
MAIN PROVIDER OF HOUSING	Market (with residual public housing)	Market & non-profit (through subsidy)	Market, non-profit & State (through direct provision)	State Agencies
METHOD OF ALLOCATION	Price / ability to pay	Mix of price and need	Mix of price and need	Access based on citizenship
ROLE OF STATE	Residual role	Funder/enabler of affordable housing	Provider of affordable housing	Provider of all housing

←──→

          USA   Germany   UK   Former
                                                           USSR

Source: Based on Power (1993)

Within the western European social housing tradition, Britain's reliance upon the State to provide the majority of social housing is unusual (Daunton, 1987). At its peak, British council housing accounted for some thirty per cent of the total housing stock, and it enjoyed a virtual monopoly of the rented sector, providing over 70 per cent of all rented units.

Most European countries faced massive new housing needs during the 20th century, particularly after the two world wars (Power, 1987, 1993; Cole & Furbey, 1994). Britain responded with a major State building programme, particularly after the Second World War (Dunleavy, 1981). In contrast, continental European countries met new housing needs through a variety of providers. Housing policies on the continent combined controls on rents, subsidies to private landlords, support for semi-private organisations, and sometimes a modest element of direct State provision

(Kleinman, 1996). The reasons for the State's dominance in Britain are unclear, although Daunton (1987) and Power (1993) suggest that this is due to a combination of chronic housing shortages and the threat of political unrest; the weakness of private landlords; rigid rent controls which limited incentives to invest in rented housing; scarce resources; and the after effects of two world wars. Private and voluntary sectors were seen by Government as being incapable of meeting housing needs quickly enough, and only a direct response by the State could deliver; "It was hard to conceive of the State doing other than directly controlling an expansion in house-building straight after the War when conditions were so acute (Power, 1993: 180).

Central Government saw local authorities as the most appropriate vehicle for developing new social housing because the private sector was seen as having failed to provide significant amounts new housing for rent (Daunton, 1984) and councils were believed to be more willing partners than private landlords. Britain did not share the European tradition of large scale provision through housing associations and other independent landlords, relying instead almost exclusively on local authorities to provide rented housing. Central government believed that councils could raise standards while at the same time remove the profit element from housing, which led to abuse and exploitation of tenants by some unscrupulous landlords (Milner Holland Report, 1965). The incentive of profit was to be replaced by the kudos for councillors of delivering new housing for local constituents.

For local authorities, building housing was seen as an attractive proposition as they believed it helped them to win votes, as well as attracting large resources and, in its hey day, carried great political prestige (Macey, 1963). However, the complex task of managing the homes day to day was not politically attractive (Malpass & Mullins, 2002). Councils soon discovered that public landlords experience the same difficulties in running housing as private landlords (Power, 1993), as well as encountering other problems unique to the public sector. We explore these problems below.

Uniform design and low quality
Problematic design, and lack of variety in design, are the most widely cited criticisms of state housing in Britain. Council housing is variously described as "drab, inelegant and uniform" (Robinson, 1983), and "uncomfortable and prison-like" (Orwell, 1937).

Dunleavy & McDowell (1982) claim that the problems of council housing today stem from their design, and that "the policy would not be in its current parlous state" if designers had built the kind of houses people wanted to live in. Dominated by producer, rather than consumer interests, council housing often did not meet the needs and aspirations of tenants (Henney, 1984). Architects were seen as remote and seemingly made few efforts to engage with the future residents of the estates they designed (Dunleavy, 1981) and they were often planned and designed to be built quickly. They treated housing as "machines for living" (Le Courbusier, 1924). Quality also suffered at the height of the slum clearance programme during the 1950s and 1960s, when standards were cut due to materials shortages, and then later by economic difficulties. On some estates, walls were thin, roof coverings were inadequate and social facilities and estate environments were poor and precluded resident control over the space immediately around their homes (Henney, 1984; Coleman, 1985). On the other hand, Cole & Furbey (1994) suggest that this view is too restrictive, and council housing offered vastly improved conditions for many of those who councils re-housed, at least inside their homes.

Insensitivity of slum clearance

The after-effects of the slum clearance programme caused many new difficulties for local authorities. Slum clearance up-rooted and broke up communities and decimated social networks. Without these networks, many tenants struggled to cope on vast and alienating estates (Young and Wilmot, 1962). Councils moved the most "difficult" tenants to the last slum clearance areas. The final areas to be cleared housed the most marginal tenants (DoE, 1981). The private rented sector was all but wiped out by slum clearance, so local authorities could not escape from re-housing those left in the last clearance areas. They were re-housed deliberately on the worst and most unpopular estates, exacerbating the problems of difficult to let estates as demand tailed off when the slum clearance programmes came to an end (ibid). There were deep social problems of stigmatisation, management incompetence and hostility between tenants and local authority managers, more characteristic of American ghettos than of utopian solutions to slum conditions (Power, 1993).

Dependence on Central Government funding

Finally, local authority housing is subject to local and central government spending constraints. Council housing's vulnerable position is underlined by the Conservative Government's deep cuts in housing budgets from the early 1980s onwards, which were driven by its desire to shift support to private provision, to the detriment of public provision (Forrest & Murie, 1988).   At local level, rents charged were commonly set at an unrealistically low level (Clapham, 1989), in order to win or retain the votes of tenants (Henney, 1984). This reduced revenues available for investment in maintaining and updating housing stocks (Audit Commission, 1986). Consequently, only minimal repairs were undertaken. Indeed, councils were not permitted to spend on major repairs or improvement of housing stocks until 1980. Up to 1989, local authorities were able to cross-subsidise housing revenue accounts from their general funds, or vice versa. This practice was outlawed by ring fencing of housing revenue accounts in 1990, severely limiting the ability of many local authorities to maintain and improve their housing stocks. Local authorities' ability to borrow to invest in housing is limited by central government.   The Conservative government also required councils to set aside capital receipts from the sale of council houses against outstanding debt.   The Labour Government elected in 1997 permitted a partial release of capital receipts in 1998 and 1999, through the issue of additional credit approvals.   Even though the Labour Government has introduced a three year planning cycle for expenditure, there is arguably still a high degree of uncertainty about future levels of investment in the future. Even if local authorities develop long-term plans, they may still be frustrated by reductions or standstills in the level of capital available, cost rises and changes in requirements.

A problem for local authorities is the apparent 'big bang' approach to spending on housing. Regeneration funding is provided for an area or an estate, and some substantial improvements may be made. But nothing may then be provided for lengthy periods as long as twenty or thirty years, and there can often be little by way of planned maintenance and very few long term plans, because rents are too low to fund such works. In addition, the Housing Subsidy regime has, in the past, prevented local authorities from retaining surpluses to provide a sinking fund for future maintenance. Jacobs (1961) points to the negative effect of government's tendency to starve an area of investment, only to pour money into it at some point in the future.

She asserts that areas require steady and sustained investment, to assist gradual change, rather than large investments with no investment for long periods.

Summary

By the early 1970s, developers had built sufficient new housing to create a crude national surplus of housing. Local authorities played a big role in this overall process. At the same time, the phenomenon of difficult to let estates emerged, but many housing needs remained unmet. Britain had an unusually large public housing stock compared to other European countries, which created a number of difficulties. Housing was designed to be built quickly, and was consequently of uniform design and low quality. The clearance and building programmes largely failed to take into account the needs and aspirations of the people who were re-housed (Dunleavy, 1981). Communities were broken up and placed in alienating environments, resulting in social dislocation. The massive public housing stock relied on central government funding for investment of major repairs (Emms, 1990). Budgets were subject to shifting political priorities, and also to the changing fortunes of the Exchequer. Housing became more and more vulnerable to reductions in budgets after the election of the Conservative Government, which was elected on a platform of forcing local authorities to sell homes to sitting tenants at a discount. The housing service was more vulnerable to cuts as it was less widely used than, for example, the National Health Service (Goodin & Le Grand, 1987), and focused increasingly on more marginal social groups (Forrest & Murie, 1988). The election of the Conservative Government in 1979 laid bare the financial vulnerability of council housing. Cuts in central government support for council housing, driven by the Conservative's ideological attachment to private sector provision (Forrest & Murie, 1988), forced many local authorities to reconsider whether direct provision was viable (Malpass, 2001). Stock transfer offered local authorities an opportunity to withdraw from direct provision, which reduced public responsibility for both managing the stock and financing long-term investment.

Stock Transfer as a means of delivering organisational change

In the 1980s, anxieties began to emerge that council housing was not manageable in its present form (Audit Commission, 1986) and as it became increasingly associated with the more marginal members of society, politicians' attachment to public

provision of social housing waned (Harloe, 1990; Kleinman, 1996; Malpass & Mullins, 2002). Central and local government concern about the problems of public housing, and the search for solutions, led to the establishment of the Investigation into Difficult to Let Housing (DoE, 1981), experiments in local management through the Priority Estates Project, Estate Action and experiments with management co-operatives. The Difficult to Let study and the PEP experiments pointed to the failure of council housing to meet three conditions of manageability, shown in table 3.5.

Table 3.6: Conditions of Manageability and unmanageability

Management conditions	Actions involved	Problems caused by failure	Outcomes
Sufficient and sustainable demand for council housing	• Maintain waiting list • Advertise vacancies • Provide as much choice as possible	• Low Demand • High turnover • Concentrated poverty	• Unlettable and unpopular estates • Only demolition or radical changes to management can prevent further slide in conditions
Efficient management structure to carry out basic functions and maintain good relations with tenants.	• Provide estate or area based services • Give tenants a say in decision making • Consult tenants to obtain feedback on services	• Cuts at frontline • Housing staff retreat to remote offices	• Lack of landlord presence on estates • Hostile relations between tenants and staff
A sufficient amount of rental income to maintain housing stock and to ensure that it continues to meet current expectations.	• Operate efficient rent collection systems to prevent arrears.	• High rent arrears • Staff focus on role income maximisation activities at the expense of management and supervision of estates	• Deterioration in physical condition as investment withdrawn • Reduces resources available for investment in the stock and the service

Source: Adapted from Power (1987b)

The study of Difficult to let estates (DoE, 1981) identified management problems and the scale of housing estates as key factors in the unpopularity of the estates. In addition, allocations policies channelled the most vulnerable and desperate people onto the worst estates, while local authorities' failure to recognise the importance of management "played a large part in precipitating or accelerating the downward spiral in status and acceptability of estates" (ibid: 35). In order to help make estates

manageable, the authors argued that local authorities needed to change their housing organisations in order to strengthen management, provide more focus on the task in hand, and to reduce the scale of management operations by establishing smaller and more locally based organisations.

Why was organisational change needed?

Organisational change appeared to be required for three key reasons. Firstly, management structures were not always able to deliver the intensive inputs required to provide effective services to tenants, because they were often too remote and inflexible (Henney, 1984; Clapham, 1989). Secondly, housing management was part of a multi-purpose organisation, which had many other responsibilities, which meant that housing had to compete with other services and activities for time and resources (Stoker, 1985; Stewart, 1987; Power, 1993). Housing departments evolved in response to local authorities' building programmes, and the structures were rarely planned. In many cases, the task of managing housing was spread across different departments, and no one was directly responsible. Thirdly, the scale of public housing led to the incremental creation of a public bureaucratic response to an essentially ground level "hands on" task (Power, 1987). Stock transfer was seen by Central Government as a way of delivering effective management by placing it at arms length from local authorities, and creating a diversity of landlords to provide more choice (DoE, 1987).

Weak Management?

Management of housing in some authorities has been considered to be weak, both in terms of the building process (Dunleavy, 1981) and subsequent "housekeeping" management (Henney, 1984; Power, 1987 and 1993; Clapham, 1989; Emms, 1990). The sheer scale of the slum clearance and rebuilding process made it difficult, if not impossible, to manage the construction process effectively (Dunleavy, 1981). The size of contracts was massive, as developers preferred to build on a massive scale in order to reduce costs and speed up construction. The design of estates, combined with poor supervision of contractors, meant that estates looked "cheap and utilitarian" (Power, 1993). The management of the slum clearance and re-building process occupied virtually all of the local authorities' efforts, and management of housing previously built was said to be neglected.

Housing managers also had to work within the multi-purpose structures of local authorities, which were geared towards four-year electoral cycles (Leach Stewart & Walsh, 1994). Local authorities can therefore be seen to lack a focus on tenants and not have a single purpose that can arguably help provide effective management. The 1964 local government re-organisation reduced the number of local authorities by merging smaller authorities. As a result, the size of some authorities' housing stocks became five times larger and their structures even more complex (Power, 1993). For a long time, Central Government had not laid down any statutory requirements of local authorities in terms of management of housing stocks (Central Housing Advisory Committee, 1969). In this respect, council housing enjoyed a level of autonomy unlike any other service (Macey and Baker, 1982). Councils are now subject to greater scrutiny by the Audit Commission and the Housing Inspectorate, but are still relatively free to decide how they manage their housing at estate-level, where it really could make a difference to conditions.

Malpass (2001: 7) argues that the Conservative Government's enthusiasm for demunicipalisation is "a reflection of the perceived failure of local authority housing" resulting in a shift to housing associations. Kendall and Knapp (1996) have argued that the voluntary sector – in the guise of newly created stock transfer housing associations - re-emerged in response to failures by both politically motivated governments and profit motivated private companies to solve contemporary problems. Transfer to newly created housing associations therefore provided greater diversity, but also provided the Conservative Government with "a powerful instrument capable of disempowering or undermining" local authorities (ibid: 6).

Housing as part of the multi-purpose local authority
The multi-purpose nature of local authorities meant that no single department took ownership of housing and it was "no one's specific responsibility". Power (1987) characterises management as a "disparate landlord service within a large multi-purpose political bureaucracy" (Power, 1993). This style of management led to problems of vastly increased rent arrears (Duncan & Kirby, 1984); centralised, unresponsive and inefficient repairs services; loss of control of housing estates by housing managers; and distant relations between the landlord and tenants (Andrews, 1979; Seabrook, 1984; Stewart, 1988; Clapham, 1989).

Although multi-purpose bodies may appear problematic, a shift to single purpose organisations may not always provide a neat solution. Research by Reid (1997) points to the practical difficulties of coordinating and managing the work of networks of single purpose organisations in the "emerging mixed economy" (ibid:109). This work points to the complexities of an array of organisations working together to address multi-layered social problems. However, while it can be argued that a local authority, as a multi-purpose organisation, might be a more effective vehicle than a large number of independent bodies, Stoker (1991) points to problems of achieving cooperation between different departments. Within local authorities, there is a risk of inter-departmental conflict between Housing and other departments (Stoker, 1985), which can delay the implementation of policy (Malpass, 1975; Paris & Blackaby, 1979), or even undermine agreed policies (Davies, 1981).

The scale of public housing

The scale of public housing landlords – average metropolitan councils owned some 33,000 units each – arguably required breaking up in to smaller management organisations to enable managers to carry out basic functions more efficiently (Henney, 1984; Clapham, 1989). This would help bring managers closer to tenants and their estates, so they could structure their teams to concentrate on tackling conditions on the ground. Local authorities dominated the rented sector for over 40 years. Breaking up "monolithic" local authority housing stocks was seen by Central Government as essential if run down public housing was to be improved (DoE, 1987):

> *"...the system of ownership is not in the tenants' best long term interests, ...housing operations are so large that they inevitably risk becoming distant and bureaucratic."*

Summary

Problems of large publicly built and managed housing stocks began to emerge in the 1970s and 1980s. Management was regarded by some commentators as being weak in some respects, due to the scale of public housing, but also because of disparate management structures, which were part of multi-purpose local authorities. Although the dominant view in the literature is that local authorities transferred to address their financial difficulties, resulting from ideologically driven cuts by the Conservative Government, transfer also arguably provided a way of changing the structure of public ownership of rented housing in favour of more diversity. It provided a way of

changing management by shifting responsibility for housing from multi-purpose local authorities to single purpose not-for-profit landlord organisations.

Stock transfer as a means of shifting the public-private balance in service delivery

In the previous two sections, I outlined how stock transfer can facilitate withdrawal from direct provision and can provide opportunities for changes in the organisation of housing management. The third linked theme in my explanation of the Conservative Government's involvement in stock transfer is that it helped to shift responsibility for service delivery from the public to the private sector. The aim of this shift was threefold. Firstly, the shift towards the private sector helped the Conservative Government to achieve its ideological goal of 'rolling back the state' by shifting responsibility for providing and financing housing to private sector bodies. Secondly, the consultation process involved in transfer enfranchises tenants – a very large body who were arguably excluded from decision making in many local authorities. This has shifted decision-making power away from local authorities and more towards service users. Thirdly, the shift can be seen in terms of freeing local authorities from responsibility for service delivery, thus enabling them to concentrate on identifying needs and ensuring that providers deliver the services that people want.

Reducing the State's financial commitment to socially rented housing

Central governments of both main political parties since 1976 have focused closely on controlling the level of public expenditure. Central Governments sought to reduce their financial commitment to socially rented housing. The Labour Government reluctantly cut expenditure in 1976 under a degree of pressure from the International Monetary Fund (Merrett, 1979). The Conservative Government from 1979 actively cut expenditure on public housing programmes to enable it to reorientate support towards owner occupation and private provision (Malpass & Murie, 1987; Forrest & Murie, 1988). Firstly, capital spending on new building was cut as the pace of building by local authorities slowed down. Evidence of lower demand for newly built housing estates emerged from the mid 1970s onwards (DoE, 1981), which arguably made the public housing budget vulnerable to cuts when the Labour Government sought to reduce expenditure in 1976 as a condition of a loan from the IMF (Merrett, 1979). Earlier cuts by the Labour Government were followed by deeper cuts by the

Conservative Government from 1979, with the intention of shifting state support from public to private housing provision (Forrest & Murie, 1988). For governments that wanted to reduce spending, cuts to capital programmes were less visible than cuts to budgets for on-going maintenance, and were easier and quicker to implement with a larger impact on spending in the short term (Cooper, 1985). Secondly, the Conservative Government sought to reduce its commitment for financing reinvestment in the stock that local authorities had already built. In 1970/71, 8 per cent of the Government's capital budget was allocated to Housing. By 1983/84, Housing's share of the capital budget had declined to 2 per cent. In revenue terms, spending on Housing increased, largely as a result of increasing Housing Benefit payment from £2.5 billion in 1978/79 to £12.4 billion in 1996/97 (at 1995/96 prices) (Glennerster & Hills, 1998).

The Labour Government elected in 1997 demonstrated its interest in continuing the shift in service delivery from the public to private sector in a number of services, including the London Underground and Air Traffic Control. After the 2001 election, Labour has signalled greater private sector involvement in the NHS and schools (Labour Party, 2001). The Labour Government not only wants the private sector to take responsibility for financing public services, but also to manage them. This is because the Labour Government believes that private sector organisations respond more effectively to incentives than the public sector:

> *"...there are some things that the public sector can learn from the private sector. Private companies can in many cases be more responsive to the immediate needs of demanding consumers. If they don't they go out of business. They know that poor service, lack of courtesy, massive delays, destroys their image and their success. It would be surprising if the public sector could not learn something from that responsiveness to consumers."*
> *(Blair, 2001).*

If the Government could get the private sector to take on the burden for providing funding for social housing, and services such as transport and air traffic control, then it would effectively be levering in new resources and expanding investment. There are, however, concerns about private sector involvement in public service provision, particularly PFI schemes in hospitals and schools. Research by Pollock et al (2002) indicates that although the private sector contractor takes responsibility for financing the construction of PFI hospitals, revenue payments by the NHS can be one third

more than a publicly funded scheme. There are concerns that the Government's case for using PFI rests on value for money assessments that are skewed in favour of private finance (ibid). This concern is echoed by IPPR (2001) which argues that the case for public-private partnerships should be more evidence based. The report also raises concerns about workers' rights and procedures for accountability.

Creating a "quasi market" by empowering tenants

The statutory consultation process required in the establishment of HATs and transfers through Tenants Choice arguably gave disenfranchised tenants unprecedented decision-making power over the future of their homes. The scheme gave council tenants a new collective power of exit from their council landlord, although as noted earlier, there was no right to transfer again if the new landlord failed to perform (Clapham, 1990). The Conservative Government hoped that thousands of tenants would grasp this opportunity to fundamentally change the way their homes were managed and to "do something about serious cumulative disrepair, [to obtain] a better standard of maintenance [and to] take control over their destiny" (Department of the Environment, 1987).

The Conservative Government had already taken steps to encourage the growth of consumerism in housing, which in turn commodifed the service, making the idea of provision by alternative landlords a logical next step (Cairncross, Clapham and Goodlad, 1997). The Conservative Government hoped that giving tenants the power of exit from their local authorities would help accelerate the shift the balance of service delivery towards the private sector. The Conservative government envisaged that private sector landlords would take responsibility for managing homes and providing access to long-term sources of finance for reinvestment. The Conservative Government believed that provision through market systems was preferable to provision through municipal landlords, as explored in Chapter two. In the market system, consumers possess the power to take their custom to a range of competing suppliers if they are dissatisfied with their current provider. In the public sector, clients or recipients of services can only express their dissatisfaction with services they have received (Voice), either to the service provider directly, or through the political system. However, voice requires "…an articulation of one's critical opinions, rather than a private "secret" vote in the anonymity of a market" (Hirschman, 1970).

Very few consumers who are dissatisfied will complain, but will simply purchase their goods or services from another supplier.

Council tenants who are dissatisfied with their housing have always had the opinion of exiting from their local authority landlord into either owner occupation or the private rented sector, provided that they have sufficient resources to do. The majority of tenants remaining in the local authority sector do not have the option of exiting by buying a property or renting privately, although Right to Buy discounts have helped many more tenants to buy than would otherwise have been possible. Indeed, it is likely that many of the problems of local authority housing stem from the exit of the more stable and articulate tenants (Forrest & Murie, 1988). Tenants who remain are more likely to be residualised and are less likely to possess the motivation to effect any change. For those who remain, the alternatives of owner occupation or private rented housing are likely to be unattainable or worse than their current housing conditions. Many of the best local authorities had, by 1987, been sold under the Right to Buy, leaving the less attractive stock (Sewell, Twine & Williams, 1984). Tenants may not find purchasing these homes attractive, even if they could raise the finance to do so. Renting a home in the private sector is likely to be more expensive, and the quality of housing is often broadly comparable to local authority stock, and often worse. Tenants were "deprived of the opportunity to obtain the landlord they want, offering the service they deserve" (Department of the Environment, 1987). The inability of tenants to exercise the right to exit individually arguably made the collective exit offered by Tenants Choice potentially very significant.

Authorities 'enable' while the private sector 'provides'
Prior to the 1988 Housing Act, the vast majority of local authorities owned, managed and regulated their own housing stock. The Conservative Government believed that local authorities should be 'steering and not rowing' (Osborne and Gaebler, 1992). A small number of local authorities had already transferred some or all of their stock, leaving them with responsibility for regulation and assisting independent providers. Nicholas Ridley, former Secretary of State responsible for Housing in the late 1980s, saw this as the future model for all local authorities;

> *"The role of the local authority will no longer be that of the universal*
> *provider. But it will have a key role in ensuring that there is adequate*

provision to meet needs, in encouraging the various providers to develop and maintain the necessary services, and where necessary in providing grant support or other assistance to get projects started and to ensure that services are provided and affordable for the clients concerned." (Ridley, 1988: 17)

In practice, the Conservative Government perceived local authorities as playing a strategic role; identifying housing needs and demands; encouraging innovative methods of provision by private sector bodies to meet these needs; maximising the use of private finance; and encouraging the revival of the independent rented sector (Department of the Environment, 1987). The Conservative Government had been encouraging local authorities to consider other methods of provision, if it could be shown that they were more effective, as early as 1979. Housing Associations were expected to make a significant contribution to both new build and rehabilitation (Department of the Environment, 1979). To some extent, a number of authorities had been developing this role for some time (Ennals & O'Brien, 1990).

SUMMARY AND CONCLUSIONS

Although the Labour Government first started the reductions in public housing programmes in 1976, for largely fiscal and economic reasons, the Conservative Government elected in 1979 introduced far deeper cuts. The Conservative Government's believed that the State was too involved in direct provision, and this threatened individual choice and freedom. The policy response was to shift financial support from public housing to support for owner occupation and selling homes to tenants under the Right to Buy. From the mid 1980s onwards, the Conservative Government asserted that the Right to Buy could not address the problems of much of the stock that remained in local authority ownership. In 1987, the Government proposed transfers of council housing through HATs and Tenants Choice, to further reduce the State's role as a direct provider, but also arguably to address some of the management problems associated with council housing. Stock transfer could arguably change the way public rented housing was managed by, for example, passing it to single purpose bodies with access to private finance. Such a shift to private sector bodies would reduce the State's financial commitment to housing provision, enabling the Conservative Government to achieve its ideological objective of supporting owner occupation and private provision. The shift would also enfranchise tenants by giving them more decision making power over the future of their housing.

Local authorities, once having passed ownership of their housing stock to other bodies, would be left with an enabling role, involving identifying needs and monitoring the performance of providers.

Local authorities, tenants and private sector organisations were reluctant to accept the shift in the way Central Government proposed. Tenants were reluctant to change landlords when local authority services were only barely adequate. Their fears of the private sector and the Government's models of transfer were heightened by the initial refusal of ministers to allow ballots of tenants on HAT proposals (Woodward, 1991). Local authorities were reluctant to use the models developed by central government because of the perception among tenants and councillors that they might have allowed private landlords and property speculators to take over their estates. Under pressure from the financial regime introduced by the Conservative Government, many local authorities were interested in exploring ways of involving the private sector, but in a way that offered tenants more protection and opportunities to participate, and that addressed their housing departments' problems in a more structured and holistic way, including the possible retention of control by a single landlord (Malpass & Mullins, 2002).

Private sector organisations themselves resisted the shift from the public sector in the way the Conservative Government had proposed, as they wanted to work in partnership with local authorities. The housing association movement was reluctant to involve itself in anything that would threaten its relationship with local authorities (NHFA, 1987; Mullins, 1991).

HATs and Tenants Choice paved the way for a wider transfer programme, however, by providing a model for local authorities to adapt. In the next chapter, we examine how local authorities began to develop their own models of transfer, which central government began to accept and encourage. Models developed by local authorities have been more successful in helping the State to withdraw from direct provision, and encouraging more private sector involvement, than Central Government's models.

INTRODUCTION

In this Chapter, I attempt to explain how Local Government responded to Central Government pressure to become involved in developing stock transfer; and how their actions and behaviour fit within the framework that we use to analyse this recent housing phenomenon, set out in the core thesis outlined in Chapter Two. Firstly, I provide a historical account of local authorities' approach to stock transfer. In the second section, I examine how local authorities responded to the pressure resulting from the Conservative Government's changes to the financial regime for council housing. Local authorities responded to this pressure by withdrawing from the direct provision of housing; changing the way public services are organised and delivered; and by shifting the balance of service delivery from the public to the private sector.

1. THE DEVELOPMENT OF LOCAL GOVERNMENT'S APPROACH TO STOCK TRANSFER

This section provides a historical account of the development of Local Government's approach to stock transfer. Table 4.1 provides a chronology of initiatives which helped local authorities move from direct to indirect provision of housing.

Local authorities' approach to their role as landlords began to change in the 1970s, as building programmes began to slow; the phenomenon of difficult-to-let estates began to emerge (DoE, 1981); and the Labour Government first cut the housing budget after a long period of continual growth (Merrett, 1979). Growing disillusionment with slum clearance and mass housing solutions, coupled with resistance to clearance by some communities (Ward, 1974) helped the housing association movement to grow. Housing associations helped to rehabilitate inner city housing as an alternative to the clearance approach of local authorities, and became part of "a more local, more direct and more responsive housing movement" (Power, 1993: 210). By the late 1970s, financial pressure upon local authorities, resulting from cuts in 1976, began to mount and management of rented housing by local authorities was believed to be in 'crisis' by the first half of the 1980s (Audit Commission, 1986), following much deeper and enthusiastic cuts in housing budgets by the Conservative Government from 1979 onwards (Malpass, 2001). Despite this, councillors appeared reluctant at first to give up direct ownership of their housing stocks unless the financial problems of their housing authorities were severe (see, for example, Glasgow DC, 1985 and Tym et al

1988), because private sector involvement was arguably difficult to 'sell' to tenants, but also because they had grown accustomed to the control that being landlords gave them (Macey, 1982). There was, however, "no popular groundswell of opposition to Government policy" of a reduction in the State's role as direct provider of housing and indeed there was widespread support for the Government's aims, "if not the methods" (Clapham, 1989: 15)

Table 4.1: Local initiatives leading to moves towards indirect provision

Initiative	Year initiated
Development of **Tenant Management Co-operatives** in Islington, Glasgow and the Greater London Council, and **Ownership Co-operatives** in Islington and Liverpool, providing arms length service delivery, tenant control and delegated authority over budgets.	**1974**
Co-operation with **Priority Estates Project,** creating the conditions for changes to housing management.	**1979**
Walsall MBC: Decentralisation of Management An attempt to change the way public housing was managed by breaking up central structure and creating 32 local bodies.	**1982**
Knowsley MBC: Stockbridge Village Trust Provided first model for stock transfer and involvement of private sector in public housing.	**1982**
Glasgow City: Community Ownership Schemes Proposed wide-scale withdrawal from direct provision through stock transfer to small community-based and community controlled housing associations and co-operatives.	**1985**
Small whole stock transfers through LSVT Built upon early transfers but enabled complete withdrawal from direct provision. First stock transfers to involve stock with positive value.	**1988 onwards**
Partial transfer through Local Housing Companies Transfers of negatively valued stock in inner urban areas with the aid of central government ERCF grant funding.	**1996 onwards**
City-wide transfers Attempts by large city councils to completely withdraw from direct provision. In 2002, Glasgow succeeds in ballot of tenants, while Birmingham fails.	**2000 onwards**

Source: DoE / DETR / DTLR 1974-2001

As outlined in earlier chapters, the Conservative Government's policies in the early 1980s focused on cutting public housing expenditure and increasing support for owner occupation, coupled with sales of council houses to sitting tenants (Forrest &

Murie, 1988). As the pace of sales through the Right to Buy slowed by the mid 1980s, the Conservative government focused increasingly upon local authorities' management of housing (Malpass & Mullins, 2002), and sought to encourage a departure from the system that had evolved (DoE, 1987; Ridley, 1988). Local authorities had already begun to consider new approaches to service delivery, including decentralisation, for example (Seabrook, 1984; Mainwaring, 1988). In the 1980s, some local authorities faced such pressing problems that they sought to hand over some of their most difficult estates to other landlords. Early models such as the Stockbridge Village Trust (Tym et al, 1988) and the Glasgow Community Ownership Schemes (Clapham, Kintrea & Whitefield, 1991) demonstrated to others how housing departments could change. Other authorities seeking to withdraw, including Chiltern and Newbury district councils, did not face the same pressing problems, but believed that direct ownership was not in their tenants' best long term interests, as the financial regime would increasingly limit their ability to provide services at their current levels.

Many authorities, particularly big city, Labour controlled councils, changed their services to demonstrate that local authority ownership and management of housing was a viable long term strategy (Mainwaring, 1988). They set out to reform their services by introducing local management; decentralising services; while others adopted 'consumerism' in order to depoliticise housing management (Cairncross, Clapham & Goodlad, 1997). These reforms, while successful in delivering some improvement in management (Seabrook, 1984; Power, 1997; Cairncross, Clapham & Goodlad, 1997), did little to help address the local authorities' financial problems, which resulted from the Conservative Government's reductions in the public housing budget. Reforms were arguably vulnerable to shifting political priorities (Mainwaring, 1988), which appeared to strengthen the case for more fundamental change.

Later in the 1980s and 1990s, some local authorities that attempted to reform their housing services, but failed, started to explore transfer. They pioneered whole stock transfers to newly created housing associations; partial transfers to local housing companies; and estate transfers, which are all discussed below. More recently, big cities have explored the possibilities of transferring their entire housing stocks to city-wide trusts, with local subsidiaries delivering services to tenants (see, for example, Glasgow Housing Association, 2001). In two highly politicised ballots held during

2002, tenants in Glasgow accepted the City Council's proposals to transfer its stock, while tenants in Birmingham rejected transfer proposals.

Attempts to deliver radical changes in management through decentralisation

A small number of authorities with difficult to manage estates sought assistance from Central Government, and were seemingly willing participants in the Department of the Environment sponsored Priority Estates Project (Power, 1984 and 1987 provide full accounts of the work of PEP). Other authorities sought to address their problems through reconfiguring their worst estates, to reduce their scale and make them less inhuman (see, for example, Tym et al, 1988; and the Broadwater Farm case study in Power, 1997). The Conservative Government funded a number of capital projects through the Estate Action programme, which attempted to tie grants to changes in management and greater diversity of ownership (Pinto, 1993; Provan, 1993). However, the programme did little to deliver transfers of estates to alternative landlords. Works funded through the programme were generally limited to new build by housing associations or demolition of existing stock (ibid).

Some councils recognised a growing need to improve the management of council housing (Seabrook, 1984), possibly linked to a concern that the Conservative Government would intervene if they could not deliver radical change, as it had done when some councils failed to prioritise Right to Buy sales (Forrest & Murie, 1985). There are also indications that local authorities actively wanted to improve the way they delivered services, and decentralisation became "a source of hope and renewal to many local authorities who felt themselves becoming more and more remote from the people they served" (Seabrook, 1984: 1). Walsall Metropolitan Borough Council decentralised its housing service to 32 neighbourhood offices in 1982, taking its inspiration from the Caldmore Advice Centre. The Centre was established and run by a group of Walsall residents, and there were no limits on the issues that it was prepared to deal with. The Council hoped to build up a network of offices that could similarly deal with any problem residents might have.

The extent of the remoteness of staff from tenants was clear when they prepared to move out to the neighbourhoods. Many were apprehensive, as they had had little or no contact with the tenants: "personal contact – on such rare occasions as it had been unavoidable – had nearly always meant some more or less frightening confrontation

with a tenant driven to despair by neglect or indifference and who had somehow managed to evade the elaborate defences provided by the Civic Centre" (ibid: 125).

While decentralisation appeared to help staff to forge better relations with tenants, the initiative was hampered by lack of autonomy at local level (Mainwaring, 1988). Neighbourhood offices did not, for example, have any control over the repairs service, which remained with the Council's Direct Labour Organisation (DLO). This weakened accountability, as neighbourhoods were responsible for processing repairs orders, but were not in a position to account to the public for poor services provided by the DLO (Mainwaring, 1988).

A change of political control of Walsall Council in 1982 arguably demonstrates the vulnerability of housing management initiatives to shifts in political priorities. Although public pressure prevented the incoming Conservative Council from re-centralising the housing service, some offices were closed, and those that remained gradually lost autonomy to the centre (ibid).

A Model for Stock Transfers: Stockbridge Village Trust
Knowsley Metropolitan Borough Council established the Stockbridge Village Trust in 1982 as a means of rescuing Cantril Farm – an unpopular and difficult to manage estate. The Trust acquired the Cantril Farm Estate from the council in 1983, using a mixture of public and private finance to demolish the most unpopular properties and reconfigure and refurbish the retained units.

Cantril Farm was built by Liverpool City Council in the 1960s as an overspill estate for residents displaced by the slum clearance programme. Knowsley took ownership of the Estate as a result of local government reorganisation in 1974. The Estate consisted of 3,007 dwellings, built as maisonette blocks, tower blocks and houses. The Estate was beset by problems almost from the time of completion - rent arrears soared and void levels increased. The estate was declining rapidly and was "expected to be vacant within ten years and fit only for demolition" (Tym et al, 1988: 5)

The Council was said to be unable to address the problems the estate faced and "senior council officers admitted they were at a loss to know what to do" (ibid: 6). The Council did not have the resources necessary to fund the radical changes that it believed the estate needed to make it work. The Council was also concerned about the

prospect of serious disturbances, as had occurred in Toxteth in the previous year (Bedford, 1982). Withdrawal and private sector involvement was arguably an attractive proposition for Knowsley, as the Estate appeared to have become a management and political burden for the Council. Transfer would leave the Council with a smaller but arguably more manageable stock.

Michael Hesletine, on his now famous tour of Merseyside following the riots in the early 1980s, brought together private lenders, developers, the local authority and Central Government in a new model that appears to have shaped much of the future policy relating to transfer.

Stockbridge Village Trust provided a new model for withdrawal, organisational change and private sector involvement with local authorities. The Trust is essentially a non-profit distributing company limited by guarantee, which owns a registered Housing Association, Stockbridge Village Housing Association. The Trust is governed by seven trustees, three of whom are nominated by funders; one by the local authority; one by the local parish council; and one by residents. Later stock transfer landlords used similar structures.

The Trust pioneered community involvement in the development, intensive on-site management and the removal of political control from a Council estate (Tym et al, 1988). The Trust provided a model for private sector involvement in the ownership and management of council housing. While the Cantril Estate required major investment, officers also believed that it needed a new vision and new style of management, which the Council was unable to provide:

> *"Even within a Borough with a number of problem estates, Cantril Farm stood out. Residents and many of their leaders feared that Knowsley had given up in defeat. Senior council officers admitted that they were at a loss to know what to do." (Tym et al, 1988: 5)*

The Estate appears to have become a financial as well as political burden for the council. Knowsley was keen to involve the private sector in developing solutions for the Estate, and worked with housing providers and funders to agree terms for transfer and regeneration of the Estate. Residents played a key role in developing plans for the Estate, and by voting almost unanimously in favour of private sector involvement (ibid).

Glasgow City: Community Ownership Schemes

Between 1985 and 1998, the main method of reforming housing provision in Scotland was to transfer public housing to "Community Ownership Schemes" (Clapham, Kintrea & Whitefield, 1991; Clapham & Kintrea, 1994; 2000). Glasgow District Council devised community Ownership in response to the deteriorating condition of its housing stock. Other authorities in Scotland have since adopted the model. In 1985, Glasgow DC recognised that the Conservative Government's funding policy would lead to a much less favourable financial position and it would not receive sufficient resources to invest in its housing (Glasgow, 1985).

The problems Glasgow faced in the 1980s

Municipal involvement in housing began in the 1920s, when Glasgow Council first built housing for general needs. By the 1930s, in common with trends throughout the UK, the Council changed the emphasis of its programme to slum clearance, with replacement by flatted estates, built to low standards (Damer, 1989). From 1945 onwards, the Council built four massive estates on the periphery of the City. These four estates consisted of 62,000 dwellings, mainly in blocks of tenement flats. During the 1960s and 1970s, space in the City centre became scarce, and the Council followed the national trend of the construction of tower blocks. The blocks constructed in Glasgow were among the tallest in Europe (Keating, 1988).

By 1985, Glasgow's municipal housing stock comprised some 172,000 homes, and the sheer size of the stock and management difficulties looked as though they might overwhelm the Council:

> *"It is the Council's view that the sheer scale of its housing problems and needs is so great, compared with almost any other local authority, that new initiatives must be pursued."* (Glasgow DC, 1985)

By the end of the 1980s, housing built during the inter-war period remained virtually the same as it had been at the time of construction, and the mass estates on the periphery were deteriorating rapidly. For example, no planned maintenance had ever been carried out (Clapham & Kintrea, 1994). The estates were perceived as unpopular and demand was low. The Council faced the risk of being prosecuted for criminal neglect of its properties and tenants (Glasgow DC, 1986). This meant that radical action appeared to be vital to prevent a further deterioration of conditions. An Inquiry

into the Council's housing in 1986 (ibid) concluded that the Housing operation was unsustainable and advocated transfers to alternative landlords.

The Authority estimated that £1.6 billion would be required for capital investment in the years 1985/86 to 1989/90. Glasgow's housing revenue account expenditure declined from £197.5 million in 1980/81 to £153 million in 1984/85, largely due to a 63 per cent cut in real terms in Housing Support Grant (ibid).

The development of Community Ownership

The 1980s saw the emergence of a withdrawal strategy in Glasgow, through which the Council aimed to make use of "all available funding, while encouraging resident involvement" (Keating, 1988). In a move that might easily be regarded as revolutionary for a Labour controlled authority in 1985, the Council advocated withdrawal from provision by transferring the housing to community based housing associations to draw in private sector finance and to create more diversity in order to facilitate the renewal of its housing stock. Described by Glasgow DC as "an alternative strategy" Community Ownership was designed to improve the quality of housing management; to spread the resources available over as many areas as possible; to seek low cost management solutions, instead of expensive capital investment; and to harness the resources of the private sector (ibid).

Community Ownership was seen as a "collective Right to Buy", although tenants did not own their own individual homes (Glasgow DC, 1985). As the scheme attracted private finance, and fostered both self-help and mutual responsibility, the Conservative Government appeared to welcome it, especially as the impact of Right to Buy in Scotland was seen as being limited, and the left accepted it because they considered it to be a form of co-operative socialism (Clapham & Kintrea (1994). Glasgow DC (1985) claimed that the scheme's origins lay in the co-operative movement of the 19th century. An increased role for tenants was seen as crucial in the success of the schemes, as management co-operatives had succeeded in housing estates in the USA where conditions appeared to be far worse than in Glasgow (Rainwater, 1970; Roneck et al, 1981). The Council also anticipated that the scheme would help to stabilise communities "which might otherwise be at risk" from social breakdown and serious disorder (Glasgow DC, 1985).

Community Ownership involves the transfer of housing to par value co-ops, made up of tenants who collectively own the housing in the scheme. Members of the co-op commonly purchase a nominal share. The schemes are autonomous, and run by elected management committees. Glasgow has transferred over 12,000 units of its stock to 42 community ownership schemes since 1986. The schemes are funded by a mix of Housing Association Grant and private finance.

The first pilot Community Ownership schemes were established at Broomhouse, Calvay and Castlemilk East in 1986 and at Possil, Rosehill and Southdeen in 1987. Broomhouse and Rosehill estates were perceived as popular areas with few social problems, although the housing was believed to be in need of urgent refurbishment. The Castlemilk East, Calvay and Southdeen estates were part of Glasgow's "peripheral" housing stock, and were regarded locally as extremely unpopular. The housing stock had deteriorated badly. A majority of residents received state benefits, and the adult unemployment rate was above 50 per cent. Possil estate was highly stigmatised, and the conditions there were the worst of the six estates. Nearly all households on the Possil Estate were reliant on state benefits, and 80 per cent were unemployed (Clapham, Kintrea & Whitefield, 1991).

The main source of funding for the schemes created in 1986 was Housing Association Grant, while Glasgow DC funded the 1987 schemes from improvement grants. The schemes raised private finance to fund the balance of their investment needs.

The success of community ownership in delivering re-investment in run down housing in Scotland is well documented (See Clapham, Kintrea and Whitefield, 1991; Clapham and Kintrea, 1994; 2000). The schemes are locally based and controlled and are arguably small enough for local residents to have a high level of control. While their small scale helped to deliver improved services, they appear to have been unable to address Glasgow's housing problems quickly enough, as establishing the large number of schemes that would be required has proved difficult for the Council. In 1998, Scotland "went large" with the encouragement of whole stock voluntary transfers, with generous funding through "New Housing Partnerships" for feasibility studies and set up costs from the new Scottish Parliament (Taylor, 1991). Ministers appeared to recognise the importance of the tradition of tenant involvement established through community ownership schemes and consultation with tenants who

remain with their councils places emphasis upon the opportunities that might open up to them if they were to transfer.

Outcomes of Glasgow's attempts to withdraw from direct provision

Despite their success in improving housing and social conditions, it appears unlikely that Community Ownership Schemes will acquire many more units from local authorities, although there is nothing, in principle, to prevent existing schemes from bidding to take on more stock from local authorities. In a keynote speech on Scottish housing policy, the then Minister for Housing, Raymond Robertson, made no reference to the achievements of Community Ownership, or to their future role in other transfers (Robertson, 1995). The pace of withdrawal from direct provision in Scotland through community ownership appeared slow, and although there have been 182 transfers, the number of units involved was relatively low at 21,537, or 118 units per transfer. Glasgow undertook over 50 per cent of all transfers. In the second half of the 1990s, the Government cut Scottish Homes' approved development programme (ADP) which funded Community Ownership Schemes (Robertson & Taylor, 1996).

Whole stock transfers by smaller authorities through LSVT

Small district councils began to explore withdrawal from direct provision by transferring their entire housing stocks from the mid 1980s onwards. They appeared to be under pressure to withdraw because they believed that the new financial regime for local authorities threatened their viability as landlords in the long term (Cole & Furbey, 1994; Malpass, 1991; 2001; Malpass & Mullins, 2002). Although they did not face problems of disrepair on the same scale as large city councils, these authorities arguably saw that their ability to maintain their housing in good condition was bring eroded by Conservative Government's increasingly tight control of both their revenue and capital spending. Local authorities who wanted to improve services, in response to the vociferous attacks on housing management by the Conservative Government (Stoker, 1987) and the potential impact of the Tenants Choice provisions, found that their ability to respond positively was limited by financial constraints. Resources for development of new housing became increasingly scarce, and because the populations of the areas were generally well off, low levels of Housing Corporation grant allocations made the areas relatively unattractive to developing housing associations (Source: Interviews). This meant that opportunities for people in housing need to

access social housing became more and more limited, as the stock was gradually diminished through Right to Buy sales.

More councils have chosen whole stock LSVT than any other stock transfer model possibly because it appeared to provide the most comprehensive solution to local authorities seeking to withdraw from direct provision. Whole stock transfer enables a local authority to divest itself of all landlord responsibilities, although they retain their statutory housing functions (Aldbourne Associates, 1997). The process was first proposed in 1987 to transfer stock in 1988. Until 1996, whole stock LSVTs were undertaken exclusively by shire district councils (or outer urban councils with similar characteristics) whose stock was in good or reasonable condition. Although the problems did not as appear to be as pressing as in urban authorities, Councillors recognised that the new housing finance regime introduced by the 1989 Local Government and Housing Act would limit their scope to invest in their stock and might hamper attempts by officers to provide improvements in services. Housing need was also growing, but councils were unable to respond by building new housing. Equally importantly, many councillors might have noted the success of other authorities, especially Glasgow and Knowsley, in successfully transforming some of their unpopular housing estates by attracting private investment. Glasgow and Knowsley's problems were arguably many times worse than most other local authorities. These transfers appeared to demonstrate that councils could secure private sector involvement that would deliver large-scale investment and organisational change.

Estate based and partial transfers became commonplace from 1997 onwards, as the ERCF supported transfers demonstrated that urban transfers could work successfully (Jacobs, 1999; Murie & Nevin, 1999; Nevin, 1999; London Housing Federation, 1999). LSVT currently enjoys support from all major political parties at national level. Under the Labour Government elected in 1997, the programme of transfers has accelerated (DETR, 2000), with more transfers having been completed under the first Labour Government from 1997 to 2001 than under the previous two Conservative governments (Malpass & Mullins, 2002).

The only major research on LSVTs so far conducted is a longitudinal study by Mullins et al (1992 and 1995). This study is generally positive about the outcomes of

stock transfer, but concentrates on a small sample of early transfers. Research by Pieda (DETR, 2000) provides a new insight into LSVT recipient landlords from the perspective of consumers. The research indicates that levels of tenant satisfaction are slightly higher in LSVT associations than in local authorities although satisfaction often falls back slightly following the completion of backlog repairs programmes. Research undertaken by Aldbourne Associates (Aldbourne Associates, 1997) examines the development by transferring authorities of the enabling function. There is, however, no research that examines how organisations deliver services at ground level, although this thesis attempts to provide some initial data on the ethos, goals and management of LSVT associations.

Local authorities' leading role in developing LSVT

A small group of local authorities – Rochford, Chiltern, Torbay and Salisbury – pioneered the LSVT process in the mid to late 1980s, by adapting enabling legislation contained in the Housing Act 1985. This legislation was originally intended to enable local authorities to transfer stock to private landlords (Usher, 1987). The Conservative Government clearly followed the lead set by local authorities, as it was "reactive" rather than proactive in formulating new rules to govern transfers (Birchall et al, 1995). The Conservative Government appears to have revised its own guidelines as the impact of local action on national policy became clearer (Malpass & Mullins, 2002). The relevant sections of the Housing Act 1988 can be viewed as a response to local government initiatives that were already underway (Mullins et al, 1993), although the likelihood of such proposals might also have encouraged local authorities to take the initiative. There was concern among local authorities at the time that the 1988 Act marked "a period of sharper hostility than before towards local government provision and the extension of privatisation into the core areas of the Welfare State" (Cole and Furbey, 1994: 201). It is noteworthy that no Labour local authorities were part of this early LSVT approach (Malpass & Mullins, 2002), even though they had developed some of the earlier models at Knowsley and Glasgow.

Partial withdrawal through Local Housing Companies

Housing companies were first discussed in the late 1980s in the light of research on European housing structures (OECD, 1988; Power, 1993). The Housing Companies that were proposed resembled German limited dividend housing companies, French

private HLMs (Habitations à loyer modéré) and Societes Anonymes, and Swedish and Danish municipal housing companies.

There has been significant interest in Local Housing Companies among local authorities and all major political parties since the early 1990s. In 1995, surveys indicated that as many as two thirds of housing directors were actively considering the option of establishing a Local Housing Company, with 40 per cent of those in favour expecting to do so within two years (Inside Housing, 1995). Local Housing Companies have already done more – in terms of the number of units transferred - than traditional LSVTs to facilitate the withdrawal or partial withdrawal of inner urban local authorities from direct provision, and to create more diversity of ownership of public rented housing in cities.

Developing the Model

The concept of Local Housing Companies first entered the political arena in the 1970s, although it was not until 1982 that the first organisation using the structure was established at Knowsley (see Tym et al, 1988). In 1987, the Labour Party considered the use of management companies to run estates, following a visit to Swedish local housing companies by the Party's Housing Spokesman (Independent, 1987). The Party suggested that boards could run the companies, with control split three ways between tenants, investors and councillors. The Chartered Institute of Housing (1992), Raynsford (1992) and Wilcox (1993) built upon these initial ideas. Wilcox et al (1993) and Zitron (1995) examined the Local Housing Company option in detail while the idea was in its infancy. They defined Local Housing Companies as:

> *"... independent bodies generally established by public sector landlords, in order to attract investment into social housing. They will normally be associated with transfers of tenanted public sector housing but can be used for new building" (Zitron, 1995)*

and that councils should

> *"... transfer housing [to a Local Housing Company] as a going concern, without the need to raise very large sums in private capital to purchase the properties. Rather the new landlord body would simply assume the financial responsibility for the outstanding debt on the council housing stock, and be free to raise as much private finance as it required for major repairs and improvements programmes"*   (Wilcox et al, 1993)

The model owes much to the Swedish system of provision of social housing through municipal companies. Municipal housing companies now account for 20 per cent of all housing in Sweden. They enjoy generous state subsidies, and a high level of local authority influence. Swedish municipal housing companies operate as single purpose independent bodies, which enables them to provide local estate based management and maintenance more easily than local authorities (Wilcox, 1993). This high level of state control differs to local government's role in British Local Housing Companies. The emphasis in Britain is upon ensuring that companies are *clearly in the private sector* in order that any private borrowing can be deemed to be outside the public sector (Wilcox et al 1993; Zitron, 1995; Housing Corporation, 1996). However, there is still scope for local authority involvement, particularly in establishing the companies.

Lee, Power and Tunstall (1999) identify a number of key characteristics shared by Local Housing Companies. The term "Local Housing Company" encapsulates two elements: the transferring body; and the recipient organisation. Companies are single purpose housing organisations that typically have long term funded refurbishment and development programmes.

Authorities pioneering the model were often seen as being concerned about the loss of control over their housing stock after a transfer. They wanted to develop a model of ownership that would have a closer relationship with the authority than they could expect to have with an existing RSL or specially created housing association (ibid). This closeness is linked to the housing company structure and formal agreements reached during the company development process, which would arguably give local authorities a considerable stake. In addition, partial transfer inevitably involves some ongoing links to the local authority through other stock and nominations. While local authorities may lose some influence, the model appears to give greater scope for tenant influence over their new landlords than they had as council tenants. Furthermore, it is possible that tenants might expect more influence through the board of a local housing company than they would be likely to achieve through the board of a LSVT association or other RSL.

Local housing companies have often been seen as synonymous with negative value stock transfers supported by the Estates Renewal Challenge Fund (ibid). However, all

local authorities can consider Local Housing Companies as potential recipient landlords. Shire district councils, for example, have adopted the model to acquire their entire housing stocks.

Pioneering authorities: Hackney and Tower Hamlets

The London boroughs of Hackney and Tower Hamlets were at the forefront of the development of Local Housing Company models which help local authorities to withdraw and through which the private sector takes more responsibility for the ownership, management and upgrading of local authority housing. The London Borough of Tower Hamlets, which was Labour controlled at the time of writing, "exhibits levels of multiple deprivation and socio-economic exclusion at levels that are the highest both in London and nationally" (LB Tower Hamlets, 1995a). Council housing in the Borough was said to be "typical of the worst representation of local authority housing", displaying "extremely poor environmental quality and design related crime problems" (LB Tower Hamlets, 1995a). The council rejected the LSVT model as an option because it did not provide an acceptable way forward "either financially or in terms of the normal accountability arrangements" (LB Tower Hamlets, 1995b). This was because the stock had a negative value and the Council's would be left with an overhanging debt, which it would be unable to redeem. It should be noted that these discussions took place prior to changes to rules on overhanging debt in 2000. The council believed that direct transfer to existing RSLs did not offer tenants sufficient protection and levels of involvement. The Borough initially proposed the transfer of 37 of its estates (some 13,000 dwellings) to two "Housing and Regeneration Community Associations" (HARCAs), which would be vehicles for transforming estate conditions, changing estate services and involving communities (Stride, 1997). The Poplar HARCA and Tower Hamlets Community Housing have both attracted funding from banks, but in order to provide sufficient security for funders, good quality stock was "packaged" with poorer quality stock.

The first HARCA in Poplar was endorsed in the tenants' ballot with 72 per cent in favour. Tenants rejected initial transfers to the second HARCA, "Cityside". The Cityside transfer was subject to a sustained opposition campaign from *Defend Council Housing* (www.defendcouncilhousing.org.uk) and trades unions. Following a re-launch of the Cityside HARCA, as "Tower Hamlets Community Housing", further

ballots were successful, with just over 51 per cent of tenants voting in favour of transfer.

The HARCAs follow the governance structure suggested by the Housing Corporation (1996), with one third of board members drawn from the council, one third from tenants, and one third from the business and professional sectors. Accountability to the authority and to tenants is a major attraction of Local Housing Companies for the Borough (LB Tower Hamlets, 1995a).

The Council sees HARCAs as having the following role; raising finance to fund a renewal programme; involving residents and the wider community in their work; being accountable to the council for the use of public funds and in regard to the promises and guarantees made to tenants prior to the ballot; and harnessing the expertise and resources of other partners such as housing associations (ibid).

The London Borough of Hackney adopted a consortium approach to the development of Local Housing Companies to receive transfers of its stock. In 1995, the Borough acknowledged that its housing stock suffered "serious and widespread disrepair" and estimated that it needed to invest £495 million to bring its council homes and estates up to modern standards (L.B. Hackney, 1995a). To merely maintain the basic fabric of its housing stock, the Borough estimated that it might have to spend £153 million within five years (Hackney, 1995b). The Council's *Estate Regeneration Strategy* (ERS) can be seen as an ambitious attempt to transfer stock to the private sector, and shift responsibility for funding and managing major investment in the Council's stock (ibid).

The ERS was arguably an open invitation to the private sector to take over the Council's role as landlord of a large proportion of the Borough's housing stock. The Council selected estates comprising 8,000 units, or 20 per cent of the total stock, with the highest investment needs, for transfer to the private sector. The Council considered the economic viability of the estates, based on their size and previous or planned investment. Estates with less than 100 dwellings were excluded, because it was felt that smaller estates would not provide a sufficient income stream to attract alternative landlords and funders. Factors including the level of unpopularity; the

number of homes purchased by residents under the right to buy; void levels and average rent arrears were also considered (ibid).

The Council invited RSLs to form consortia to take over the estates. Twenty-one consortia, comprising housing associations, property developers, funders and architects, were chosen to proceed to the next stage. Each consortia had drawn up outline plans for three estates each. Tenants and officers selected successful bidders, and put their proposals in a ballot to all tenants directly affected.

Up to March 2000, the Council had transferred over 6,000 units on six estates to a number of organisations, including existing RSLs, standalone Local Housing Companies and subsidiary Local Housing Companies (see table 4.2). Hackney's Estates Renewal Strategy depended heavily upon grant funding from the Estates Renewal Challenge Fund, although the Council initially developed the scheme before ERCF had been announced.

Table 4.2: Landlords acquiring stock through Hackney's Estates Renewal Strategy

Estates transferred	Name and structure of landlord	Parent	Number of units	ERCF funding (£m)	Private finance raised (£m)
Kingsmead	Kingsmead Homes – subsidiary LHC	Shaftesbury HA	978	10.64	28.00
Morningside	Sanctuary HA – direct transfer to RSL	N/A	1,091	10.12	20.00
Haggerston estates	Canalside Housing Partnership – subsidiary LHC	Metropolitan Housing Trust & Community HA	662	13.24	29.00
Upper Clapton	Clapton Community Homes – subsidiary LHC	Guinness, New Islington & Hackney HA & Ujima HA	1,000	19.98	38.00
Pembury Estate	Peabody Trust – direct transfer to RSL	N/A	1,204	15.35	34.00
Stamford Hill	Southern Homes – direct transfer to RSL	N/A	1,060	12.23	35.00
Totals			5,995	81.56	184

Source: DETR LSVT database 2001

In addition to Tower Hamlets and Hackney, other authorities established local housing companies in the late 1990s, including Brent (see Lee, Power and Tunstall, 1999), Manchester, Birmingham and Sheffield (Nevin, 1999).

Central Government support for local housing companies

In response to local authorities' plans to establish local housing companies, the Conservative Government introduced a challenge fund to assist where a council required additional funding to make a transfer financially viable. This can be interpreted as an attempt by the Conservative Government to facilitate transfers in inner urban areas (Jacobs, 1999) and advance the withdrawal from direct provision by authorities who had not yet responded to financial pressure to consider transfer. It was arguably also a way of engendering new ideas for meeting 'customer' needs, in recognition of changing demands from tenants.

The aim of the *Estates Renewal Challenge Fund* (ERCF) was to provide assistance to authorities whose housing stocks had poor asset cover, where the value of the properties would be insufficient to provide cover for the borrowing the new landlord would need to take on (Department of the Environment, 1995c). The ERCF was available to fund the payment of dowries to new landlords; to fund essential maintenance or repair work; to meet the preparatory costs of transfers; and to help facilitate anti-crime or employment initiatives. The fund provided dowries totalling £488 million (an average of £13,300 per unit) between 1996 and 1999, to facilitate the transfer of 43,114 units. Although the number of units transferred with ERCF assistance can be seen as relatively low in comparison to the total stock of urban authorities, the programme was important in demonstrating how local authorities could shift the balance of service delivery towards the private sector by involving existing RSLs, who had long track records of managing socially rented housing and access to sources of finance for long term investment. These models appeared to work well in areas of high demand for housing, which provided comfort for funders (DETR, 1998), and London borough councils proved particularly keen on participating.

The Labour Government elected in 1997 did not extend the ERCF programme. Local authorities therefore need to fund dowries from their own resources, or from other regeneration funding, including the New Deal for Communities. The Government has

expressed an interest in capturing some of the equity released by shire district transfers in order to redistribute it to authorities with very poor stock condition (DETR, 2000).

City-wide Transfers

In 1998, the first large city-wide transfers were proposed by Birmingham, Coventry, Glasgow and other city councils. These proposals appeared to break new ground because of the number of units that would be transferred, and also because the value of some of the councils' housing stock was insufficient to redeem their outstanding housing debts.

The proposals were among the first involving large urban housing stocks, which well exceeded the 12,000 unit limit of transfers to single landlords. The Government was reluctant to relax this limit (DETR, 1998), so the local authorities developed proposals to establish city-wide trusts, which would pass housing management on to subsidiary organisations, providing local services to tenants.

The Labour Government has provided a solution to the problem of outstanding housing debt, by offering to redeem a council's housing debt, if it succeeds in transferring its stock (DETR, 1999). Without this assistance, city wide transfers would almost certainly prove to be impossible, as it is unlikely that funders would be willing to offer sufficient funding for the acquiring landlord to fund a programme of catch up repairs, as well as making a payment to the local authority to redeem its debt.

Glasgow City Council has completed its long process of withdrawal following the decision of a majority of tenants in favour of transfer of the entire remaining stock of 93,000 units Glasgow Housing Association, with onward transfers to community-based housing associations. The Scottish Executive has assumed responsibility for servicing Glasgow's £900 million housing debt, while the acquiring landlord has taken responsibility for raising the £1.6 billion investment required to address the repairs backlog (Glasgow Housing Association, 2001).

Summary

The financial regime for council housing, introduced by the Conservative Government from 1979 onwards, placed local authorities' under a high degree of pressure, which has forced some with stock condition problems to consider transfer. Other authorities,

with less pressing problems, arguably took the decision to transfer as a pre-emptive action. Transfer has helped these authorities to access funding for investment in the housing stock, by passing ownership and management responsibility to the private sector. This has also brought a degree of organisational change, with at the very least, a move to a single purpose body at arms length from local authorities.

Although organisational change cannot be interpreted as the key driver for transfer, it became important in view of the Conservative Government's attacks on local authority management from the late 1980s onwards.

Some authorities sought to improve services by radically change the way they provided housing services through, for example, decentralisation. These attempts at change were short lived, as they often lacked long term political commitment. Small scale transfers, such as the transfer to Stockbridge Village Trust and Glasgow's establishment of community ownership schemes, served to demonstrate what other local authorities could expect to achieve through transfer. Noting the success of early transfers, district councils pioneered whole stock transfers from 1987 onwards, which appear to have paved the way for inner-urban transfers in the late 1990s.

2. WHY LOCAL GOVERNMENT ADOPTED STOCK TRANSFER AS A SOLUTION TO ITS HOUSING PROBLEMS

In the 1980s, the legislative and financial regime for local authorities made direct ownership of housing increasingly difficult. Local authorities began to investigate stock transfer in response to the introduction of Tenants Choice in 1988 and the new financial regime introduced in 1989. Local authorities also faced considerable management difficulties and transfer can be viewed in terms of helping local authorities to change council housing management, after other attempts at reform failed. Financial constraints and management difficulties made private sector involvement attractive to local authorities (Malpass & Mullins, 2002), provided that tenants' interests could be protected and that the new landlords were accountable to tenants and local communities.

STOCK TRANSFER AS AN ACCEPTABLE MEANS OF WITHDRAWAL FROM DIRECT PROVISION

Stock transfer provided local authorities with a means of withdrawing from direct provision. Withdrawal became attractive for some local authorities, as the Conservative Government changes to the system of funding both revenue and capital expenditure hampered their ability to provide the services tenants wanted and to reinvest in their stock to keep it up to date to ensure its long term viability. Many authorities were already concerned by the findings of the Study of Difficult to Let Housing (Department of the Environment, 1981) and the Audit Commission's (1986) findings on management problems. These difficulties were compounded further by the possibility that other landlords could acquire estates under the Tenants Choice provisions, possibly requiring local authority funded dowry payments under the 1988 Act (see for example, WECH 1998).

The financial regime for local authorities after "ring-fencing"

The 1989 Local Government and Housing Act introduced major changes in the system of financing council housing, including long-term reinvestment. The most notable change from the pre-1989 regime was that housing revenue accounts (HRAs) were "ring-fenced" from other local authority accounts, thus preventing transfers either in or out. This effectively ended the practice of some local authorities of subsidising housing accounts from Rates funds. Ring fencing also prevented the practice of cross-subsiding rates from housing accounts. The subsidy regime was also changed in a way that gave Central Government greater control over rent levels, and to target subsidy on areas that needed most assistance (Department of the Environment, 1988). Central Government also took more control over capital spending, by limiting a local authority's ability to spend its capital receipts, thus forcing them to rely upon centrally determined credit approvals. This appeared to give two broad types of local authority a new interest in transfer – shire districts with rent surpluses and urban authorities with a rent deficit (Kleinman, 1993).

The changes introduced by the Local Government and Housing Act 1989 appeared to encourage many authorities to fundamentally re-examine their role as direct providers of rented housing. Greater central government control of both revenue expenditure and capital investment could mean that the ability of housing authorities to provide

services and invest in their housing might be hampered. Increasing control by the Conservative Government arguably made local authorities' finances uncertain. It also arguably limited their political incentives to continue as landlords, as they would be less likely to be able to deliver services that matched tenants' increasing expectations. Withdrawal from direct provision could help local authorities remove their housing from this situation. Independent landlords, at arms length from local authorities, would not be limited by these constraints and could place housing services on a sound long-term footing. Interestingly, many directors of housing welcomed these changes and some began to take an active interest in transfer (Inside Housing, 1995).

Tenants Choice

The Act bringing about the changes to the financial regime for council housing was placed before Parliament just as the Tenants Choice provisions (see Chapter three) of the Housing Act 1988 came into force. Local authorities were believed to be concerned that private sector landlords might 'cherry pick' their best estates, leaving them with the most difficult and unpopular estates. In other cases, authorities were concerned that tenants on run down estates with the worst conditions might chose to 'opt out', consequently forcing them to pay large dowries to acquiring landlords (see for example, WECH, 1998). This would reduce the capital available for reinvestment in the stock retained by the local authority.

Although local authorities' worst fears about Tenants Choice never came to fruition, some councillors chose to seek to withdraw entirely from direct provision to avoid the perceived threat of either cherry picking of their best estates, or the payment of dowries to landlords acquiring estates of disgruntled tenants. Transfer would place the entire housing stock at arms length from the local authority, where the provisions of Tenants Choice would not apply.

The combined effects of ring-fencing of HRAs, changes to the housing subsidy and capital investment regimes, and the possibility of forced transfers through Tenants Choice, appears to have brought about a fundamental re-examination by some local authorities of their role as landlords. They could sense that the operating conditions for local authorities were likely to become increasingly difficult, and they decided that withdrawal from direct provision offered an acceptable solution (Malpass & Mullins, 2002). Withdrawal would place socially rented stock beyond the provisions of

Tenants Choice, as well as freeing it from Central Government constraints on revenue and capital expenditure, giving the landlord greater scope to provide services that more closely matched tenants' aspirations.

Stock transfer as a means of delivering organisational change

Relations between tenants and managers were said to be in danger of breaking down (Andrews, 1979), due to management difficulties which emerged from the early 1970. Central government began to examine closely councils' management of housing in the worst areas, culminating in the Audit Commission's report, claiming that the management of council housing in some local authorities was in 'crisis' (Audit Commission, 1986). The report also said that management by a majority of councils was satisfactory and in many cases good.

The failure of management reform leading to stock transfer

Attempts to decentralise management lacked support across the political spectrum and cannot be seen as a permanent shift in service delivery (Mainwaring, 1988). Power argues that "political leadership of housing management initiatives is unreliable and short lived; it is effective in extreme conditions, but it needs to be followed by a solid, non-political business orientated service that residents have a major role in shaping" (Power, 1997: 212). Transfer can arguably be seen as a way of providing such a non-political service, although stakeholders would need assurance that these bodies are accountable.

Single purpose landlord organisations

Stock transfer can be seen as a way of giving councils an opportunity to provide long term certainty for management initiatives described above by establishing single purpose organisation, placed at arms length from politicians. Local authorities provide a wide range of services, including education, refuse collection, planning, leisure, public and environmental health, environment and Housing. Although there are potential benefits from service provision from a single purpose provision, housing management is a complex operation, requiring significant and coordinated inputs (Power, 1997), but it is often fitted around other departments, all of which may perceive themselves as being in competition, deriving from bureaucratic rivalry, professional jealousies and value clashes (Stoker, 1991). Furthermore, some

councillors are believed to prioritise other services, such as education, leisure and planning, above housing (ibid).

Transfer can arguably help create new impetus, tenant involvement through the consultation process, new investment, new business plans, new systems of governance through independent boards, all of which can help drive deep organisational change.

Stock transfers as a means of shifting the public-private balance in service delivery

Due to the financial constraints local authorities faced, they sought to involve the private sector in provision. Local authorities realised that this could free public housing from some of its centrally imposed financial constraints (McCrone & Stephens, 1995). The private sector acquired stock from local authorities through whole stock transfer, and through smaller, community based organisations or housing companies, similar to the forms of provision found in Europe (see figure 4.1).

Governments in Europe relied much more on the private rented sector, voluntary organisations, semi-private and state sponsored companies to provide socially rented housing, whereas the UK relied almost exclusively on local authorities. The UK State's dominance of the provision of rented housing is almost unique in western Europe (Daunton, 1987). The continental European model of social housing has a stronger focus largely due to its ability to access private finance, but also because it delivers good standards to a broader population (Kleinman, 1996). It provides intensive and high quality management through single purpose organisations (Power, 1997). European social housing appears to offer a degree of choice of providers and tenure, giving people a feeling of control over their lives, which local authority tenants in the UK often feel they are deprived of (Saunders, 1990; Forrest & Murie (1990).

Figure 4.1: Shifting from Public to Private Sector Provision

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┌──────────────────────────────────────────────────────────────────────┐
│                                                                        │
│   ┌─────────────────┐                      ┌─────────────────┐         │
│   │     DIRECT      │                      │    INDIRECT     │         │
│   │   PROVISION     │                      │   PROVISION     │         │
│   │      (UK)       │                      │  (e.g. Germany) │         │
│   └─────────────────┘                      └─────────────────┘         │
│                                                                        │
│  LOCAL AUTHORITIES    become enablers    Private landlords, associations,│
│          │                               semi-private organisations,   │
│          ▼                               housing companies, limited    │
│                                          state provision, state subsidy│
│                                                        │               │
│                                                        ▼               │
│   ┌──────────────────────┐              ┌──────────────────────────┐   │
│   │ MANAGERS WEAKER      │              │ MANAGERS STRONGER        │   │
│   │  • Uniform style     │              │  • Access to private     │   │
│   │  • Lower quality     │              │    finance               │   │
│   │  • Poor management   │              │  • Diverse style         │   │
│   │  • Slum clearance    │              │  • Good quality          │   │
│   │  • Scarce public     │              │  • Single purpose bodies │   │
│   │    funds             │              │  • Choice of tenure      │   │
│   │  • No consumer choice│              └──────────────────────────┘   │
│   └──────────────────────┘                                            │
│             │                                                          │
│             ▼                                                          │
│        ┌──────────────┐                   ┌────────────────┐           │
│        │ WITHDRAWAL   │──────────────────▶│ WHOLE STOCK    │           │
│        └──────────────┘                   │ TRANSFERS      │           │
│             │                             │ (LSVTs)        │           │
│             ▼                             └────────────────┘           │
│      ┌──────────────┐                                                  │
│      │ BREAK UP OF  │                                                  │
│      │ STOCK        │                                                  │
│      └──────────────┘                                                  │
│             │                                                          │
│             ▼                                                          │
│   ┌────────────────────────────────────────────┐                      │
│   │ NEW MODELS OF SERVICE PROVISION             │                      │
│   │  • New or existing social landlords         │                      │
│   │  • Community based model                    │                      │
│   │  • Local housing company model              │                      │
│   └────────────────────────────────────────────┘                      │
│                          │                                             │
│                          ▼                                             │
│   ┌────────────────────────────────────────────┐                      │
│   │ Public-private partnership and shift away   │                      │
│   │ from public sector service delivery         │                      │
│   └────────────────────────────────────────────┘                      │
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└──────────────────────────────────────────────────────────────────────┘
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Source: Adapted from Power (1997)

The transfer process arguably enfranchised tenants by giving them the ultimate decision making power on whether transfers should proceed. This enfranchisement broke local direct political control over 'municipal fiefdoms' (Cooper, 1985) and forced councils into radical changes of the management and ownership of housing. In light of the Government's increasingly tighter regime, local authorities with the most

severe problems were arguably left with little choice but to shift responsibility for their landlord functions to the private and voluntary sectors. Large urban authorities, including Hackney and Tower Hamlets, actively sought private sector involvement in their stock from the mid 1990s onwards, as their management and stock condition difficulties became more pressing (LB Tower Hamlets; LB, Hackney.

Why local authorities sought greater private sector involvement
Transfer enabled local authorities to access long term private finance within a landlord structure that offered acceptable levels of accountability to tenants and councillors (L B Hackney, 1995; L B Tower Hamlets, 1995). Transfer landlords could arguably offer greater accountability to both tenants and councillors through higher shares of places on boards than they were currently afforded through the local authority. However, tenants would lose formal political accountability through their elected councillors. Local housing company boards usually comprise one-third local authority nominees, one third tenant representatives, and the remaining third independent professionals and local community members (Housing Corporation, 1996; Nevin, 1999).

The major impetus for the involvement of the private sector was the search for increased investment in social housing, against a background of increasing homelessness and growing waiting lists, constraints on public expenditure, and a growing backlog of repairs. Wilcox (1993) argued that in order to meet basic housing needs, overall social housing investment provision for Great Britain as a whole would need to increase by £3 billion per annum. Since 1992, there has been a substantial increase in the number of commercial lenders willing to lend to social housing bodies (Social Housing, 2001). The Inside Housing (1995) survey confirms that the ability to raise private finance is one of the major attractions of private sector involvement, with over two thirds of housing directors identifying this factor as important.

Secondly, stock transfer landlords offer formal accountability to local authorities and tenants. Central government has to be satisfied that a local authority does not control a stock transfer landlord (DETR, 1998). However, this arguably leaves scope for a considerable degree of local authority influence. The level of formal accountability through the Board and Housing Corporation can be seen in terms of giving local authorities and tenants a degree of control over the boundaries of the LHC's business

(Zitron, 1995). This is in sharp contrast to early LSVTs, where some associations have removed local authority representatives from their boards, and have expanded the scope of their operations by, for example, bidding for housing management contracts for other local authorities' housing management (ibid).

Why private sector funders provide funding for stock transfer

The willingness of private sector funders to finance transfers appears to depend on several factors. Firstly, the quality of the property to be included in the transfer must offer lenders sufficient security. Acquiring landlords need to convince lenders that the properties have sufficient value so that they could be sold in the event of the company suffering cash flow difficulties. Secondly, the acquiring landlord needs to be in a position to present a solid and realistic business plan. Thirdly, the acquiring landlord must convince lenders that if its projected income is not sufficient to cover interest payments from the outset, it must be capable of keeping the debt within certain agreed levels (Zitron, 1995).

Summary

Local authorities that have transferred their stock accepted a shift in service delivery from the public to the private sector for several reasons. Firstly, their ability to deliver services and invest in their housing stocks was limited by the financial regime introduced by the Conservative Government. At the same time, tenants were being encouraged by Central Government, and local authorities themselves, to provide more feedback on services (Stewart & Clarke, 1987: Cole & Furbey, 1994), resulting in a shift in tenants' aspirations. Local authorities consequently felt under pressure to find new ways of delivering services. The private sector had the funding available and arguably the necessary expertise to provide effective housing services. Many housing associations were believed to be looking for new ways of expanding their businesses. Secondly, councils were willing to accept a shift to the private sector because the models they developed appeared to offer an acceptable level of tenant and council involvement in the new landlord organisations (Wilcox, 1993). As a result, some local authorities dropped their opposition to private sector involvement and evolved new structures that enabled transfer. These structures arguably helped to provide reassurance that the long term interests of residents and the wider community could be protected.

SUMMARY AND CONCLUSIONS

The Conservative Government's increasing tightening of the financial regime for council housing encouraged many authorities to consider transfer, while others with the most acute problems were arguably forced to transfer. In addition to their financial problems, some councils' began to experience management problems by the 1970s and 1980s. Council housing no longer appeared to be a vote winner for councillors, as feelings about the tenure among residents in other tenures was not positive, even though those who had the best knowledge of the tenure – council tenants – were often satisfied (Gyford et al, 1989; Maclennan et al, 1989). Some councils responded to the difficulties of owning housing by withdrawing from direct provision, at least partially. Other councils who rejected transfer attempted to address their problems by changing housing management, through initiatives including decentralisation. These reforms, while somewhat successful in delivering improvement in management (Seabrook, 1984; Power, 1997), did little to help address the local authorities' financial problems, which resulted from the Conservative Government's reductions in the public housing budget. Reforms were arguably vulnerable to shifting political priorities (Mainwaring, 1988), which appeared to strengthen the case for more fundamental change. Finally, local authorities were pressured to shift responsibility for the provision of socially rented housing to the private sector to provide access to long term sources of investment, and possibly also to bring an alternative vision for managing the stock (see for example Tym et al 1988). The Conservative Government wanted to force local authorities to withdraw from direct provision (DoE, 1997), and arguably tightened the financial regime for council housing in order to do so. This left local authorities with the most severe stock condition and management problems with little choice but to involve the private sector. However, local authorities wanted to work with the private sector on agreed terms and, with the help of tenants' campaigns, successfully resisted the Conservative Government's compulsory transfer models.

INTRODUCTION

In this chapter, I examine the regulatory and legislative regime for LSVT, which enables local authorities to withdraw from direct provision; to change the way social rented housing is organised and managed; and to shift the balance of service delivery towards the private sector. The chapter is divided into three sections. The first sets out a chronology of the legislation, regulation and guidance produced by Central Government and the Housing Corporation. The second section describes the legislative and regulatory background that has evolved. The third section examines how this framework helps the State to withdraw from direct provision; how it delivers organisational change; and how it shifts responsibility for managing and financing investment in socially rented housing towards the private sector.

1. CHRONOLOGY OF LEGISLATION AND REGULATION

The principal acts governing the LSVT process are the Housing Act 1985, the Housing Act 1988 and the Leasehold Reform, Housing and Urban Development Act 1993. The Local Government and Housing Act 1989 is not directly relevant to the LSVT process itself, but is important in understanding the financial context in which local authorities operate. The Housing Act 1996 enabled local authorities to establish local housing companies to receive transfers of housing. Table 5.1 summarises the relevant legislation.

Regulation of the transfer process is largely governed by DETR Housing Transfer Guidelines (DETR, 1998) and the Housing Corporation's (1996) Registration Criteria for Stock Transfer Applicants. The guidance sets out how Central Government wants its legislation to be implemented by local authorities. Most of this section therefore concentrates on the regulation that derives from legislation relating to stock transfer. First we discuss the relevant Acts, and then we discuss how they are applied through Central Government and Housing Corporation guidance.

Table 5.1: Legislation governing Large Scale Voluntary Transfer

Act	Section	Details
Housing Act 1985	Sec. 32	Basic power to dispose of HRA land.
	Sec. 43	Power to dispose of house/flat let on secure tenancy, subject to approval by Secretary of State.
	Sec. 106A	Requires local authority & Secretary of State to have regard to tenants' views of any disposal under sections 32 or 43.
	Sec. 171A - 171H	Framework for preserved Right to Buy for transferring tenants.
	Sch. 3A	Detailed requirements for local authorities to consult their tenants. Secretary of State can refuse consent if it appears 'that a majority of tenants…do not wish the transfer to proceed'. In practice, Secretary of State will require a ballot.
Housing Associations Act 1985	Sec. 9	Housing associations must seek consent from Housing Corporation before using properties transferred from a local authority as loan security.
Housing Act 1988	Sec. 133	Further disposals of transferred houses/land require consent from Secretary of State. Consent must also be sought if new owner wishes to use property as loan security.
Local Government and Housing Act 1989	Sec. 33 – 66	New limits on local authorities' abilities to borrow.
	Sec. 74	Places a duty upon local authorities to keep a ring-fenced Housing Revenue Account (HRA).
	Sec 76.	Places a duty upon local authorities to prevent a debit balance on the HRA.
Housing Act 1996	Sec. 2.1	Enables local authorities to establish local housing companies.

Source: House of Commons

Key Legislation

Legislation relating to the transfer of local authority housing to other landlords is contained in a number of acts. In this section we briefly describe the five acts of Parliament that enable transfer; provide ground rules for the process; or that encourage local authorities to transfer.

Housing Act 1985

The 1985 Housing Act is the key act for stock transfer. The Act grants local authorities the power to dispose of housing occupied by secure tenants, and to dispose of land held for housing purposes. The disposal of housing occupied by secure tenants requires prior approval by the Secretary of State.

Housing Act 1988

The Housing Act 1988 introduced little change to the legal framework for LSVT, which continued to be governed largely by the 1985 Act. The 1988 Act introduced Tenants Choice, which gave tenants the right vote to transfer to "approved landlords" and for the Secretary of State to establish Housing Action Trusts to take control of local authority properties in a defined area.

Local Government and Housing Act 1989

The Local Government and Housing Act 1989 introduced a requirement of local authorities to set up and maintain separate Housing Revenue Accounts. The legislation required that Housing Revenue Accounts would be ring-fenced from the finances of any other local authority activity. Prior to the introduction of ring-fenced housing revenue accounts, a number of authorities had subsidised their housing operations from other sources of income. Other authorities had used surpluses of rental income net of expenses to subsidise other services or to lower the level of their rates. The 1989 Act also placed further limits on local authorities' borrowing powers and ability to spend capital receipts from Right to Buy and other asset disposals. The combined effect of ring fencing of HRAs and further restrictions on borrowing was to severely hamper local authorities' ability to fund maintenance and improvement programmes.

Housing and Leasehold Reform Act 1993

The 1993 Act introduced a number of measures aimed at introducing a greater degree of central government control over the LSVT process. The Act introduced an "annual disposals programme" on to which all local authorities wishing to transfer more than 499 dwellings had to secure a place. Receiving a place on the disposals programme did not guarantee that consent for transfer would be granted - local authorities were still required to apply for consent under the 1985 Act. The Act also introduced the LSVT levy, which claws back part of a local authority's capital receipt to help offset the higher costs of Housing Benefit associated with stock transfer. The Housing finance system for local authorities contains a mechanism to subsidise a small proportion of the cost of Housing Benefit from rental income. Following transfer, this contribution stops, and the LSVT levy helps to compensate for the additional cost to the Treasury.

Housing Act 1996

The Housing Act 1996 enables local authorities to transfer their housing to local housing companies, as well as housing associations, by introducing the concept of "registered social landlords", which provides greater flexibility in the structures of organisations that can seek registration with the Housing Corporation.

Central Government guidance

In the period since the Housing Act 1988, the DoE/DETR has produced three documents setting out guidelines for LSVT. These guidelines set out a process to guide local authorities through transfer, based in part on the experience of early transfers. Guidelines have developed in both sophistication and clarity in response to growing experience of the process and greater knowledge of the impacts of transfer upon local and central government.

1988 Guidelines

The 1988 Guidelines (DoE, 1988b) are clearly a reaction to the development of LSVT by the small number of pioneering authorities. The Guidelines convey the Government's views on the receiving landlord; monopoly landlords; consultation with tenants; activities which local authorities should and should not continue to undertake following transfer; and stock valuation.

1993 Guidelines

By the end of 1992, DoE had experience of scrutinising and approving eighteen LSVTs. During its consultation on revised guidelines, it is clear that the Department was concerned about the size of the initial 18 recipient landlords, which in all cases received whole housing stocks from their sponsoring authorities. The Government's aim of diversity of ownership was being frustrated. Central Government was also concerned about the public expenditure implications of LSVT. While consulting on new guidelines, the DoE explicitly stated that recipient landlords should normally be registered with the Housing Corporation.

1998 Guidelines

By 1998, the DoE and its successor, the DETR, had experience of approving a further 45 transfers, including a number of partial and inner urban transfers. The 1998 Guidelines largely reflect this experience, and also the policy steer from ministers in

the Labour Government elected in May 1997. For the first time, DETR suggested that all authorities were to be expected to consider transfer when formulating their housing strategy. Although this had been mooted by the Conservative Government prior to the 1997 election, it had never been made a requirement. Authorities proposing partial stock transfers were expected to formulate policies that would address the needs of their retained stock, as well as the transferred stock. Partial stock transfer could no longer be considered in isolation from authorities' strategies for their retained stock.

The Government's key requirements of transfer proposals remained largely unchanged from earlier guidance. Local authorities would need to provide evidence that tenants supported transfer; that transfer was part of a stock-wide strategy that provided good value for money for central and local government, tenants and other local residents; and that the recipient landlords were capable of providing good long term management at affordable rents.

1999 consultation on changes to the annual disposals programme
In 1999, the DETR consulted on changing some aspects of the Annual Disposals Programme (DETR, 1999). Regulations had required that transfers be completed within the same financial year. This requirement was primarily introduced as part of the Programme in 1993 as a method of controlling the additional exchequer costs arising from stock transfers. The DETR makes Public Expenditure Survey transfers to the Department of Social Security to compensate them for any higher Housing Benefit costs that arise on transfer. In the consultation exercise, Central Government suggests that transferring authorities should be permitted to transfer over a two year, rather than one year period.

1999 proposals on overhanging debt
A number of authorities have been effectively excluded from transferring their housing stocks by the rules on capital receipts and housing debt. The capital receipt arising from a transfer must be sufficient to cover all of an authority's housing debt. In 1999, the DETR outlined a proposal that will help make transfer possible for those authorities whose capital receipt is not large enough to cover their housing debt (DETR, 1999b). Such authorities would be left with an "overhanging debt" if they were to transfer. Under the proposals, Central Government would pay a one-off grant to a local authority to redeem its HRA debt, enabling it to transfer.

2. UNDERSTANDING THE LEGAL AND REGULATORY FRAMEWORK

In this section, I discuss the legal and regulatory framework for LSVT, which is set out in the Acts and guidance documents in the first section of this chapter. I examine how the LSVT framework controls both the speed and scale of disposals of council housing, through a mechanism known as the Annual Disposals Programme. I discuss the rules and requirements for acquiring landlords; how tenanted stock is valued; and how the framework helps to claw back some of the value of council housing to offset some of the costs. I examine recent changes that help councils to transfer, even though the receipt they would receive is insufficient to redeem their housing debt. Finally, we examine requirements for both formal and informal consultation with tenants on proposed transfers.

Controlling the speed and scale of transfer through the Annual Disposals Programme

The Housing and Leasehold Reform Act 1993 introduced an Annual Disposals Programme, which limited the number of transfers in each year. The Government felt it was necessary to control the number of transfers in any one year to limit the impact upon public expenditure. In deciding which transfer proposals to place on the programme in any given year, the Secretary of State would consider a number of factors, listed in Table 5.2.

Table 5.2: Information required by DoE from local authorities applying for places on the Annual Disposals Programme

1. Description of the proposed disposal
2. Description of the proposed purchaser
3. The Housing Stock to be transferred, including numbers and condition
4. The Authority's rationale for transfer
5. Timetable
6. Council support, and known opposition, for the proposals
7. Details of initial tenant consultation and an estimate of tenant support
8. An estimate of Tenanted Market Value
9. How the authority proposes to use its capital receipt (if any) arising from transfer
10. An analysis of the public expenditure (PSBR) implications of the transfer

Source: DoE (1993)

Although local authorities were not rushing to transfer their housing stocks in the early 1990s, the criterion selected by the Government provided scope for selecting one proposal over another, should there be too many applicants in any given year. The

Government's main concern was that transfers should represent good value for money, with minimal public expenditure costs. The Government was also interested in an authority's rationale for transfer, and the proposed use of its capital receipt.

DETR invites applications for the Annual Disposals Programme in the autumn. Applications are judged primarily on the effect of a transfer on the Public Sector Borrowing Requirement (PSBR). Transfers that have a neutral or positive effect upon PSBR are accepted on to the Annual Disposals Programme. DETR also considers further criteria, including the level of likely support for the transfer (see table 5.2). Successful applicants are granted a place on the ADP for the following financial year. Authorities transferring less than 500 dwellings do not need to apply for a place on the Annual Disposals Programme.

Once authorities are awarded a place on the Annual Disposals Programme, they are expected to complete the transfer by the end of the financial year (although this requirement was changed from 1999 onwards, as discussed below).

Changes to the Annual Disposals Programme
Until 2000, authorities that were awarded places on the Annual Disposals Programme were expected to complete transfers by the end of the financial year. This is because the budget that the DETR has to cover the additional Housing Benefit and Housing Revenue Account costs arising from transfer had to be used in the same financial year. If authorities failed to complete, their place on the following year's programme was not guaranteed.

The annual approach to stock transfers led to a number of problems for local authorities, RSLs and others involved in the process. Most transfers were completed late in the financial year, placing a heavy burden on funders, solicitors, consultants and advisers. The concentration of activity made it very difficult for advisers to provide services effectively. The Housing Corporation also faced huge pressure in undertaking its role as registrar of new RSLs, as many new landlords were seeking approval at the same time. The DETR also believes that the terms of loans may be adversely affected by a large number of RSLs all seeking funding at the same time.

The Government's consultation paper on changes to the Annual Disposals Programme (DETR, 1999) signalled a departure from the annual programme. The move to longer

term planning following the Government adoption in 1997 of the Comprehensive Spending Review approach enabled the DETR to reallocate funds between financial years. This made the annual approach to housing transfers irrelevant, and enabled the DETR to consider adopting a more flexible approach.

The DETR proposed that the period over which transfers must be completed should be extended from one year to two years. The aim of the DETR's proposal was to enable key activities to be spread out throughout the calendar, rather than being clustered at the end of the financial year. There will be no reduction in controls on the transfer programme, and the criteria for obtaining a place on the programme will remain the same. The transfer process itself will remain unchanged.

A two-year period for completion would remove a lot of the pressure upon local authorities, RSLs, and professionals involved in the process, making transfer an easier and less painful process. There might also be financial benefits for local authorities and others involved. Reductions in the peak of activity at the end of the financial year would enable private sector organisations to improve their management of resources, which might lead to lower costs. More time and less competition for funds might also result in lower interest rates and better terms of borrowing for recipient landlords.

Size limits on transfers

In the 1988 Guidelines, the government signalled its reluctance to sanction large local authorities transferring all their housing stocks to single landlords. Central Government was keen to encourage the break up of 'over-large housing organisations' to avoid the management problems associated with them. 'Choice' and 'competition' were buzzwords of the time. Although Central Government was not overly prescriptive about the size of new landlords, it took the view that all authorities should be able to demonstrate that their options appraisal had included the possibility of transfers to multiple landlords. Transfers of 10,000 units to a single landlord were unlikely to receive consent.

At the time the Government issued its consultation paper on future stock transfers in 1992 (Department of the Environment, 1992), recipient landlords owned an average of 5,200 units each. Of the authorities that had not transferred, 246 authorities owned

up to 10,000 units, and 96 authorities owned between 10,000 and 50,000 units, and 6 authorities owned over 50,000 units (see table 5.3).

Table 5.3: Sizes of housing stocks owned by local authorities in 1992

Size of stock	No of authorities that had not transferred housing stock
Less than 2,500	23
2,500 - 4,999	91
5,000 - 9,999	132
10,000 - 14,999	35
15,000 - 19,999	21
20,000 - 49,999	40
Over 50,000	6
Total	348

Source: DoE (1992)

At that time, after four years of stock transfer, the Government was clearly still concerned about transfers of large housing stocks to single landlords. Instead of turning public monopolies into private monopolies, the DoE believed that transfers should diversify the 'options available to the local community' (DoE, 1988). The Government also acknowledged that existing housing associations might have a role to play in transfer. Up to 1992, authorities undertaking LSVT had all established new housing associations to receive their housing stocks.

The 1993 Guidelines reduced the maximum number of units that should be transferred to one landlord to 5,000. For those authorities that owned more than 5,000 units, transfer could be achieved in a number of ways. There could be a whole stock transfer to two or more landlords, which would divide the stock more or less equally between them. The Government suggested that it was likely that this would be based upon geographical areas. Alternatively, an Authority could undertake a partial transfer of a portion of its stock, and continue to manage the remaining stock itself. Options involving split transfers necessarily involve greater set up costs and possible loss of economies of scale. At the time, the Government took the view that the effects of a split transfer on future management of the stock and diversity of ownership was a more important consideration.

In 1998 the Government's official limit on the number of units that an authority could transfer to a single landlord remained at 5,000 units. However, the 1998 guidelines signalled the Government's willingness to approve whole stock transfers above the limit of 12,000, provided they were "sensible, viable and practical", although the guidelines do not spell out how the DETR would test transfers against this criteria.

Central Government guidance on acquiring landlords

The 1998 guidelines suggest that the new landlord might be an existing RSL, a new subsidiary of an RSL or a new standalone LHC or HA. The choice of new landlord will depend on the size and nature of the stock to be transferred. The Guidelines give a strong steer that recipient landlords in smaller transfers should be "large, existing and well capitalised RSLs", on the grounds that the strength and experience of these landlords would make the transfer easier to implement and fund. Based on the experience of authorities transferring up to 1998, the Guidelines suggest that transfers of less than 1000 units should be to existing RSLs. Transfers of between 1,000 and 1,500 units may sustain a newly established subsidiary of a RSL. Free standing newly created RSLs would be viable for transfers of more than 1,500 units.

RSLs who are members of the same group structure would not be allowed to acquire more than 12,000 units from a local authority. The DETR requires each RSL within a group to be financially viable on a standalone basis.

Transfers would not be allowed if the acquiring landlord was itself - or was part of a group that was - a dominant provider in a neighbouring local authority. The DETR aims to ensure that no acquiring landlord would become a dominant provider in a region or a sub-region.

Some authorities and their tenants may wish to place restrictions on the area of their new landlord's operations. The Guidelines suggest that authorities could include such restrictions in the governing instruments of the new landlord. Authorities and tenants could restrict their new landlord's operations to owning an estate or housing in a small area, to ensure a local focus on the original community.

Rules and requirements for acquiring landlords

The Housing Corporation first issued guidance for stock transfer landlords seeking registration in 1996. A new edition was produced in 1998 in light of the

Corporation's experience in assessing 19 applications under the first edition, and to reflect changes in government policy.

The guidance sets out seven key criteria for applicants seeking to register as social landlords. Firstly, to be eligible for registration, an applicant must meet statutory requirements contained in the 1985 Housing Act and the 1996 Housing Act. Applicants must be an Industrial and Provident Society, a Housing Association, a company limited by guarantee or a company limited by shares. The applicant must not trade for profit, but may be charitable or non-charitable.

Secondly, the organisation's main activity and objective must be to provide and manage social rented housing. It must be capable of demonstrating that existing organisations do not or cannot meet identified housing needs, and that the new organisation will be able to do so. The Corporation regards the award of a place on the DETR's Housing Transfer Programme as sufficient demonstration of this.

Thirdly, the organisation must be able to demonstrate that it is not under the control of any outside influence, which might prejudice its independence. Full control of the organisation must be vested in its governing body, which should consist of people who are suitably skilled and representative. No single constituent group should hold a majority on the board, and at least one third of board members should be independent of any constituent group. The landlord's board could comprise any combination of representatives from tenants, councillors and independent members (or the partner organisation), but no one group may control more than 49 per cent of the votes. It is particularly important that local authority members comprise no more than 49 per cent of board membership to ensure that the landlord is independent, and thus avoids being classed as a 'public sector influenced company'. As a 'private sector' organisation, any borrowing is deemed to be outside the PSBR. Lenders may be unhappy with boards that comprise 49 per cent tenant membership, as they may prefer independent members to have a more significant influence.

Fourthly, the applicant must be able to demonstrate that it is capable of operating on a sound and proper financial basis. It must demonstrate that the governing body is able to exercise responsibility for financial policy, management and control. The organisation must be capable of producing annual budgets, maintaining proper

accounting records, and maintaining adequate systems of control. The organisation must have produced a detailed business plan, covering at least three years, as well as a longer term plan, both of which must demonstrate long-term financial viability. Applicants must demonstrate that they will take a prudent approach to financial risks.

Fifthly, as a registered social landlord, a stock transfer landlord would be required to meet the Corporation's Performance Standards. Organisations are required to demonstrate how their proposed structure and systems of management would ensure that those standards are attained and maintained. They are required to demonstrate that the housing management service is fully under the control of the governing board, and that it is cost effective and responsive to the needs of customers.

Sixthly, when establishing a RSL, shadow governing bodies are expected to demonstrate that the organisation will be capable of meeting the Corporation's regulatory requirements. These requirements are that they must meet or exceed performance and development standards; follow management guidance; and follow any other regulatory requirements that the Corporation may impose.

Applicants normally demonstrate that they are capable of meeting the Corporation's regulatory requirements by reference to actual or proposed policies and procedures. Policy statements and procedures may include how the RSL will address housing need; how it will meet standards of development; allocations policies; terms of tenancy agreements; the principles upon which rents are to be determined; how the RSL will manage its housing assets, and how the stock will be kept in good repair; how tenants will be consulted, informed and involved; how housing management services will be provided; and how the RSL will comply with equal opportunities legislation and best practice.

Selection of acquiring landlords
In 1998 the DETR suggested that authorities might wish to hold a competition for selection of a new landlord, although local authorities would not be required to do so. If an authority were to hold a competition, it could only involve landlords that would be capable of meeting DETR and Housing Corporation criteria for transfer approval. In other words, they would need to be registered with the Housing Corporation as social landlords. A competition could not, for example, include private-for-profit

landlords. In selecting a landlord, local authorities and tenants might consider factors such as the reputation of the RSL, track record and expertise, management track record, the potential to reduce administrative costs of transfer, and its ability to obtain low interest rates on loans. The DETR requires authorities to seek approval of the brief for any competition proposed.

Governance of new landlords

In its 1998 guidelines, the DETR advocates an equal split of board membership between tenant representatives, local authority nominees, and independent members. Previous guidelines limited the proportion of local authority nominees on boards to 20 per cent. In 1998, the DETR signalled its willingness to approve tenant majorities on Boards for the first time, as long as RSLs are able to demonstrate that their boards have the necessary skills and experience required to run a complex and highly indebted business. They would also need to reserve at least one third of the places on the board for independent members. They must also commit to restricting their activities to the local authority area. In other words, they must be locally based community housing associations. In addition, the DETR would be reluctant to permit a tenant majority if the landlord had acquired the whole of a local authority's stock, or if it is a dominant landlord in the area.

 The Guidelines suggest that landlords should build Minority Protection Agreements into their constitutions. These agreements protect the interests of minorities by preventing two constituencies combining to pass a decision with which the third constituency strongly disagrees. Agreements should not, however, give the power of veto as a right to one constituent group to the exclusion of other groups.

Ensuring acquiring landlords are clearly independent of the State

The 1988 Guidelines emphasised that recipient landlords must be independent of their 'sponsoring' local authority. In practice, independence could be demonstrated by a maximum local authority representation on boards of less than 20%. The local authority would not be permitted to provide services, other than for a transitional period. There would be no nomination rights in the case of a whole stock transfer, and the recipient landlord would maintain its own waiting list. The local authority would not be able to specify which staff were to be employed by the recipient landlord, other

than those covered by Transfer of Undertakings (Protection of Employment) legislation.

Although never explicitly stated, it is clear that the Government would only accept landlords that fell under the remit of Housing Corporation regulation as recipient landlords in stock transfers. Only this type of organisation could fulfil the Government's requirements that recipient landlords should be 'stable and responsible', be committed to providing a good service, and have a long-term commitment to providing social rented housing.

The 1993 Guidelines signalled a change from the 1988 guidelines in that the Government explicitly stated for the first time that unless a recipient landlord was registered with the Housing Corporation, approval to transfer would not be given. The Government also sought to promote the involvement of existing associations in transfers, except where this would lead to the dominance of one landlord or housing association group in an area.

By 1998, the emphasis on independence from local authorities shifted again. In comparison to earlier guidelines the DETR signalled that local authorities may have a bigger continuing role in the new landlord than was possible in the past, including shaping the organisation during the set up period, and a greater share of board membership. The Guidelines set out basic ground rules for roles of councillors and officers during the set up stage of the new landlord. Some officers and councillors may have roles with both bodies during the set-up stage. The Guidelines recommend that Councillors who are on the shadow board of the new landlord should not participate in decision making relating to the transfer on the council's side. DETR suggests that councils should set up a sub-committee of councillors who are not on the shadow board to deal with these issues. A corporate committee dealing with the council's interest as the seller should deal with the negotiations about the transfer price and terms of sale. Finally, the DETR states that the council and the acquiring landlord should not use the same consultants, in order to avoid conflicts of interest.

Valuing transfers of tenanted local authority housing stock
The 1988 Guidelines established the principle that the price to be paid by acquiring landlords should be based on *Tenanted Market Value (TMV)* described as 'market

value subject to tenancy with an allowance for any backlog of repairs which will need to be tackled'. The Guidelines suggested that the purchasing landlord should raise finance for the transfer from the private sector. If after making maximum efforts to raise finance, the amount granted is insufficient, the DoE would be willing to permit the Council to fund a proportion of the transfer payment on a strictly commercial basis.

This valuation method enables acquiring landlords, who are essentially not-for-profit organisations, to fund the purchase and long-term maintenance of the housing stock on a stable and viable basis.

In the 1993 Guidelines, TMV continued as the only accepted method of stock valuation. However, the 1993 Guidelines underlined the importance of obtaining accurate stock condition information. The Guidelines suggested that a new Stock Condition Survey should be carried out before consultation with tenants commenced, as without this information, accurate guarantees on rents and repairs would be difficult to make.

The 1993 Guidelines acknowledge the significance of funding for the recipient landlord's future viability and ability to deliver upon promises made to tenants. The Guidelines suggest that all landlords should develop business plans at an early stage in consultation with potential funders. The Guidelines suggest that funding should be arranged over a period of between twenty and twenty five years.

Levy on LSVT receipts to pay for the costs of transfer
Many authorities that have transferred their stock received a capital payment from the acquiring landlords. Up to 1990, local authorities had considerable freedom to use their capital receipts as they saw fit. They were able to develop a new role as a grant funder and enabler of development of new homes by their stock transfer association and other housing associations in their area.

In response to concern about the increased cost of Housing Benefit payments following transfer, the Government introduced a 'levy' on capital receipts, payable to the Treasury. The increased costs for the Treasury arise from the "transfer" of the liability for payment of the small portion of the cost of Housing Benefit previously

paid from the Housing Revenue Account to the Department of Social Security, and hence the Treasury.

The levy assisted in the continuation of the stock transfer programme by capturing some of the value of the transferred stock to partially offset the Treasury's increased costs.

Between 1988 and 1992, there were significant changes to the Housing finance system, introduced under the Local Government and Housing Act 1989. The DoE also made significant changes to the use of capital receipts arising from LSVT. The 1993 Guidelines stipulate 'general principles' governing the use of receipts. Firstly, that local authorities are required to redeem debt attributed to the housing being sold; secondly to pay the LSVT levy to central government; and thirdly to set aside 75% of the receipt against outstanding HRA debt, net of the LSVT levy. Local authorities are free to use the balance of the receipt.

The operation of the levy is demonstrated in figure 5.1. In the example, an authority transfers 3000 units at a Tenanted Market Value of £10,000 per unit. The Authority's housing debt is £12 million, and general fund debt amounts of £4 million. Although the benefits of transfer have been reduced, the prospect of developing an enabling role is attractive to some local authorities.

Figure 5.1: Example of LSVT Levy calculation

	£
A Transfer Price	30,000,000
B Outstanding housing debt	12,000,000
C Base for levy (A-B)	18,000,000
D Levy at 20% of C	3,600,000
E Net receipt after paying levy (A-D) of which:	26,400,000
F up to 75% set aside for debt redemption	16,000,000
G 25% useable receipt	10,400,000

Source: Adapted from DoE, 1993

Dealing with problems of low demand

The 1998 Guidelines acknowledged the emergence of the phenomena of low demand for housing, which began to affect primarily large northern cities from 1996 (see, for example, Power and Mumford, 1999). For some authorities experiencing low demand, transfer was an option they explored to enhance the quality and management of the stock to increase demand. The Guidelines required authorities to consider the level of demand for their stock, and the DETR would only approve transfers where an authority could demonstrate that there was likely to be sufficient demand for the stock over the period of repayment of loans taken to purchase the stock. For particular types of stock suffering low demand, but located in areas of generally high demand, DETR believed that transfer could help address specific local problems. In other areas, where there was little or no demand for social housing, DETR suggested that demolition might be a better option.

Enabling authorities with overhanging debts to transfer

A number of authorities have been effectively excluded from transferring their housing stocks under rules on capital receipts and housing debt. The capital receipt arising from a transfer must be sufficient to cover all of an authority's housing debt. In 1999, DETR outlined a proposal (DETR, 1999b) that will help make transfer possible for those authorities whose capital receipt is not large enough to cover their housing debt. Such authorities would be left with an "overhanging debt" if they were to transfer.

Overhanging debt is a problem because once an authority has transferred its housing, the authority stops receiving rental income to meet outstanding debt charges. The only source of income would be HRA subsidy. DETR suggests that authorities that had transferred would need to keep their HRAs open for over sixty years to pay off their debts. The DETR would also need to substantially increase the resources it devotes to housing subsidy. Only 25 authorities currently receive housing subsidy, but this number would increase substantially if the DETR were to support authorities with overhanging debt following stock transfer.

The DETR has approved a number of partial transfers, where the receipt from the transfer was insufficient to cover the debt attributable to the stock transferred. The Department adopted this approach for transfers under the Estates Renewal Challenge

Fund, on the grounds that the problems on the estates were significant, and the overall impact of reducing the size of the retained stock on the authorities' HRAs was small.

The Department proposed four options for dealing with overhanging debt; retaining the debt within the HRA and servicing it through the HRA subsidy system; transferring the debt to the General Fund, and servicing it through the Revenue Support Grant system; providing a one-off grant to clear the overhanging debt; and transferring the overhanging debt from the local authority to the acquiring landlord.

The DETR regarded options involving retaining overhanging debts within the HRA or the General Fund as unsatisfactory, because of the administrative burden this would impose. Transfer of overhanging debts to acquiring landlords is also seen as unsatisfactory, as they would take on a burden that would have to be covered by borrowing, which they could not support from the rental income they receive. The burden of the HRA debt would drive the transfer price down, and the local authority's capital receipt would be lower. The attempt to cover debt would be self-defeating. In a number of cases, however, the acquiring landlord might be able to absorb the additional cost if the overhanging debt is small in comparison to its overall borrowing requirement.

The DETR appears to favour a system of providing grants to redeem overhanging debts. A one-off grant to redeem overhanging debt would establish a "clean break" after transfer. The DETR would not be required to provide HRA subsidy or support additional debt in local authorities' general funds. Although this proposal offers perhaps the neatest solution to the problem of overhanging debt, it would require a significant commitment of additional DETR resources. The repayment of overhanging debt would cost more than the amount of the outstanding principal, as authorities would face a number of repayment penalties.

Tenant Consultation

Central Government guidelines from 1988 onwards emphasised that tenants would take the decision whether or not stock should be transferred. The 1993 guidelines set out rules on the consultation process. Consultation must be conducted in a way that provides honest explanations and justification of the case for transfer. There was no requirement that those opposed to a transfer should receive any funding for publicity

from the local authority, presumably because the Government believed that local authorities would put both the pros and cons of transfer to tenants in the consultation process. The Guidelines explained how consultation was divided between 'informal' and 'formal' periods, leading to a ballot of all secure tenants, and possibly also of long leaseholders. The 1993 Guidelines introduced the concept of the "Tenants' Friend" - an independent advisor who advises tenants throughout the process. The Tenants' Friend is independent of both the authority and new landlord, although (s)he is funded by the council as one of the costs of transfer.

The Government's commitment to the shift in decision making power from local authorities to tenants is reinforced by the 1998 guidelines. Local authorities must be able to demonstrate that all tenants have been consulted, and have had an opportunity to express their views. DETR does not offer any guidance on whether local authorities should consult with tenants who will remain with a local authority following a partial transfer. Although a transfer will affect tenants who remain with their authorities, the DETR does not require local authorities to consult them.

DETR recognises that there are various consultation mechanisms - public meetings, exhibitions, tenants forum meetings, and visits to individual tenants – but does not express any views on the merits of each particular method. Authorities are required to submit their consultation material to DETR and the Housing Corporation before it is issued to tenants. This particularly applies to the Formal Consultation Document, which contains the details of future rents, repairs programmes, and the rights tenants will enjoy under the new tenancy agreements. This helps to ensure that the material is balanced, to prevent accusations of bias or overselling.

To assist tenants during the consultation process, local authorities are required to provide an independent advisor. The Guidelines suggest that the selection process for the advisor should involve tenants. The working brief for the advisor should also be agreed with tenants' representatives. This will help to ensure that tenants have greater ownership of the work of their advisors, and reduce the potential for accusations of bias.

Informal Consultation

DETR suggests that tenants need to be given the necessary information to make a well-informed and genuine choice. During the informal consultation, councils need to outline the costs and benefits of staying with the council and moving to a new landlord. During this stage, the authority can also tell residents about the new landlord's plans for the repair and improvement of their homes and estates, and about future rent levels.

The Guidelines suggest methods of informal consultation, used by other transferring authorities, of which DETR approves. Methods include distributing pamphlets, leaflets, videos, posters; placing advertisements in the local press; holding public meetings; face-to-face contact through door-knocking; exhibition caravans; telephone hot lines; and telephone canvassing. DETR says that its own research indicates that tenants find written material the most useful method of consultation.

Formal Consultation

The aim of the Formal Consultation exercise is to seek tenants' views on the terms of the transfer. Formal Consultation starts after the Business Plan is fully developed and the acquiring landlord can make a firm offer to tenants. It is covered by the 1985 Housing Act, Schedule 3A (as inserted by section 6 of schedule 1 to the Housing and Planning Act 1986).

The Guidelines suggest that authorities should conduct their ballot immediately after the Stage 2 notice has been served. The DETR considers a simple majority of those voting to be a sufficient indicator of support. However, DETR recognises that authorities may wish to impose a more stringent test. During the ballot period, authorities are not permitted to issue further material about the transfer, except where this would be necessary to counter any false information circulated by another body, such as one of the anti-transfer campaign groups.

3. EXPLAINING THE LEGAL AND REGULATORY FRAMEWORK

In this section, we discuss how the legal and regulatory framework outlined in section one of this chapter fits within the core thesis set out in Chapter two. We discuss how the legislative framework helps the State to withdraw from direct provision; how it helps to deliver organisational change; and how it shifts responsibility for managing

and financing investment in socially rented housing towards the private sector. Table 5.4 sets out the legislation and regulatory regimes within the framework outlined in Chapter two.

Enabling the state to withdraw from direct provision

The legislative and regulatory framework enables the State to withdraw in a way that ensures that the interests of the public are safeguarded, both in terms of value for money for the taxpayer, and protection of tenants rights.

The Housing Act 1985 permits local authorities to dispose of housing occupied by secure tenants. It provides protection of existing tenancy rights, helping to make stock transfer acceptable to councillors and tenants. The main mechanism through which transfers are facilitated – the Annual Disposals Programme – enables Central Government to control which authorities withdraw from direct provision so that wider public interests can be protected and ensure that withdrawal provides value for money.

The Tenanted Market Valuation (TMV) method enables local authorities to establish landlords with long term stability and certainty. By taking full account of income, running costs and backlog repairs, the acquiring landlord only has to pay the disposing authority a price that reflects the true value of the stock, assuming its existing use continues. The TMV method ensures that the public sector can demonstrate probity in the sale of council housing, but at the same time enables acquiring landlords to develop viable and sustainable business plans.

The Central Government levy on capital receipts from transfers helps the process of withdrawal continue, by clawing back some of the value unleashed by stock transfer. This value, through the levy, is used to offset some of the additional costs incurred by the Treasury. In future, proceeds from the levy might be used to help local authorities with negatively valued stock to transfer, by providing dowries or grants to redeem overhanging debts. In the absence of a clawback mechanism, it is possible that the process of gradual withdrawal through LSVT might halt, if costs to the Treasury were to increase.

Table 5.4: Explaining the Legislative and Regulatory Framework

Act/Instrument	1. Withdrawal	2. Organisational change	3. Private sector involvement
1985 Housing Act	Permits local authorities to dispose of housing occupied by secure tenants. Provides protection of existing tenancy rights, helping to make stock transfer acceptable to councillors and tenants.	Moves housing departments from multi-purpose local authority organisation to single purpose landlord organisation.	Encourages tenant involvement through ballot process. Enfranchisement of tenants helps shift power from local authorities to tenants.
1988 Housing Act	Seeks to encourage tenants and private sector landlords to force their local authority landlord to withdraw from direct provision.	Tenants Choice and HATs designed to help break up large housing stocks into smaller and more diverse landlord organisations.	Introduces new financial regime for housing associations, encouraging them to rely more on private finance than public grants. This helps Housing associations become favoured model for raising investment through stock transfer. Tenants Choice provides the private sector with opportunities to acquire public housing estates, providing that tenants are supportive.
1988 DoE guidelines	Provide Tenanted Market Value (TMV) method for valuing stock. The TMV method takes full account of repairs backlogs and running costs, enabling local authorities to transfer. The acquiring landlord pays a price that allows them to put together a viable and sustainable business plan.	Limit on the size of transfers of 10,000 to avoid the conversion of large public landlords into large private landlords.	Requirement for recipient landlords to be clearly in the private sector and independent of the local authority. Landlords must limit local authority board representation to 20 per cent.
1989 Local Government and Housing Act	New financial regime makes direct ownership of housing less politically attractive to local authorities. Councillors feel the new constraints mean they will not be able to provide services that match tenants aspirations and expectations.		Introduces a new, tougher financial regime for local authority housing finance. Some local authorities seek to access new resources from the private sector.
1993 Housing & Leasehold Reform Act	Central Government attempt to control numbers of authorities transferring, and to seek to claw back some value released through transfer to compensate for additional Housing Benefit costs.		Requires local authorities to provide and fund a tenants' adviser.
1993 DoE guidelines	Put in place rules for the use of capital receipts arising from transfer to ensure HRA debts are redeemed, as authorities would have no way of servicing the debts once the housing is transferred.	Limit on the size of transfers of 5,000 to encourage partial and split transfers.	Suggests that funders should be involved in the transfer process at an early stage.
1998 Housing Corporation Regulations	Sets out key criteria for stock transfer landlords seeking to become registered social landlords.	Sets out ground rules for the creation of group structures, and the relationships between subsidiaries and their parents.	Limits private sector involvement in stock transfer to registered social landlords.
1999 Consultation on programme administration	Assists the process by enabling authorities to complete their transfers over two years, rather than one.		Assists in securing funding and improving terms of funding.
1999 Proposals on overhanging debt	Central Government proposes to provide one-off grants to help local authorities redeem their HRA debts, in cases where capital receipts are less than outstanding loans, leaving an overhanging debt. Without this grant, transfer would not be possible.		

Changing the organisation and management of council housing

Central Government has used its legislative and regulatory control over the LSVT process to attempt to reduce the size of newly created landlords by placing limits upon the numbers of units that may be acquired by single landlords. However, the limits have also been relatively high, enabling a sizeable proportion of authorities to transfer their entire housing stocks to single landlords. Size limits made more of an impact in urban authorities, where housing stocks are much larger, making whole stock transfers to single landlords unacceptable to central government.

Central government and Housing Corporation guidance help to bring about organisational change by requiring new landlords to meet a range of performance and regulatory requirements. The Housing Corporation process for registration as a social landlord forces acquiring landlords to consider different approaches to service delivery, a process which can help to deliver change before the stock has transferred.

Guidance on board membership of acquiring RSLs helps bring a range of influences to bear upon the organisations. Independent board members can bring a fresh approach and new insights to the organisations, resulting in changes in service delivery methods and organisational structures.

Shifting responsibility for social housing towards the private sector

A key feature of LSVT is the shift in responsibility for owning, managing and investing in socially rented housing to the private sector. In this section, we describe how the 'public' and 'private' sectors are defined, and where LSVT associations are located within this dichotomy. We go on to describe how the legislative and regulatory framework for LSVT help to move local authority housing from the public to the private sector, and the changes in their finances that occur as a result. Finally, we describe how Central Government has created a form of 'quasi market' by shifting decision making power from local authorities to tenants. The legislation and regulation force local authorities to consult with tenants, and ultimately let them take the decision as to whether a transfer should proceed or not.

Private or Public?

Firm control of the Public Sector Borrowing Requirement (PSBR) by central government has been a feature of public sector finances in the UK since 1976. These

controls have adversely affected public corporations and local housing authorities, which legitimately need to borrow against their revenue streams to reinvest in the assets they own. The distinctive characteristics of public corporations, such as the Post Office, and local housing authorities, as entities with their own revenue streams, has led to arguments that they should be taken out of the PSBR calculations, thus enabling them to borrow more freely.

The system of National Accounts divides the economy into institutional sectors, with reference to their *capital, ownership and functions*. Most economic activity of local authorities is classified to the *General Government Sector,* and to the *Local Government Sub-sector.* The institutional units are *non-market producers*, whose output is intended for individual and collective consumption. Borrowing by these sectors contributes to Public Sector Borrowing Requirement (PSBR).

Local Authority Companies (e.g. limited companies set up to run transport services or airports) are classified to the Public non-financial corporations sector, which is outside general government. They are recognised as separate institutional units and are *market producers* and so they are classified as *corporations* rather than *government* but are still subject to control by Government units, and so they are *public* rather than *private.* The public-private classification is determined largely by ownership, but also by control, as shown in Figure 5.2.

Figure 5.2: Classification of activity by reference to ownership and control
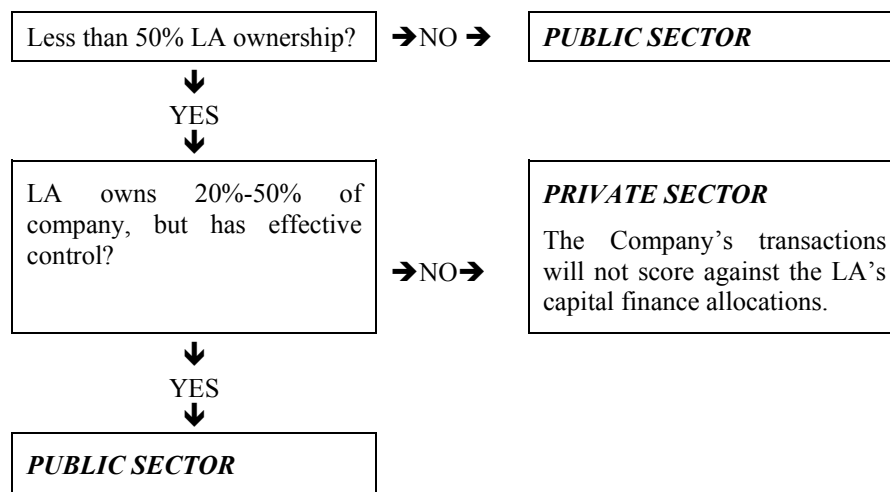
Source: Adapted from DoE, 1993

Moving local authority activities to the private sector

In order to free local authority activities from controls on borrowing by Central Government, it is necessary to move the activity outside public sector ownership *and* control. Any private sector companies established to run local authority activities may not be under effective control of the sponsoring authority. In the case of LSVT associations or Local Housing Companies, which have been established to take over council housing, DETR will generally not allow local authorities to have more than a third of voting rights on boards. Any borrowing by private sector companies taking over local authority activities does not count towards PSBR.

Changing public borrowing rules

The Chartered Institute of Housing (1995) and others have, for a number of years, argued that the system of national accounts should be adapted. Advocates of change argue that the PSBR makes no distinction between borrowing to *invest* and borrowing to *spend.*

Moving from PSBR to General Government Financial Deficit (GGFD) might enable wholly owned local authority corporations (and other public corporations, such as the Post Office and London Underground) to borrow outside Central Government's constraints (see figure 5.3). Local authorities could establish wholly owned corporations to take over their housing stocks. These corporations would be able to access private finance to reinvest in the stock without the need to transfer to a RSL. However, the Government is not likely to adopt any changes in borrowing definitions in the near future.

Figure 5.3 Definitions of borrowing and the implications for Public Corporations
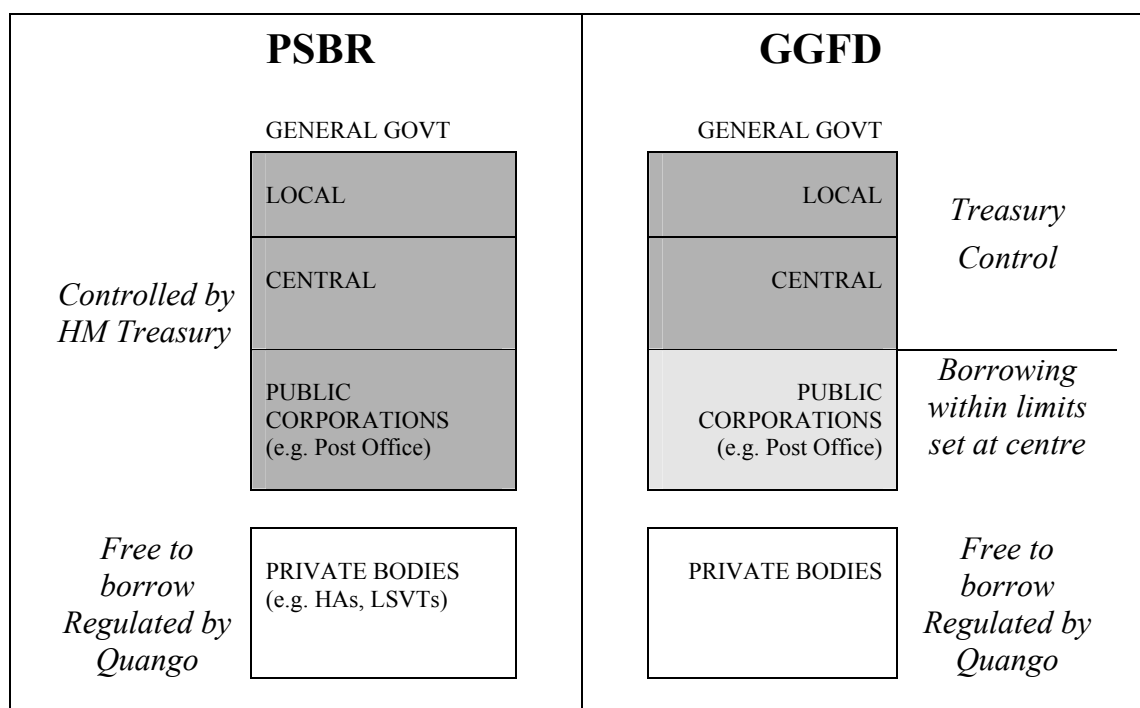
Source: Adapted from CIH (1995)   **Note:** Heavily shaded areas indicate where borrowing is classified as Government borrowing.

Creating a quasi market by empowering tenants through LSVT ballots

Stock transfer takes the key decision making power out of the hands of local authorities and places it firmly with tenants. Central government guidance has always emphasised that no transfer can proceed unless an authority can demonstrate that tenants support it. By placing power within tenants' hands, the government has created a form of quasi market, in which service providers are forced to get closer to users and promise to provide the types of services that they want.

SUMMARY AND CONCLUSION

In this chapter, we present an overview of the legal, regulatory and financial framework under which LSVTs are undertaken. This framework enables local authorities to dispose of their housing stocks; it helps to change the organisation of housing by placing limits upon transfers and setting out minimum requirements for acquiring landlords; and enables the private sector to take more responsibility for socially rented housing, by defining clear boundaries between public and private. The principal law that enables local authorities to transfer their stock to other bodies is the Housing Act 1985. Other legislation relevant to the transfer process itself is contained

in the Housing Act 1988 and the Leasehold, Housing and Urban Reform Act 1993. Regulation of the transfer process is largely determined by the DETR in its guidelines on housing transfer, and by the Housing Corporation, in its registration criteria for stock transfer landlords. Central government has not always led the LSVT process, and some of its guidance has evolved as some of the implications of local decisions upon national policy have become known. The Labour Government elected in 1997 has considered changes to the way stock transfers are managed to make the process easier and available as an option to more local authorities. The Government has made key changes to the way the Annual Disposals Programme operates, and has enabled many more authorities to consider transfer by providing new mechanisms to deal with overhanging debt.

INTRODUCTION

In this chapter, I examine practical evidence on the LSVT programme and explain how I used this evidence to select LSVT associations for a sample survey. I start by analysing the nature of transfers under the LSVT programme. I examine the extent of withdrawal through LSVT in terms of numbers of units and regional distribution of transferring authorities; the extent of organisational change by examining the types of authorities transferring and whether they undertook whole, split or partial transfers; and how transfer has helped shift responsibility for ownership and financing investment in socially rented housing. In the second section of this chapter, I examine the characteristics of the first fifty-one LSVT associations to provide a framework for the selection of a representative sample for in depth study. This framework includes the regional distribution of the first 51 LSVTs; their size; the population density of area of operation; political control of transferring authority; and tenure patterns in the area of operation. In the final section, I outline the process used to select a representative sample of twenty associations for a survey, which forms the basis of chapters seven, eight and nine.

EXTENT OF WITHDRAWAL THROUGH LSVT

Between 1998 and 2001, 118 local authorities completed 146 transfers, involving over 582,000 units. Table 6.1 shows the number of transfers in each financial year; the total number of dwellings transferred; and the average number of dwellings per transfer. Annual averages have only exceeded 7,000 units in two years so far. The annual average towards the end of the 1990s fell further, as estate based transfers became more common, but large city transfers are likely to increase the average size in future.

Table 6.1: LSVTs 1988 – 2001

Year	Number of transfers	Number of dwellings transferred	Average number of dwellings per transfer
1988	1	4,650	4,650
1989	2	13,579	6,790
1990	8	38,229	4,779
1991	5	19,947	3,989
1992	2	17,912	8,956
1993	5	23,479	4,696
1994	14	38,983	2,785
1995	12	44,417	3,701
1996	9	30,033	3,337
1997	5	21,004	4,201
1998	18	35,690	1,983
1999	30	90,121	3,004
2000	17	71,928	4,231
2001	18	132,556	7,364
Totals	**146**	**582,528**	**3,990**

Source: DTLR LSVT database, 2001

Between 1988 and 1997, 88 per cent of transfers completed were whole stock transfers to single landlords. Just six per cent of authorities completed whole stock transfers to two landlords, and a further six per cent of authorities completed partial transfers. The pattern emerging from 1998 onwards is quite different. In 1998, the number of partial transfers was almost double the number of whole stock transfers. A similar pattern emerges in 1999. During 1998 and 1999, authorities that had successfully bid for grants from the Estates Renewal Challenge Fund (ERCF) completed their estate transfers and partial transfers (see table 6.2). In 2000 and 2001, the whole stock transfer has, again, dominated the transfer programme, in part because all the ERCF transfers had been completed and the programme wound up.

Table 6.2: Whole stock, split and partial transfers 1998 – 2001

Year	Whole stock transfer to single landlords	Split whole stock transfers	Partial transfers
1988 - 1992	18	-	-
1993 - 1997	37	4	4
1998	5	1	11
1999	10	2	18
2000	10	2	6
2001	15	1	2
Totals	**95**	**10**	**41**

Source: DTLR LSVT database, 2001

Regional distribution of transferring authorities

Table 6.3 shows the regional distribution of LSVTs between 1988 and 2001.

Table 6.3: Transfers by Region

Region	No of units transferred (% of total)	Per cent of total units transferred
South East	207,164	36%
South West	84,957	15%
West Midlands	94,042	16%
North West	79,401	14%
East	39,267	7%
East Midlands	17,397	3%
Yorkshire & Humberside	20,380	3%
North East	39,920	7%
Totals	**582,528**	**100%**

Source: DTLR LSVT database, 2001

51 per cent of transfer activity is concentrated in the South East and South West regions, and northern regions account for 21 per cent of transfer activity. The regions with the lowest numbers of transfers are the East Midlands (3 per cent of all transfers) and Yorkshire and Humberside (3 per cent of all transfers) and the North East (1 per cent of all transfers). These regions, and other parts of the north, are more likely to suffer from pockets of low demand and transfers in these areas are likely to be less attractive to lenders than transfers in the South of the country, where demand is generally higher. The housing in the northern regions may require major capital investment to make them as attractive to potential applicants as other housing options available to them at similar rents.

ORGANISATIONAL CHANGE THROUGH LSVT

Up to 1996, smaller district councils, transferring their entire housing stocks to single landlords, dominated the LSVT programme. These transfers did not break up housing into smaller entities. After 1996, urban authorities started to transfer estates or groups of estates, breaking up the large housing stocks that they owned. In this section, we analyse transfer activity by different types of councils, and the types of transfers they pursued.

Types of authorities undertaking transfers

Table 6.4 and figure 6.1 summarise transfer activity by each type of council - that is districts, boroughs, London boroughs, cities and metropolitan boroughs. Between 1988 and 1999, 57 per cent of all transfers were undertaken by district councils, and 26 per cent by borough councils. While the number of transfers by London boroughs and city councils has grown in recent years, activity by district and borough councils remains an important part of the transfer programme. However, in the latest programme (2001), transfers by city councils made the largest contribution to the number of units transferred.

Table 6.4: Types of authorities undertaking transfers

	TOTAL	District Councils	Borough Councils	London Boroughs	City Councils	Metropolitan Borough Councils
1988 - 1992	**18**	12	5	1	-	-
1993 - 1997	**45**	30	13	-	1	1
1998	**18**	4	3	9	2	-
1999	**30**	7	6	10	5	2
2000	**17**	7	2	3	3	2
2001	**18**	7	3	2	5	1
Totals	**146**	**67**	**32**	**25**	**16**	**6**

Source: DTLR LSVT database, 2001

Figure 6.1: Transfers by authority type 1988-2001
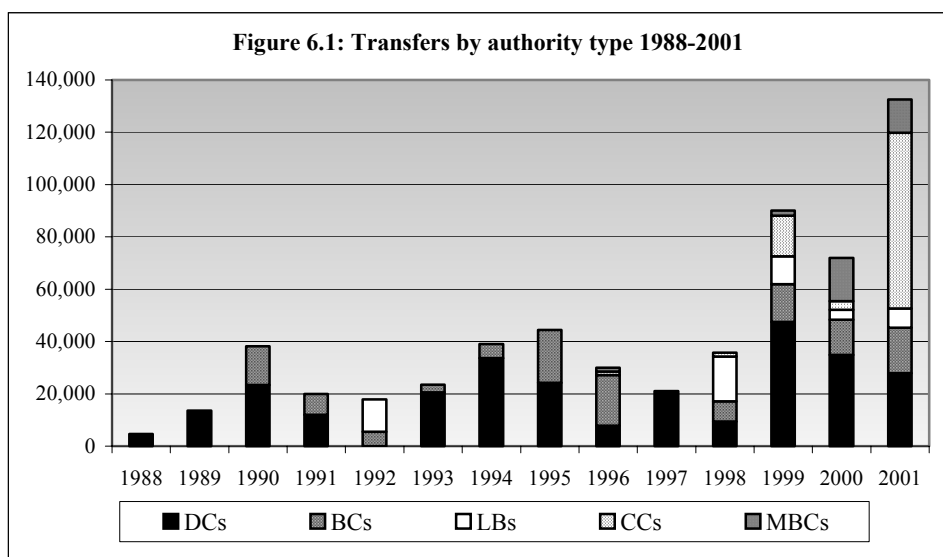
Source: DTLR LSVT database, 2001

District councils overwhelming transfer their entire stocks to single landlords (see tables 6.5 and 6.6. Borough councils have undertaken a few more whole stock split transfers, but the pattern is much the same as district councils (see figure 6.2). Seventy out of the seventy six whole stock transfers to single landlords were undertaken by either district or borough councils.

Table 6.5: Type of transfer by Council type – number of transfers

	Total transfers	District Councils	Borough Councils	London Boroughs	City Councils	Metropolitan Borough Councils
Whole Stock Transfers	76	59	26	2	3	1
Whole stock split transfers	14	4	6	2	1	2
Partial transfers	38	4	-	21	12	3
Totals	**146**	**67**	**32**	**25**	**16**	**6**

Source: DTLR LSVT database, 2001

Table 6.6: Type of transfer by Council type – number of units

	Total transfers	District Councils	Borough Councils	London Boroughs	City Councils	Metropolitan Borough Councils
Whole Stock Transfers	452,284 (100%)	263,969 (58%)	109,625 (24%)	19,532 (4%)	46,399 (10%)	12,759 (3%)
Whole stock split transfers	77,898 (100%)	12,633 (16%)	19,558 (25%)	8,215 (11%)	20,125 (26%)	17,367 (22%)
Partial transfers	52,346 (100%)	3,799 (7%)	-	23,676 (45%)	22,304 (43%)	2,567 (5%)
Totals	**582.529 (100%)**	**280,402 (48%)**	**129,183 (22%)**	**51,424 (9%)**	**88,829 (15%)**	**32,693 (6%)**

Source: DTLR LVST database, 2001

Figure 6.2: The pattern of transfer activity by type of authority
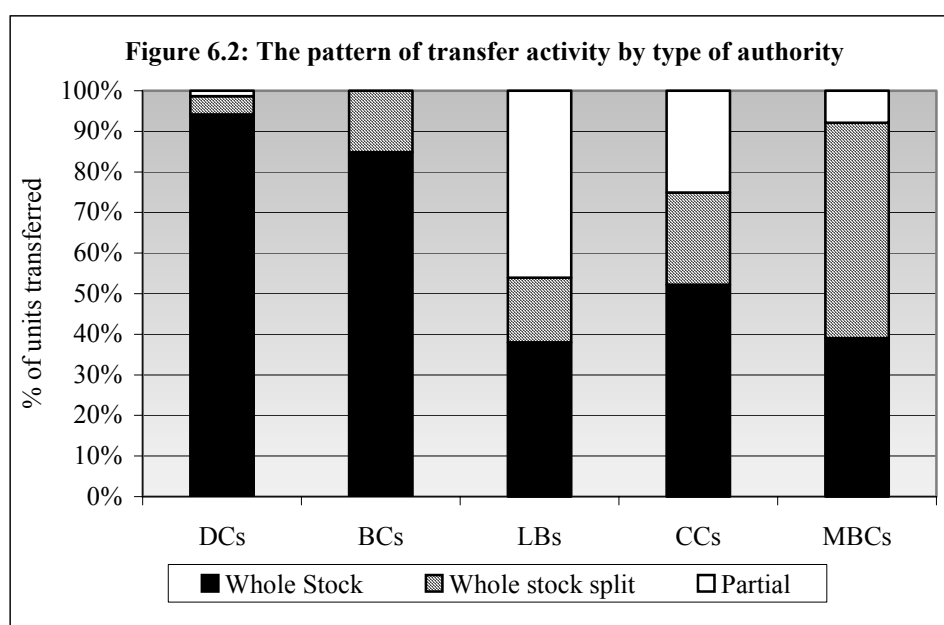
Source: DTLR LSVT database, 2001

Neither district councils nor borough councils are likely to undertake a partial transfer. This indicates two things – firstly, their stocks are small enough to transfer to single landlords without breaking the Government's limit on the size of transfers. Secondly, it indicates that district and borough councils do not face the pressing problems of London Boroughs and City Councils, and do not need to transfer parts of their stock to attract funding under schemes such as the ERCF. The picture for London Boroughs is somewhat distorted by the Bexley, Bromley and Richmond transfers. If they were disregarded, there would be a greater proportion of partial transfers than whole stock or split transfers. There was little activity in metropolitan borough councils, and the

split transfer by Tameside dominates activity by this group of authorities. In 2000 and 2001, large city councils have begun to transfer their entire stocks in single transfers to RSL groups.

SHIFTING RESPONSIBILITY FOR HOUSING TOWARDS THE PRIVATE SECTOR

In this section, I analyse the extent that transfer has encouraged the private sector to take on more responsibility for providing resources for long term investment in socially rented housing. Firstly I present an analysis of valuations of stock transferred. Secondly, I analyse the size of private sector involvement through direct investment in LSVT associations. Thirdly, I present an analysis of LSVT ballots, through which central government has attempted to empower tenants and shift the balance of power away from local authorities.

Stock Valuation

Stock valuations, based on Tenanted Market Value (TMV) determine the price that a new landlord pays a local authority for its stock. (The TMV methodology is discussed in Chapter five.) Average stock valuations in district and borough councils are £9,489 and £7,713 respectively (see table 6.7). These average valuations indicate that the stock transferred is generally in good condition. This does not mean that there are not significant problems in parts of the stock, but that the overall stock condition results in a positive value. Average valuations for London boroughs and city councils are negative, and some of these transfers required grant funding from the Estates Renewal Challenge Fund. In contrast to district and borough councils, the London boroughs have generally transferred *only* their stock in poorest condition. The transfers do not usually include stock in a good condition that might help enhance the valuations. Whole stock transfers by London boroughs and city councils have so far all had a negative value.

Table 6.7: Stock values – transfer price per unit

	District Councils	Borough Councils	London Boroughs	City Councils	Metropolitan Borough Councils
Highest Value per unit	£14,752	£14,456	£11,996	£7,175	£7,057
Average value per unit	£9,489	£7,713	-£8,023	-£1,904	£574
Lowest value per unit	-£9,562	-£8,941	-£24,898	-£17,401	-£10,655

Source: DTLR LSVT database, 2001

Twenty-two transfers by London borough councils involved negatively valued stock, and required grant funding. The average negative value of £8,023 would have been worse had the London boroughs of Bromley, Richmond and Bexley not transferred, all of which had positively valued stock. The average value per unit for the twenty two transfers (excluding the three positively valued transfers) was -£13,097. Only one district council – Basildon - undertook a transfer with a negative value. This partial transfer attracted grant funding from the ERCF. Three borough councils, six city councils and two metropolitan borough councils also undertook ERCF transfers.

For metropolitan borough councils, the highest and lowest values per unit are for transfers from the same council. Tameside MBC transferred a small part of its stock with £9.6m of ERCF grant funding to a local housing company, and transferred the remainder of its stock a year later to two new local housing companies.

Private sector financing for stock transfers

Table 6.8 summarises the amounts paid to councils by acquiring landlords; grants received; and private finance raised. Local authorities received a total of £4.5 billion from the landlords acquiring their housing stock, of which £2.6 billion (57 per cent) was paid to district councils, and £1.1 billion (24 per cent) was paid to borough councils. This reflects the higher valuations in these councils' stock and their higher propensity to transfer their entire stocks, instead of partially transferring the stock in worst condition.

Table 6.8: Transfer Price, Grants received and private finance raised

	District Councils	Borough Councils	London Boroughs	City Councils	Metropolitan Borough Councils	All transfers
Price received by council for stock	£2,602m	£1,090m	£261m	£350m	£167m	**£4,470m**
Total Grant received	£6.77m	£19.31	£292m	£137m	£15m	**£470m**
Private finance raised	£4,662m	£2,087m	£1,092m	£1,086m	£364m	**£9,291m**
Private finance and grants, net of payment to council	**£2,067m**	**£1,016m**	**£1,123m**	**£873m**	**£212m**	**£5,291m**

Source: DTLR LSVT database, 2001

A total of £470 million of Estates Renewal Challenge Fund grants were paid to local authorities, of which £429 million was paid to London boroughs and city councils.

After deducting payments to local authorities, a total of £5.3 billion in private finance and grants was available to the recipient landlords to invest in their newly acquired housing. Figure 6.3 shows how the total private finance raised is divided between transferring authority and acquiring landlord. District and borough councils receive more than half the private finance raised by their associations, as stock valuations are high and repairs requirements are relatively low. In contrast, payments to London Boroughs and city councils are low, due to negative stock valuations, and the payments of grants, which go directly to the new landlord.
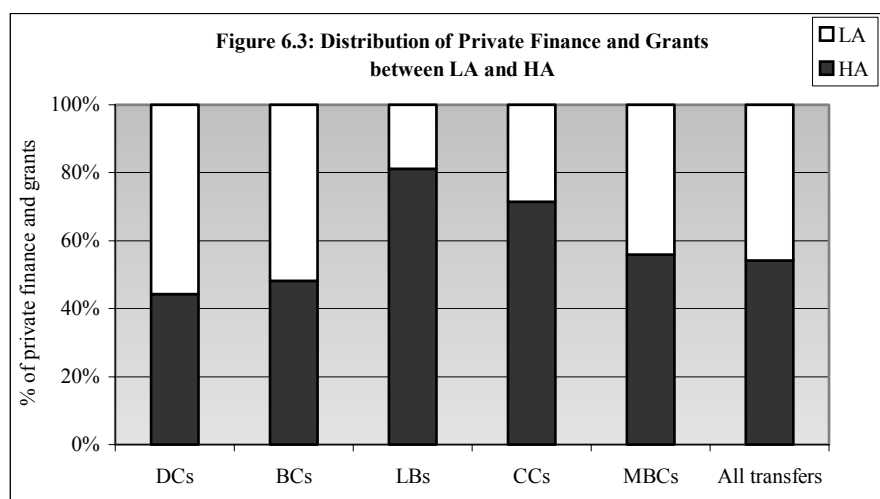
Source: DTLR LSVT database, 2001

Ballot results

A key component of transfer is the process of consulting and balloting tenants, through which decision making power is shifted from local authorities to tenants. Local authorities have undertaken a total of 172 LSVT ballots of their tenants, 128 (74 per cent) of which were successful. The average turnout for all ballots is 78 per cent, and an average of 59 per cent of tenants participating in the ballots voted in favour (see table 6.9).

Table 6.9: LSVT Ballot Results

Year of transfer	Average Turnout	Average votes in favour %	Number of successful Ballots	Number of failed Ballots	Success rate
1988	74%	36%	1	3	25%
1989	82%	42%	2	5	29%
1990	81%	59%	8	4	66%
1991	79%	68%	5	0	100%
1992	71%	41%	2	3	40%
1993	80%	53%	5	7	42%
1994	81%	63%	14	2	86%
1995	79%	60%	12	0	100%
1996	78%	73%	9	1	90%
1997	78%	67%	5	2	71%
1998	74%	68%	18	3	86%
1999	77%	72%	30	5	86%
2000	75%	70%	17	3	85%
2001	72%	73%	17	6	74%
AVERAGE	**78%**	**59%**			**70%**
TOTALS	-	-	**128**	**44**	-

Source: DTLR LSVT database, 2001

Table 6.10 summarises the average turnout and votes in favour of transfer, and the highest and lowest results. The highest positive ballot result was for the transfer of the Colshaw Farm Estate in Manchester to Riverside HA in 2001, where 97 per cent of those tenants voting were in favour. The lowest positive ballot result was for the transfer of homes in Cherwell to Banbury Homes, a subsidiary of Shaftesbury Homes. In all ballots, turnout was at least 62 per cent, and as high as 91 per cent. These levels of participation are high in comparison to participation in local elections for councillors.

Table 6.10: Successful LSVT Ballot results 1988-2001

	Average (%)	Highest (%)	Lowest (%)
Turnout	75	91	62
Votes in favour	72	97	43

Source: DTLR LSVT database, 2001

Tenants rejected 44 transfers (23 per cent) in ballots run by their local authorities (see table 6.11). At best, 49.8 per cent of tenants voted in favour, and at worst just 7 per cent voted in favour of transfer. At 44 per cent, the lowest turnout figure is considerably lower than the lowest turnout figure for positive ballots, of 62 per cent.

Table 6.11: Un-successful LSVT Ballot results 1988-2001

	Average (%)	Highest (%)	Lowest (%)
Turnout	76	88	44
Votes in favour	35	49.8	7

Source: DTLR LSVT database, 2001

Local authorities attempting the early transfers had particular difficulty in convincing tenants of the merits of their proposals, due at least in part to the programme being new. There were very few examples of stock transfer organisations for local authorities to point to as examples of what could be achieved through transfer. In 1988 and 1989, 11 local authorities held ballots and tenants in 8 authorities rejected transfer. 1990 and 1991 were more successful years with positive results in 13 ballots out of a total of 17 held. Results in 1992 were poor, with tenants in 3 out of 5 ballots voting against transfer. In 1992, there was a General Election, and there was a strong feeling that there may have been a change of government, ready to devote more resources to housing, possibly resulting in a feeling among tenants that transfer would therefore be unnecessary (see figure 6.4).

Figure 6.4: LSVT Ballots - Average Votes in Favour (all ballots)
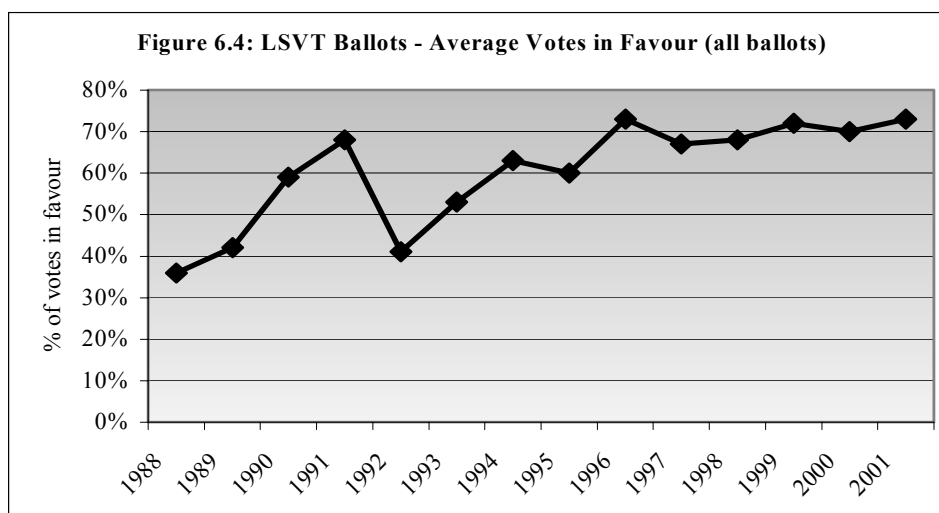
Source: DTLR LSVT database, 2001

Following the Conservative Party's re-election in 1992, more tenants voted in favour of transfer, and average result stabilised at around 70 per cent of tenants in favour of transfer. This trend continued throughout the 1990s, including throughout Labour's first term from 1997.

ANALYSIS OF CHARACTERISTICS OF FIFTY-ONE LSVTS

In this section, we examine some of the characteristics of the first fifty-one LSVTs, including region, size of association, population density of areas of operation, and political control of transferring authority.

Why only the first fifty-one LSVT Associations?

This analysis forms the first stage of a process to select a representative sample of twenty LSVT associations to be included in a survey of twenty. To obtain meaningful data on the process of forming LSVT associations and how they operate, I wanted to include only associations that had been in existence for at least two years at the time the survey was undertaken in the autumn of 1998. The first fifty-one associations all came into existence before the end of the 1995-96 Transfer Programme. In 1998, the most mature LSVT association was ten years old, and the youngest was just over two years old.

Regional Distribution of the 51 LSVT associations

Table 6.12 shows the regional distribution of the 51 LSVT associations. The majority of associations (87 per cent) are based in the South East, South West and Eastern

regions. The remaining 13 per cent were located in the West Midlands (7 per cent), Yorkshire and Humberside (4 per cent) and the North West (2 per cent). There had been no transfers in the East Midlands or the North East. The reasons for the strength of LSVT activity in the South East are unclear. The strength of demand for social housing in this region, and councils' inability to meet burgeoning housing needs, might help account for this. Positive stock valuations might also have encouraged local authorities to transfer, but does not help to explain why local authorities in the south east were more likely to transfer, as all 51 transfers were positively valued.

Table 6.12: Regional distribution of 51 LSVT associations

Region	Number of associations	Number of Units (% of total)
South East	27	122,508 (57%)
East	9	38,519 (18%)
South West	7	26,395 (12%)
West Midlands	5	14,712 (7%)
Yorkshire and Humberside	2	7,621 (4%)
North West	1	3,445 (2%)
Total	**51**	**213,200 (100%)**

Source: DTLR LSVT database, 2001

Size of associations

Taking the group of 51 associations as a whole, there was a fairly even distribution of sizes of associations across four bands (see figure 6.5). 22 per cent of associations owned up to 2,549 units; 31 per cent owned between 2,550 and 3,999 units; 29 per cent owned between 4,000 and 5,999 units; and 18 per cent owned 6,000 units or more.

Figure 6.5: Size of 51 LSVT associations
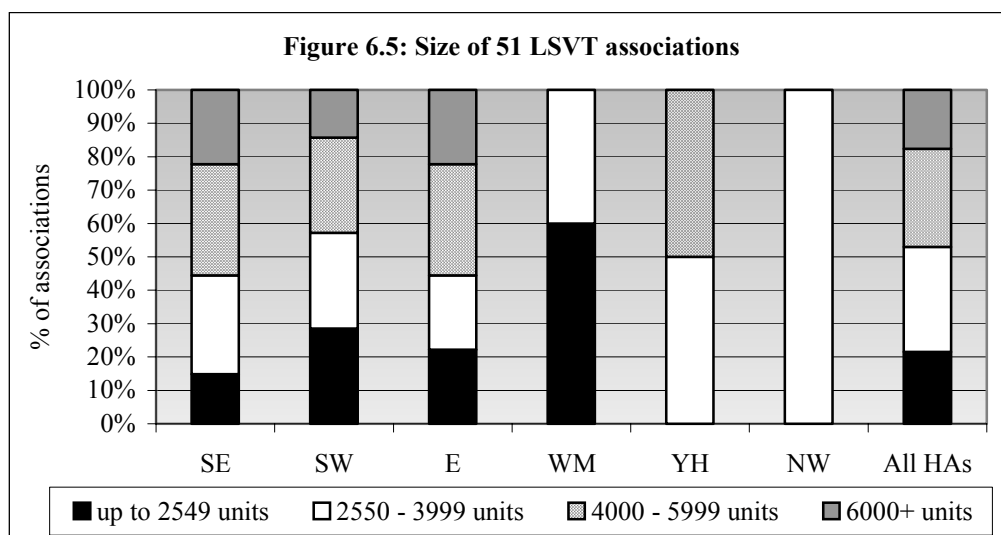
Source: DTLR LSVT database, 2001

The South West and Eastern regions most closely reflected the pattern of all associations. In the South East, there were more medium sized associations and less small associations, while in the West Midlands, there were many more small associations (60 per cent of the total for the region) and medium sized associations (40 per cent of the total for the region).

Population density of local authority area

Population density can be used to indicate how "rural" or "urban" an area is. Although this measure takes no account of how concentrated populations might be, it is an indicator of relative concentration of housing. Among the 51 associations, 50 per cent operate in very sparsely populated local authority areas (see figure 6.6). Only ten per cent of the associations operate in areas with a population density of 12 or more persons per hectare. The population densities in all 51 local authorities areas are low in comparison to urban areas. Outer London boroughs, for example, have an average population density of 37 persons per hectare, while average density in inner London boroughs is 81 persons per hectare.

Figure 6.6: Population Density
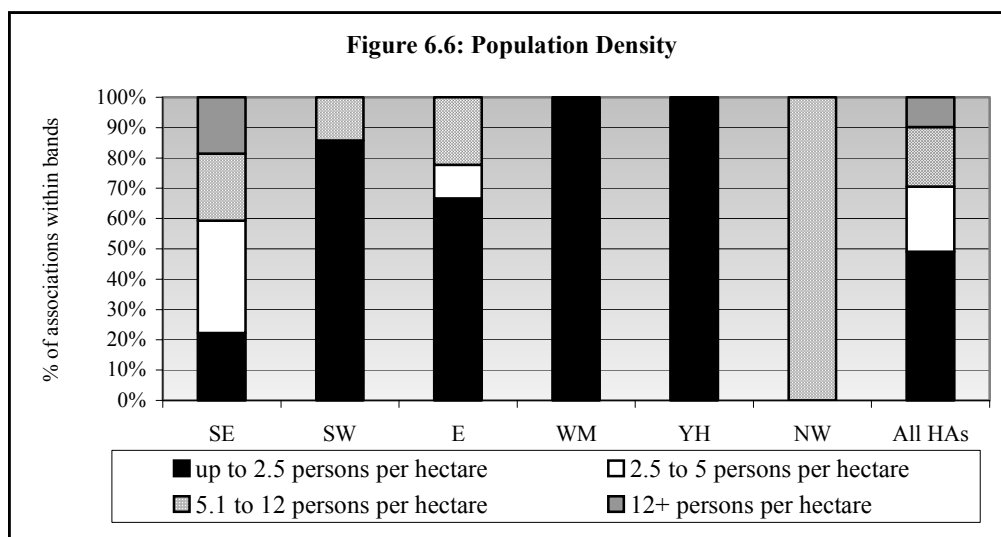
Source: Municipal yearbook, 2001

Associations in the South East are more likely to operate in more densely populated areas than associations in other regions. Just over twenty per cent of South East associations operate in areas with a population density of up to 2.5 persons per hectare, compared to 86 per cent in the South West, 67 per cent in the East, and 100 per cent in both the West Midlands and Yorkshire and Humberside.

Political control of transferring authority at time of transfer

At the time of transfer, the majority of councils transferring were controlled outright by the Conservative Party (26 councils, or 55 per cent of the total). In a further 9 authorities (20 per cent) no party was in overall control, but the Conservatives had the largest number of councillors. The Labour Party controlled no transferring councils, and the Liberal Democrats controlled just 2 councils (4 per cent).

Figure 6.7 shows political control of the transferring authorities at the point of transfer. Councils with no overall control are identified as such, and the party with the largest number of councillors is indicated. Upon initial examination, the pattern emerging appears to suggest that LSVT is a Conservative dominated policy.
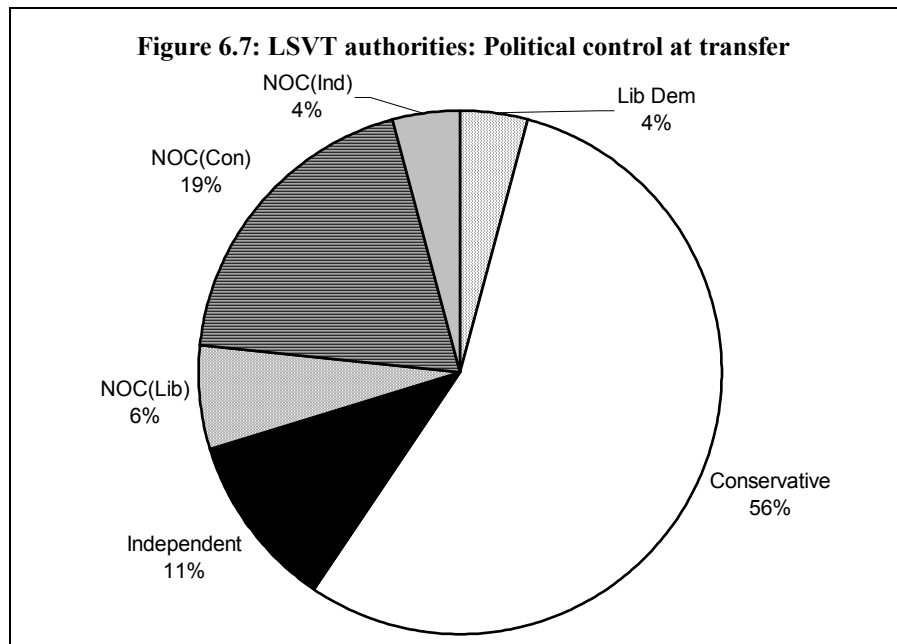
Figure 6.7: LSVT authorities: Political control at transfer

NOC(Ind)
4%

NOC(Con)
19%

NOC(Lib)
6%

Independent
11%

Lib Dem
4%

Conservative
56%

Source: Local Election Statistics 1988-1996.   NOC = No overall control, with largest party in brackets

However, by 1996, the political landscape of the LSVT authorities had changed significantly (see figure 6.8). The Conservatives lost control of 20 councils, Labour gained control of 4 and the Liberal Democrats gained 5. The number of councils under no overall control increased from 14 to 24, with parties other than the Conservatives becoming the largest single political presence in 14. This change may be attributed to several factors. Firstly, it is possible to explain the change as a reflection of changes in voting patterns nationally. Alternatively, the change could indicate that the authorities changing hand were not "rock solid" Conservative strongholds, and that LSVT was undertaken for pragmatic rather than ideological reasons.
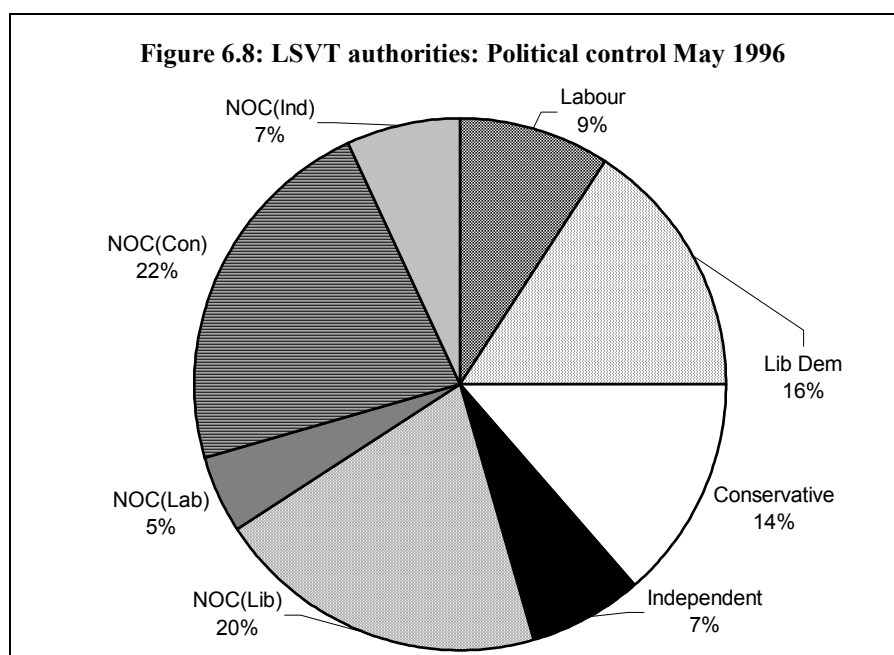
Figure 6.8: LSVT authorities: Political control May 1996

Source: Local Election Statistics 1988-1996.   NOC = No overall control, with largest party in brackets

Tenure patterns in the transferring authorities' areas

In the 51 local authority areas, council housing formed a small proportion of total housing in comparison to urban authorities. Council housing accounted for an average of 11 per cent of total stock in the 51 authorities at the time of the 1991 census. To provide a comparison with urban authorities, a small random sample of cities was selected. A major urban authority in each region was included (see table 6.13).

Table 6.13: Sample urban authorities used to provide comparisons with 51 LSVT local authority areas

Region	Urban Authority
West Midlands	Sandwell
East	Norwich
South West	Bristol
South East	Islington
Yorkshire and Humberside	Sheffield
North West	Manchester

In the sample urban authorities, council housing accounted for 34 per cent of total stock (see table 6.14).

Table 6.14: Tenure division in transferring authorities' areas

	Owner occupied	Private rented	Housing association	**Local authority**
LSVT Authorities	75%	10%	4%	**11%**
Urban Authorities	50%	10%	5%	**34%**

Source: Census data 1991

Figure 6.9 compares the average proportions of council housing for each region among transferring authorities to the proportions in the sample urban authorities. In the transferring authorities, council housing accounted for as little as 9 per cent of total stock. In urban authorities, council housing accounts for as much as 48 per cent of total stock. It is likely, therefore, that council housing occupies more of councillors' time and attention in urban authorities than it did in the transferring authorities.

Figure 6.9: LA housing as a proportion of all housing
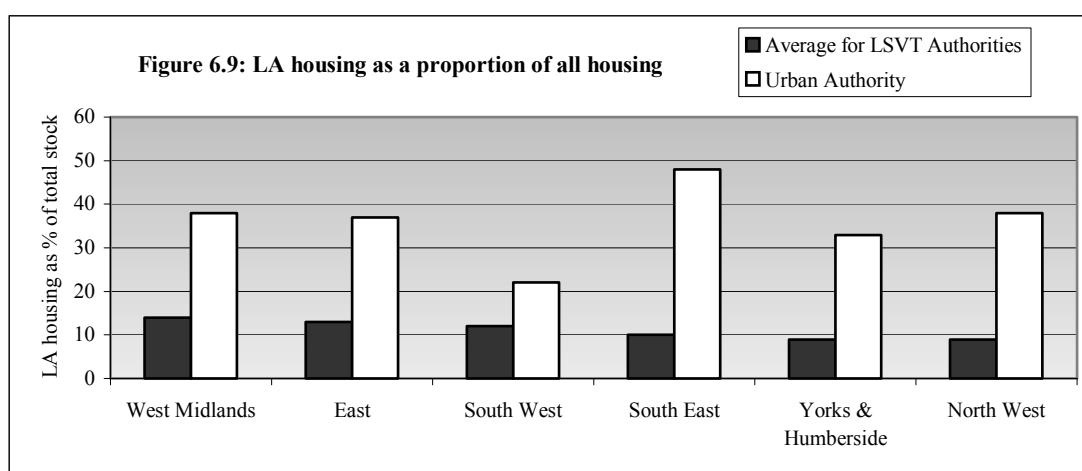
Source: Census data, 1991

What this analysis tell us

The regional distribution of the 51 associations suggests that LSVTs are more likely to take place in southern commuter-belt areas, rather than northern and industrial areas. This can be attributed to both excess demand for housing in the South, and councils' inability to meet needs, and lack of demand for social housing and low rents in parts of the north. Unlike the bulk of council housing – which is owned and managed by large councils – LSVTs are more likely to occur in authorities who own

small to medium housing stocks. LSVTs are more likely to operate in areas that are predominantly rural, whereas the majority of council housing is in urban areas, particularly large cities. The 54 largest local authorities own 53 per cent of the total council stock. Local authority housing in transferring authorities is likely to have formed a smaller proportion of total housing than in urban authorities. As such, it is likely that the management of housing was less of an important issue for councillors in these authorities. Finally, the analysis indicates that whole stock LSVTs are more likely to occur in Conservative controlled or hung councils, whereas Labour controlled councils are more likely to transfer small portions of their stock which are in urgent need of major reinvestment.

SAMPLE OF TWENTY REPRESENTATIVE ASSOCIATIONS

The aim of this process was to select a sample of 20 out of the 51 LSVT associations, which would be included in a survey. The 20 organisations would be selected to be as representative of all the organisations as possible. The following criteria were used:

1. **Region** – the sample should reflect the regional breakdown of the 51 LSVTs.
2. **Size** – as far as possible, the sizes of the case study associations should reflect the variations in size of the 51 organisations.
3. **Population density** – as a measure of how "rural", "mixed" or "urban" the areas of operation are.
4. **Date of transfer** – the range of case studies should reflect the variations in age of the 51 associations.
5. **Political control** of the transferring authority at the time of transfer – where possible, a range of political colours are reflected in the chosen case studies.
6. **Performance** – where organisations are similar on all the above characteristics, variations in performance (rent collection, new development, void levels and rent increases) are examined. Performance measures were extracted from Housing Corporation HAR10/1 data for year ending 31st March 1996.
7. **County** – where possible, we avoided selecting associations from the same county.

Information in the categories above was entered into a spreadsheet. Associations were sorted by region, then date of transfer. In order to select cases, each characteristic was

simplified into either three or four categories (see table 6.15). For example, density was measured as either "very rural", "rural", "mixed" or "urban".

Table 6.15: Groupings of characteristics used in the selection process

Characteristic:	Groupings:
Size of association	**A** up to 2,549 units **B** 2,550 – 3,999 units **C** 4,000 – 5,999 units **D** 6,000 or more units
Population density of local authority area	**A** up to 2.5 persons per hectare **B** 2.6 – 5 persons per hectare **C** 5.1 – 12 persons per hectare **D** 12 or more persons per hectare
Performance Measure 1: Percentage of rent due that was collected	**A** 99.8% or more **B** 99.2% - 99.7% **C** up to 99.1%
Performance Measure 2: Voids as a percentage of total stock	**A** up to 0.63% **B** 0.64% – 0.99% **C** 1% or more
Performance Measure 3: Rent Increases	**A** up to 3.9% **B** 4% - 7.4% **C** 7.5% or more
Performance Measure 4: New Units built or acquired	**A** 86 or more **B** 20 – 85 **C** up to 19

Regional breakdown

The twenty associations to be included in the survey represent 39 per cent of all the 51 LSVT associations. All 51 associations were grouped by region, using the boundaries adopted by DETR for its Government Offices. The chosen associations would represent these regional breakdowns (see table 6.16).

Table 6.16: Regional breakdown of the 51 LSVTs

DETR Region:	Number of associations:	Proportion of all 51 transfer associations:
South East	27	53%
East	9	18%
South West	7	14%
West Midlands	5	10%
Yorkshire and Humberside	2	4%
North West	1	2%

It was not possible to select the survey LSVTs to reflect exactly the regional breakdown of 51 associations. This is due to the smaller number of associations in the West Midlands, Yorkshire and Humberside and North West regions, which would require a fraction of an organisation to be precisely representative. A sample was selected to represent the 51 associations as closely as possible (see table 6.17).

Table 6.17: Regional breakdown of 20 sample survey associations

Region:	Number of associations selected:
South East	9
East	4
South West	3
West Midlands	2
Yorkshire and Humberside	1
North West	1

Size of association and population density of local authority area

The size of the 51 LSVT associaions at the time of transfer varies widely, from 1,322 units to 12,393 units. Thirty-seven LSVT associations owned less than 5,000 units. The associations were divided into four categories according to number of units owned (see table 6.18).

Table 6.18: Size of 20 associations

Category	Number of units owned
A	1,000 - 2,549 units
B	2,550 – 3,999 units
C	4,000 – 5,999 units
D	6,000 - 12,500 units

Population density was calculated for each local authority region. These were similarly divided into four categories (see table 6.19). This measure of density cannot take account of concentrations of populations in towns. However, it is useful as a general indicator.

Table 6.19: Population densities in 20 local authority areas

Category	Population density of LA area
A	0 – 2.4 persons per hectare
B	2.5 – 4.9 persons per hectare
C	5.0 – 11.9 persons per hectare
D	12 or more persons per hectare

Political control of transferring authorities

Information on the political control of transferring authorities *at the time of transfer* was gathered from the *Municipal Yearbook* (1988 – 1996). A number of councils were in no overall control by one party. In these cases, the councils were classed as "no overall control" but the party with the largest number of seats was also noted, as they might reasonably be expected to have a greater influence over policy than other parties.

Performance

Information on a number of performance indicators was extracted for each association from Housing Corporation HAR/10 data. The indicators chosen are shown in table 6.20. Performance was grouped into three categories (A, B and C) with A indicating the best performers, B indicating average performance and C indicating the poorest performance.

Table 6.20: Measures of performance of the 20 associations

Rent collected as % of total due	Units built/acquired in financial year	Voids as % of total stock	Rent Increases
A = 99.80+	A = 86+	A = 0.09 - 0.63	A = 0 - 3.9%
B = 99.20 - 99.70	B = 20 – 85	B = 0.64 - 0.99	B = 4 - 7.5%
C = 95.10 - 99.10	C = 0 – 29	C = 1.0 - 2.06	C = 7.5% +

Selection of twenty survey associations

The regions were taken as the basic framework for selecting the twenty associations for the survey, as shown in table 6.17.

1. West Midlands

In the West Midlands, there are five associations, and two were selected for inclusion in the survey (see table 6.21).

Table 6.21: Associations in the West Midlands

Association	Size:	Population Density	Political Control
South Shropshire	A	A	Independent
Leominster Marches #	A	A	Independent
Droitwich	A	A	Conservative
Evesham and Pershore #	C	A	Conservative
Elgar	C	A	No overall control

Associations selected for the survey

All five associations had a population density in the "a" category indicating that they are likely to operate in rural areas. Three associations fell into the "a" size category and the remaining two fell into the "c" size category. Two of the transferring authorities were Conservative controlled at the time of transfer, two were independent and one was in no overall control, with independents as the most dominant political group. One case was selected from the most rural category (a) and the other from the most urban category (c). ***Leominster Marches*** is a small association operating in a rural area. The transferring authority was independent at the time of transfer. ***Evesham and Pershore*** also operates in a rural setting but is among the largest associations. The Conservative Party was in control of the transferring authority. The performance of the two associations also varies significantly.

2. East

In the East, there are nine associations, and four were selected for inclusion in the survey (see table 6.22).

Table 6.22: Associations in the East

Association	Size:	Population Density	Political Control
Aldwyck	A	C	Conservative
Plume #	A	A	No overall control
Wherry #	B	A	Conservative
Mid Bedfordshire	B	A	Conservative
Suffolk Heritage	C	A	Conservative
Hereward #	C	A	Independent
Ridgehill	C	C	Conservative
Bedfordshire Pilgrims #	D	B	No overall control
Peddars Way	D	A	Conservative

Associations selected for the survey

Sizes in this region range from small to large, with two associations in category "a", two in category "b", three in category "c" and two in category "d". Dates of transfer range from 1990 to 1995. Two of the associations are in the county of Norfolk, two

are in Hertfordshire, two are in Bedfordshire and the remaining three are located in Essex, Suffolk and Cambridgeshire. Six of the nine transferring authorities were Conservative controlled. One authority was controlled by independents, while there were two in no overall control with the Conservative Party as the dominant group.

One case was selected from each size group. **Plume HA** is a small association (category "a") operating in a predominantly rural area (category a). **Wherry HA** is an association in the "b" size category, also operating in a predominantly rural area. **Bedfordshire Pilgrims HA** was selected, as it is the only case where the population density is higher than category "a". It was created by a local authority in no overall control, with a dominant Conservative group. It is one and the largest associations (category d) and also the oldest in the region. *Mid Bedfordshire HA* would appear to provide an exact opposite, but was not selected as it is in the same county as Bedfordshire Pilgrims HA. The next suitable association is **Hereward.** It is in the "c" size category and operates in a predominantly rural area. The transferring authority was independent. There are variations in the performance of the four associations.

3. Yorkshire and Humberside

In the Yorkshire and Humberside region, there are two associations, and one was selected for inclusion in the survey (see table 6.23).

Table 6.23: Associations in Yorkshire and Humberside

Association	Size:	Population Density	Political Control
Ryedale #	B	A	No overall control
Broadacres	C	A	Conservative

Association selected for the survey

The two associations were quite similar. Both were operating in rural areas, they were of similar size (categories b and c) and performance was comparable. One distinguishing feature was that one of the transferring authorities was Conservative controlled and the other was under no overall control with a dominant Liberal Democrat group. **Ryedale HA**, the association created by a council in no overall control, with a strong Liberal Democrat representation, was selected.

4. South East

In the South East, there are twenty seven associations, and nine were selected for inclusion in the survey (see table 6.24).

Table 6.24: Associations in the South East

Association	Size:	Population Density	Political Control
South Wight	A	B	Conservative
Rosebery #	A	D	Independent
Hart	A	B	No overall control
Banbury Homes #	A	A	Conservative
Medina #	B	B	Conservative
Beacon	B	B	Conservative
Surrey Heath	B	C	Conservative
Hermitage	B	D	No overall control
Thanet Community	B	C	Conservative
Maidenhead & District	B	C	No overall control
Windsor & District #	B	C	No overall control
Spelthorne	B	C	Conservative
Chiltern Hundreds #	C	B	Conservative
Mid Sussex	C	B	Conservative
High Weald	C	B	Conservative
Vale	C	A	Conservative
Basingstoke & N Hants	C	A	No overall control
Basingstoke & Upper Test	C	A	No overall control
Rushmoor	C	D	Conservative
East Hants	C	A	Liberal Democrat
Ten Sixty-Six #	C	D	No overall control
West Kent #	D	B	Conservative
Sovereign #	D	A	Conservative
Swale	D	B	No overall control
Medway HS	D	C	Conservative
Tonbridge & Malling	D	B	Conservative
Broomleigh #	D	D	Conservative

Associations selected for the survey

Selection of this number of cases could have been approached in a number of ways. The method chosen was to select two cases in the a, b and c size categories and three cases in the d size categories reflecting the actual distribution. Secondly, population density and political control were examined to choose between the associations available in each size category.

Banbury Homes is an "a" size association operating in a predominantly rural area. This association was selected because it has received stock through a trickle transfer, in addition to a LSVT. An interesting contrast is ***Rosebery HA*** which is a similar size to Plume but operates in a predominantly urban area (category "d"). The performance of the two associations is quite similar.

Medina HA is in the size "b" category and "b" population density category. The transfer was undertaken in 1990. The other three associations in size category "b" are in density category "c". Two of these associations are in the same local authority district. *Windsor and District HA* offers most contrasts to Medina on performance.

Chiltern Hundreds HA is a larger association (category "c") operating in a mixed area (category "b"). It is one of the earliest transfers, undertaken in 1988 by a Conservative controlled local authority. *Ten-Sixty Six HA* is of a similar size to Chiltern Hundreds, but operates in a more urban area (category "d"). It is also one of the most recent transfers, which was undertaken by an authority under no overall control with a dominant Liberal Democrat group.

Sovereign HA, Broomleigh HA and West Kent HA all fall in size category "d". Broomleigh is the largest of all LSVT associations. However, Sovereign operates in a very rural area (category "a") while Broomleigh operates in a very urban area. West Kent operates in a semi-rural area. It was chosen because of its well-publicised financial problems in the early 1990s. The experience of West Kent provided useful lessons for all subsequent LSVTs. There are considerable variations in performance.

5. South West

In the South West, there are seven associations, and three were selected for inclusion in the survey (see Table 6.25).

Table 6.25: Associations in the South West

Association	Size:	Population Density	Political Control
East Dorset	A	A	Conservative
Twynham #	A	C	No overall control
Penwith #	B	A	No overall control
Signpost	B	A	Independent
Sarsen	C	A	No overall control
Magna	C	A	No overall control
N Wiltshire #	D	A	Liberal Democrat

\# Associations selected for the survey

Associations were selected within size categories. The three cases were selected from the size categories as follows:

- 1 association from category "a";

- 1 association from category "b";

- 1 association from category "d".

Twynham HA is in the size category "a" but operates in an area with a relatively dense population. At the time of transfer, the Council was in no overall control, with more councillors from the Conservative party than any other party. Penwith HA is an Association in size category "b", operating in a predominantly rural area.

North Wiltshire was the only association in the category "d" size group. It is a recently created association, operating in a predominantly rural area.

SUMMARY

This chapter explains how transfers in practice facilitated State withdrawal between 1988 and 2001. District councils transferring their entire stocks to single landlords dominated the LSVT programme up to 1996. Urban authorities started to transfer estates or groups of estates from 1996 onwards, leading to considerable breakup of ownership of social housing in some urban areas. Whole stock transfers by large city councils will, in future, change the pattern significantly. LSVT is still predominantly a southern-based phenomenon, with well over 50 per cent of transfers having taken place in the South East, South west and eastern regions. The transfers undertaken so far have helped to shift the balance of service provision from the public to the private sector. Over twelve years, transfers have raised over £9 billion in private finance, of which some £4.5 billion was paid to transferring authorities to redeem debt and to provide resources for new development. Ballots of tenants have helped to shift the balance of power from councils to tenants, helping create a form of quasi market. The data points to a high level of tenant support for transfers, with votes in 146 ballots supporting transfer, while only 38 transfer have been rejected.

In chapters seven, eight and nine, I present evidence from the twenty LSVT associations selected to illustrate how stock transfer helps the State to withdraw from direct provision; change the management of council housing; and shift responsibility for service delivery to the private sector. I examine staff perceptions of the reasons for transfer; how the associations have changed management and organisational cultures; and the impact of the shift of responsibility for service delivery from the public to the private sector upon the organisations.

INTRODUCTION

In this chapter and chapters eight and nine, I present the evidence from the representative sample survey of twenty LSVT associations. The findings are based upon fifty-four interviews with staff in the twenty LSVT associations, twenty-five of whom had previously worked in the sponsoring authorities. No councillors, local authority officers or tenants in the twenty cases were interviewed, and these chapters therefore present the perspective of one group only. The twenty associations are predominantly non-urban, small and predominantly southern based, as outlined in Chapter six. This chapter focuses on the respondents' perceptions of the reasons for transfer among the twenty associations I study closely. I examine the respondents' perceptions of reasons for stock transfer, campaigns against transfer and why they believed tenants voted in favour; their perception of performance of the transferring authorities; and how important they felt that housing was as an activity to the transferring authorities. Chapter eight examines how the respondents believe LSVT has brought about organisational change within the twenty case study areas. Chapter nine examines how respondents feel that LSVT has shifted responsibility for housing provision from the public to the private sector. There is considerable cross-fertilisation between the three core themes of State withdrawal from direct housing provision, organisational change and the shift to the private sector, and my aim is to build up a clear and comprehensive picture. For clarity, I divided the three core themes into three chapters, and chapters ten and eleven will weave the themes together.

INTERVIEWS

Fifty-four interviews were conducted in the representative sample of twenty LSVTs between August 1998 and March 1999. Where possible, I interviewed the Chief Executive, Housing Director and Finance Director of each association. I also interviewed Tenant participation officers in five of the associations. In five associations, only one senior director was available for interview. These five interviews covered the same range of topics as in other associations, but in slightly less depth. Table 7.1 lists staff members interviewed in each association.

Table 7.1: Staff Interviewed

Association	Chief Exec	Housing Director	Finance Director	TP Officer	Other	Total
Windsor & Dist	✓	✓	✓	✓	-	4
Medina	✓	-	-	✓	✓ Housing Manager	3
Chiltern Hundreds	✓	✓	✓	-	-	3
1066	-	✓	-	-	-	1
Sovereign	✓	✓	✓	✓	-	4
West Kent	-	✓	-	-	-	1
Broomleigh	✓	✓	✓	-	-	3
Twynham	✓	-	-	-	-	1
Penwith	-	✓	-	-	-	1
North Wilts	✓	✓	✓	-	✓ - Dir Prop Services	4
Leominster Marches	✓	-	✓	-	-	2
Evesham & Pershore	✓	✓	✓	-	-	3
Plume	✓	-	✓	-	✓ Housing Manager	3
Wherry	✓	-	-	-	-	1
Hereward	✓	✓	✓	-	-	3
Bedfordshire Pilgrims	✓	✓	✓	-	-	3
New Progress	✓	✓	-	✓	✓ Chief Accountant ✓ Tenancy Services Manager	5
Ryedale	✓	✓	✓	-	-	3
Rosebery	✓	✓	✓	-	-	-
Banbury	✓	-	✓	✓	-	3
Totals	**17**	**14**	**13**	**5**	**5**	**54**

Source: Interviews, 1998 and 1999

All interviews were structured around a list of issues relating specifically to the roles of staff. Checklists for each post are attached as Appendix 1, and the topics covered are summarised in table 7.2.

Table 7.2: Summary of topics discussed with staff

Topic	Staff interviewed
Chapter seven • Perception of rationale for transfer • Perception of the performance of sponsoring local authorities as landlords • Perception of the importance of housing as an activity to the sponsoring authorities.	Chief Executive Housing director Finance director
Chapter eight • Staff background • Perceptions of breaking away from sponsoring local authorities • Developing a new culture • Perceptions of how the associations are different from local authority past	Housing director Housing manager Property services manager Tenancy services manager
Chapter nine • Involving tenants in management • Governance and accountability • Long term sustainability • LSVT finances	Finance director Housing director Chief accountant Tenant participation officer

Source: Interviews, 1998 and 1999

RATIONALE FOR TRANSFER

In this section, I examine the respondents' perceptions of cultures of the authorities undertaking transfers; their perceptions of the sponsoring authorities' reasons for transferring; the nature of campaigns against; and their perceptions of why tenants voted in favour. Evidence from the representative sample survey provides an insight into the authorities undertaking transfers in the earlier period of the late 1980s and first half of the 1990s, from the perspective of the senior management in the LSVT associations created.

Respondents' perceptions of Local Authority Culture

Senior managers were asked to describe their perception of the culture of their sponsoring authorities prior to transfer. Their responses are summarised in table 7.3.

Table 7.3: Sponsoring authority culture

Perception of culture	Elements	No of authorities
Paternalistic	• Authority did not appear to seek tenant opinion on service delivery • Approach to service delivery believed to be decided by councillors and/or officers	11
Housing seen as a "Cinderella service"	• Housing seen as being low on political agenda. • Small proportion of voters housed by council • Housing felt to lack a strong voice in council	7
Keen to encourage participation	• Methods in place to encourage and facilitate TP • Councillors believed to be committed to involving • Participation in housing committees	4
Lacking a long term strategy	• Seen as having a short term and reactive approach to service delivery • No consensus on long term approach. • Perception of lack of drive from politicians to adopt long term strategy	2
Committed, but constrained by lack of resources	• Medium to long term strategy in place • Insufficient resources available to implement long term plan	1

Source: Interviews, 1998 and 1999

Eleven respondents felt that their sponsoring authorities were caring, but in an old-fashioned paternalistic way. They characterised the councils as knowing what was best for tenants, and tenants were not invited to express their opinions on service delivery:

> *"They were looked after in a paternalistic way quite well. But they didn't have any say on anything. It was very much a case of 'this is the service,*

we provide it, you receive it.' If they were unhappy about anything, they
were politely told to get lost." (Chief Executive)

Seven respondents felt that their sponsoring authorities treated Housing as a minor or
"Cinderella service". Housing was believed to be low on councillors' agendas, whose
priorities were planning, protecting the green belt and leisure. In contrast to urban
authorities, the proportions of voters living in council housing in the sponsoring
authorities was low, and respondents believed that many councillors felt that there
were few votes to be gained by promoting the cause of social housing. Respondents
felt that the councillors' approach to housing was reflected in the way the service
interacted with other parts of the council:

> *"In terms of officer input into strategy, housing was a bit of a weak link.*
> *In corporate management terms, there was no strong Housing push. The*
> *housing voice was very quiet."* (Housing Services Director)

In four authorities, respondents believed that councillors had taken a different
approach to Housing and had actively encouraged tenant involvement and
participation. In three authorities, respondents believed that tenant involvement was
developed to the extent that there were tenant representatives on the housing
committees. These representatives were permitted to speak at meetings, but were
legally barred from voting. One respondent felt that the Authority was willing to meet
tenants' wishes for additional spending on repairs, as long as they were willing to
finance these works through higher rents. The Council was not, in the respondent's
opinion, proactive in finding innovative ways of funding additional repairs.

Respondents' perceptions of the reasons for transferring the housing stock
Respondents were asked about their perceptions of their councils' reasons for
transferring their housing stock. They believed that the authorities had a number of
motivations for transferring their housing stocks to RSLs. Directors identified one or
more major driver in their sponsoring authority. These are detailed in Figure 7.1. In
all but one local authority, respondents believed that political ideology of the ruling
party did not play a major part in the decision to transfer.

Figure 7.1: Respondents' perceptions of LAs' reasons for transferring stock

A bar chart titled "Figure 7.1: Respondents' perceptions of LAs' reasons for transferring stock". The vertical axis is labelled "No of directors" ranging from 0 to 14. The bars are: Develop new stock = 12; Invest in stock = 9; Avoid rent increases = 7; Capital Receipt = 6; Repairs back-log = 6; Stem RTB = 3; Avoid CCT = 2; Avoid Tenants Choice = 2.
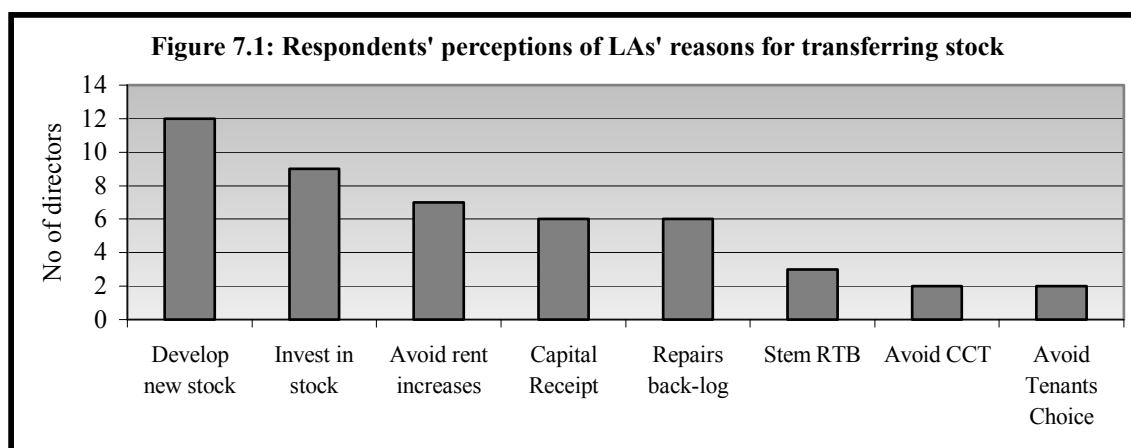
Source: Interviews, 1998 and 1999

Twelve respondents believed that their local authorities transferred to develop new stock. The ability of the local authorities to develop new stock themselves had effectively ended by 1990:

> *"...the Council saw their ability to develop was going to be zilch. The reason that [the authority] wanted to do a stock transfer was to do with the fact that an Association would be free from constraints on development." (Chief Executive)*

The Right to Buy had reduced existing housing stocks, but at the same time, the demand for affordable social housing had continued to increase. Three respondents felt that their authorities transferred to help stem stock losses through Right to Buy. Independent councillors controlled one of these authorities, while the other two were hung councils.

> *"The stock was being sold at an obscene rate. At its peak, the Council owned 3,500 properties, we're now down to 1,650. [Councillors] recognised that the waiting list was growing and growing. There were more and more homeless families coming along." (Chief Executive)*

Although most of the authorities had reasonable to good stock condition, nine were believed to have transferred to invest in their housing to bring about improvements. Six respondents felt that their authorities had transferred to address repairs backlogs.

Seven respondents believed that their authorities transferred because they faced the prospect of increasing rents considerably as the new finance regime introduced under the Local Government and Housing Act 1989 came into force:

> *"[tenants] had had rent increases of 50-60% three years prior to the
> decision to transfer, so the ability to restrict rent increases to RPI plus
> 1%, and to invest in the property seemed like Christmas." (Chief
> Executive)*

Six respondents felt that, for their authorities, the prospect of a large capital receipt
had, in part at least, motivated councillors to transfer. The receipt would enable the
councils to redeem debt and provide social housing grant and fund other activities. In
an early transfer authority – controlled at the time of stock transfer by the
Conservatives – the respondent believed that councillors were not attracted by the
prospect of a capital receipt, and would have preferred to transfer their stock at nil
value, as this would have strengthened the recipient landlord and enabled it to do
more for tenants and housing applicants:

> *"The District Council did not want a capital receipt for their stock. Their
> motivation was entirely about the tenants – wanting to improve the
> situation for tenants. In a way, the less the Association pays [for the
> stock], the more it will be able to do. The only discussions about money
> that I'm aware of were the council trying to say 'we don't want anything
> for this stock, we want the Association to have financial strength to be
> able to address housing issues in the District'." (Finance Director)*

Two respondents believed that their authorities transferred to avoid Compulsory
Competitive Tendering of housing management, which was perceived as not "a
terribly positive thing to have to do" (Housing Services Director). Two other
respondents felt that the authorities also used stock transfer as a way of protecting
their housing stocks from *Tenants' Choice* legislation. At the time of the introduction
of Tenants' Choice under the Housing Act 1988, there was perceived to be a real fear
among tenants that their homes would be transferred to private landlords:

> *"At the time, there was a lot of confusion about what would happen if we
> didn't transfer…whether private landlords could bid for the stock… and if
> tenants were away, they could find their houses transferred without them
> knowing about it." (Chief Executive)*

Campaigns against stock transfer

In thirteen authorities, respondents believed that there were no significant campaigns
against the principle of stock transfer, and there was believed to be a political
consensus that it represented the best way forward. In seven authorities, there were
campaigns against transfer. Respondents reported that councillors led six of these
campaigns, and tenants led one campaign.

One campaign against transfer was led by tenants and respondents understood that they were concerned that the housing stock was moving from a body which tenants perceived as being democratically accountable to local people, to a body that was not controlled by councillors.

Labour councillors from a neighbouring authority led one campaign. Respondents believed that they were opposed to any form of privatisation, and actively campaigned against transfer, even though the local party was said to be in favour.

Opposition councillors within the transferring authorities led six campaigns. Labour councillors led five campaigns, and Conservative councillors led the sixth. Respondents identified a number of issues that they perceived to be at the heart of councillors' campaigns. In one authority, a Conservative opposition group was believed to be opposed to the plans of the Liberal Democrat controlled council to transfer on the grounds that the stock valuation was too low. The Chief Executive of the stock transfer association feels that the Conservative group *"didn't want the Liberal Democrats getting their hands on the capital receipt before the election"*. In another authority, a Labour group ran an opposition campaign, as the respondent believed that they had formed the view that the Council's consultation campaign was biased. The respondent believed that Labour councillors felt that they *"owed it to the tenants to campaign against and put the opposite case,"* which was understood to be that *"you will lose control by the Council"*. (Chief Executive). Ownership also featured in a campaign led by one councillor in another authority, who was believed to hold council ownership as the best means of being accountable to service users.

One authority faced the prospect of being forced by the Department of the Environment to split its stock between two landlords to obtain approval from the Secretary of State. The Authority's stock was approximately 1,000 units higher than the Government's limit on the size of transfers at that time of 5,000 units. Respondents believed that councillors supported transfer to a single landlord, but were opposed to a break up of the housing stock and would have preferred to retain council ownership had a split transfer been imposed on the authority:

*"I think we would have had problems if we had gone forward with a split
transfer. There was a degree of opposition, certainly from the small
Labour group, and they could have got a sizeable vote against." (Chief
Executive)*

Respondents' perceptions of the reasons for tenants' support for transfer

Respondents identified a number of factors that they believed would explain their
tenants' decision to vote in favour of stock transfer (figure 7.2). Fourteen of the
respondents believed that tenants were concerned about the prospect of increasing
council rents and were attracted by an offer by prospective landlords of a guarantee to
limit future increases. Eight respondents stressed their council's inability to maintain
their housing in the future combined with the offer of a catch up repairs programme as
being important in securing a positive result.

Figure 7.2: Tenants' Reasons for voting in favour
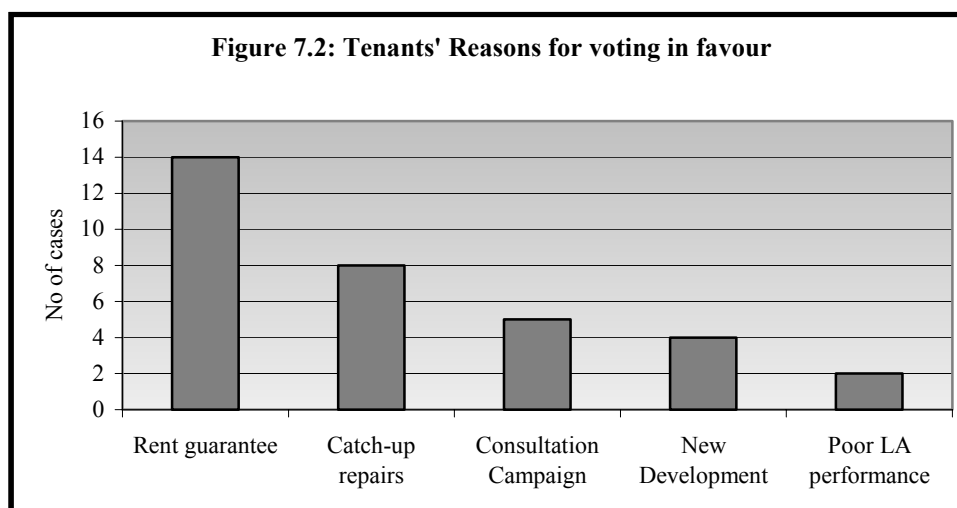
Source: Interviews, 1998 and 1999

Five respondents attributed their successful ballot to effective consultation campaigns.
In their view, consultation campaigns offered reassurance about the type of landlord
that would receive the stock, and who would be running it. A Chief Executive
observed that his sponsoring authority had run what he saw as effectively a marketing
campaign:

*"I think in any LSVT if the questions are just put, people won't vote for it.
I don't think it was oversold, but there was a lot of selling." (Chief
Executive)*

A respondent in another Association felt that the consultation campaign in his authority presented only the case for stock transfer, and not any of the possible disadvantages to tenants:

> *"I think there was a gross manipulation of tenants to make them go for transfer...the impression I gained was that transfer to a Housing Association was presented very much as the only solution." (Tenant Participation Officer)*

Respondents believed that the positive messages from staff about stock transfer also helped to reassure tenants. Staff who tenants had known and come to trust over a number of years were on their doorsteps providing reassurance and saying that stock transfer was a good idea. A Chief Executive observed that tenants of sheltered schemes were effectively a "captive audience" and wardens were reported to have been very positive towards the potential outcomes of transfer.

Respondents in four associations felt that the sponsoring authorities' inability to develop new stock was a strong 'push' factor encouraging votes in favour of transfer. This was believed to be a particular concern in parts of the country where there was high demand for housing and high private rented sector rents:

> *"[The council] couldn't guarantee that for the sons and daughters of the current tenants who would have housing needs in the future their needs would be satisfied." (Chief Executive)*

Two respondents believed that poor service provision by their sponsoring authorities had played an important part in tenants' decision to vote for transfer. They felt that lack of confidence in the Council as a manager of housing meant that tenants were receptive to the option of transfer:

> *"...they were frustrated with the services. We promised that service delivery would improve, and that the new organisation would focus on that." (Chief Executive)*

In one authority, a respondent attributed the positive ballot result partly to the prospect of local government re-organisation. In the run up to transfer, the Local Government Commission was reported to be considering merging authorities in the area to form unitary authorities. While the housing problems of the sponsoring authority were significant, they were not perceived to be dire. However, the housing problems in the neighbouring authority *were* reported to be dire. The Chief Executive

believed that tenants feared that the few resources coming into the area would all be "*drained*" into the other authorities' stock.

RESPONDENTS' PERCEPTION OF THE PERFORMANCE OF SPONSORING LOCAL AUTHORITIES AS LANDLORDS

In this section, I examine respondents' perceptions of performance of their local authorities, which can act as a push factor for transfer, as councillors seek to shift responsibility for management to the private sector. Eight respondents in the twenty associations felt that the housing service provided by their sponsoring authorities was "good", seven thought services had been "satisfactory", while four felt they had been "poor". One Chief Executive who had joined sometime after transfer was not able to comment.

There are some marked differences in views of performance between directors who had worked with the sponsoring authority and those who did not. This is, perhaps, not surprising as former local authority directors may wish to defend the past performance of their departments. Figures 7.3 and 7.4 show senior staff views on performance. The numbers of officers responding to this question were split evenly between those who had worked with the sponsoring authority, and those who had not. While six former local authority officers thought that performance had been good, only two directors from outside felt that the sponsoring authority had performed well.

Figure 7.3 Views on LA performance (staff not with LA)

Figure 7.4: Views on LA performance (staff formerly with LA)
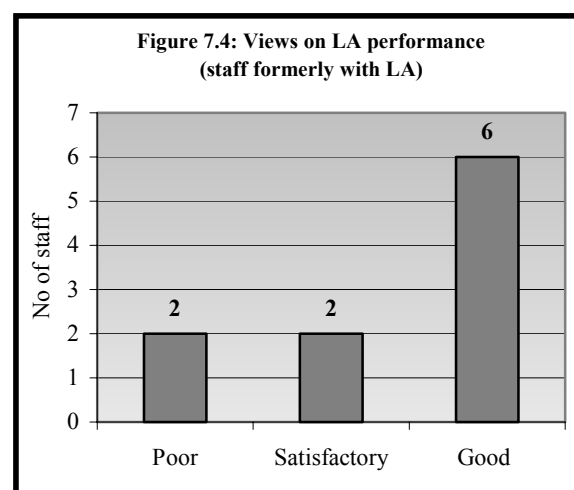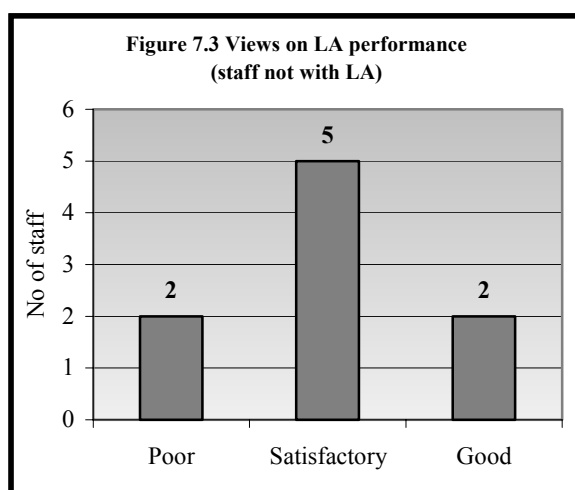
Source: Interviews, 1998 and 1999

Performance issues

Respondents believed that performance in the transferring authorities ranged from good to bad, but that there were issues for all authorities that they believed strengthened the case for transfer.

'Good' performers

Two authorities had received very high ratings from the Audit Commission before the stock was transferred. A Housing Director who worked with one of these authorities acknowledged that the Audit Commission rating was based on cost and financial performance only. He felt that there were *'...certain quality issues that were missing, purely because of the fact that cost was a big factor"*.

Respondents felt that a lack of resources had prevented their authorities from doing more, and they believed that this had hampered their ability to take a more positive approach towards service delivery:

> *"We didn't have much money to do a great deal, so it started off with 'no you can't', rather than a positive outlook on how services could be improved." (Housing Services Director)*

'Satisfactory' performers

In three authorities, respondents felt that little attention had been paid to involving and consulting with tenants, even though there was perceived to be a general *willingness* to do so. They attributed this lack of consultation partly to fear of unleashing expectations among tenants that the authorities knew they would be unable to fulfil due to constraints on resources:

> *"...whilst there was a will to involve tenants, at the end of the day what tenants want is their repairs to be done and their houses improved. And that is the thing that the Local Authority was finding more and more difficult to do." (Housing Director)*

While resources for all local authority services are constrained, one respondent felt that housing was low in the council's order of priority:

> *"Like most districts, it tended to be a bit of a Cinderella service." (Chief Executive)*

In local authorities, Housing departments can be seen as being part of a complex public bureaucracy, and respondents felt that they have to compete for both

councillors' time and financial resources with other departments. In some councils, respondents believed that Housing is afforded a low priority, while other issues, such as planning and leisure, are more important to councillors, as theses issues are perceived to be more important to a majority of the local electorates.

'Poor' performers

In two local authorities, respondents believed that there were cross subsidies from the Housing Revenue Account to their council's General Fund, even though the housing departments required additional resources. *'The HRA had been drained of resources, which was going into the General Fund'* (Chief Executive). Before ring fencing of Housing Revenue Accounts from the early 1990s, HRA resources were sometimes used to cross subsidise councils' general funds to keep the level of Rates down. Other respondents described their authorities as 'minimalist', 'sparsely staffed' and 'paternalistic'. In one authority, there were serious stock condition problems:

> *'Fundamentally, our stock was the worst. It had had nothing done to it for thirty years. We had 400 properties that were declared unfit. Tenants had very low expectations and would never complain. I was shocked going into a house. I thought I'd seen the worst of the HMOs and the worst of the 1960s built housing when I worked in [inner London]. I was staggered to find it here."* (Housing Director)

Combined with financial constraints upon local authorities, the performance issues across the range of authorities arguably helped to build the case for transfer. Authorities that were performing well were constrained by a lack of resources, and were prevented from enhancing the quality of their services had they wished to do so. Other authorities that were seen as providing a satisfactory service were reported to avoid involving tenants too much for fear of increasing expectations beyond their ability to meet them. Authorities with serious disrepair were reported to be unable to tackle the problems because of lack of resources. Respondents believed that stock transfer would help all these authorities by giving the new housing organisations access to resources to tackle the various problems they faced. For authorities in which Housing was perceived as not being seen as important to councillors, stock transfer would arguably enable staff to work in a single purpose organisation with its own dedicated resources. For councillors who did not see Housing as an important activity, stock transfer arguably enabled them to divest themselves of direct management responsibility, so that they would have more time to concentrate on other issues.

RESPONDENTS' PERCEPTIONS OF THE IMPORTANCE OF HOUSING AS AN ACTIVITY TO THE SPONSORING AUTHORITIES

Directors in the twenty associations were asked about their perceptions of how important Housing was to their sponsoring authorities prior to transfer (see figure 7.5). If housing was not a service to which councillors attached much importance, it is perhaps possible to argue that they would be more willing to transfer their stock. In eleven authorities, Housing was perceived as not being important, while it was believed to be somewhat important in six. Housing was reported to attract a high status in only three authorities.

Fig 7.5: Perceptions of the status of Housing within Sponsoring LAs
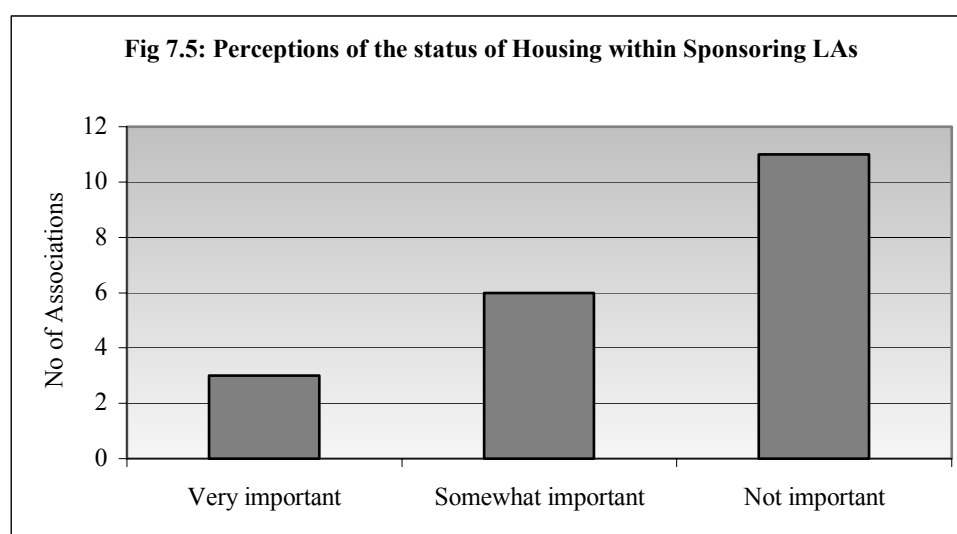
Source: Interviews, 1998 and 1999

In authorities where housing was perceived as having had a high status, respondents suggested that the sheer size of the activity meant that it could be nothing other than important. In one of the authorities, the Housing Service accounted for approximately half of all the activity:

> *"It was the key service. It's a shire district council. If you take Housing out, there's not a lot left. It was the major service, and was the platform for a lot of councillors coming onto the Council in the first place." (Chief Executive)*

In the authorities where Housing was perceived as less important, directors suggested that councillors had made some effort to ensure that staff provided good services, but ultimately, they were perceived as being more interested in other activities:

> *"Things like recreation were the in-things at the time. They were good landlords, but it wasn't one of their top priorities. Some of the money from the HRA went outside." (Chief Executive)*

A Housing Director suggested that councillors were only concerned with council housing when an issue arose affecting a constituent. The respondent believed that the councillors' interest did not extend to the Housing Service as a whole:

> *"Councillors tended only to worry about what was going on in their own ward, and they didn't care about what was going on half a mile up the road." (Housing Director)*

In the remaining eleven authorities, respondents believed that Housing had not been important to Councillors, largely because their councils housed only a small minority of their electorates. A majority of voters did not need or want council housing. Respondents felt that the authorities had made few efforts to focus on the needs of tenants, and efforts were reported to be focused in other directions, including ensuring that the size of activities was minimal:

> *"It was appallingly neglected. They had a disturbing attitude towards their tenants. It was very antiquated, patriarchal…not even paternalistic. The view was 'what do they want central heating for, they're only tenants'. If I said a man and a dog were managing the stock, that's about all it was. It was all about low rents, low rates and minimal services." (Chief Executive)*

Respondents felt that although councillors could possibly derive advantage from their control and influence of Housing, the problems they perceived to arise from the negative image of council housing meant that they preferred to ignore it wherever possible:

> *"It could be politically advantageous, if it suited. I think it was the poor relation, and often a liability, because of the problems it created…the constant drain upon resources. And because of the image people in the private sector had of council housing and council tenants. In so far as councillors could gain kudos for getting someone a property, it was looked upon favourably. But not if it was the other side of the coin." (Housing Manager)*

SUMMARY AND CONCLUSIONS

In this chapter I use evidence from the representative sample survey of twenty LSVT associations to point to factors that help us to understand how and why local authorities use LSVT to withdraw from direct provision of housing. Respondents' believed that local authority culture; campaigns against transfer; tenants views; performance; and the importance of housing all influence a council's decision to transfer their housing stock.

Respondents in this representative sample survey believed that the transferring authorities were largely caring, but old fashioned. Housing was thought to be low on the agenda of councillors, and only a minority of councils were reported to have encouraged active tenant participation. Respondents believed that the low status of housing within the sample areas helped to make the decision to transfer easier for many councillors. Only a minority of councillors were reported to have actively campaigned against stock transfer, and respondents felt that they were driven by their concern about moving housing from a body that they believed was democratically accountable, to a body over which they would have significantly less control. Tenants were believed to be willing to change landlords, upon their councillors' recommendations, because they were reportedly concerned about the prospect of rent increases forced by changes to the financial regime for council housing. They were reported to have been persuaded by effective consultation campaigns. Other respondents felt that tenants were concerned about the inability of their council to develop new stock, and the impact this would have upon sons and daughters seeking housing. Perceptions of performance in the transferring authorities ranged from good to bad, but there were issues for all authorities that respondents felt had helped to build the case for transfer. In authorities where services were believed to be good prior to transfer, a lack of resources was reported to have prevented ambitious councils from enhancing their services. Satisfactory performers were said to have wanted to involve tenants more, but were believed to be concerned about raising expectations, and not having the resources to meet them. In poorly performing authorities, transfer could prevent the transfer of resources from the HRA to the rate fund, prior to ring fencing in 1990.

Respondents believed that the factors outlined above helped to pave the way for councillors to take the strategic decision to transfer their housing stock. Respondents identified a number of core motivations that they felt lay behind the decision of councillors to transfer; it would enable other bodies to develop new stock in their areas; it would stem stock losses through right to buy; it would enable them to address the growing problem of disrepair; it would provide a solution to some of the problems brought about by the new financial regime for council housing and the impact of CCT for housing management; and it would deliver a capital receipt with which councillors could redeem debt and provide new housing and other facilities.

Staff also perceived councillors as being more interested in other activities, even though Housing formed a significant part of local authority activity. Where councillors took an active interest in housing, respondents believed it was usually around solving the problems of individual constituents, rather than extending to the housing service as a whole. Councillors' apparent primary focus on non-housing activities, combined with a strong financial and organisational case, and backing from tenants, was perceived by respondents as having helped pave the way for transfer in the authorities included in the survey.

INTRODUCTION

In this chapter, I examine how respondents in 20 early LSVT associations perceive the role of LSVT in helping to bring about organisational change within publicly owned rented housing, based on the experience of 20 early LSVT associations. I examine whether senior management teams transferred from the local authority or were employed from the private sector, and the impact this is seen to have upon organisational change and development. I examine respondents' perceptions of the process of breaking away from the transferring authorities as an illustration of change, and how the new organisations have forged relations with their councils. I examine how the twenty organisations went about developing new cultures and changing the way they worked; and respondents' perceptions of the change brought about as a result of a break with local authority council housing tradition. It should be noted that the evidence presented in this chapter sets out the views of senior managers who either transferred from the local authority or were employed from outside, and that there is no contribution from councillors local authority officers.

ABOUT THE STAFF

This section examines the background of staff members interviewed; and their views on the importance of the background of senior staff in helping to create an environment that helps to make organisational change possible. In ten of the twenty associations, the entire senior management teams – chief executive, housing director and finance director - were interviewed. All those interviewed were asked about their working background, including whether or not they had been employed by the sponsoring local authority prior to transfer. In Table 8.1, a tick indicates that a member of staff had been employed by the local authority prior to transfer, and a cross indicates that they were employed elsewhere, and joined the Association prior to or after transfer. The table shows that just over half of the senior staff in the twenty associations were previously employed outside the transferring authority.

Table 8.1: Employment of senior managers prior to transfer

Association		LSVT association senior managers				
		Chief Exec	Housing Director	Finance Director	TP Officer	Other
Windsor & District		✗	✓	✗	✓	-
Medina		✗	-	-	✗	✗ Housing Manager
Chiltern Hundreds		✓	✓	✓	-	-
1066		-	✓	-	-	-
Sovereign		✓	✓	✓	✗	-
West Kent		-	✗	-	-	-
Broomleigh		✗	✗	✗	-	-
Twynham		✓	-	-	-	-
Penwith		-	✓	-	-	-
North Wilts		✓	✓	✓	-	✓ - Dir Prop Services
Leominster Marches		✗	-	✓	-	-
Evesham & Pershore		✓	✗	✓	-	-
Plume		✗	-	✗	-	✓ Housing Manager
Wherry		✗	-	-	-	-
Hereward		✗	✗	✗	-	-
Bedfordshire Pilgrims		✗	✓	✗	-	-
New Progress		✓	✓	-	✗	✗ Chief Accountant ✗ Tenancy Services Manager
Ryedale		✓	✓	✗	-	-
Banbury		✗	-	✗	✗	-
Rosebery		✗	✓	✗	-	-
Total interviewed	54	17	14	13	5	5
With LA before transfer	25	7	10	5	1	2
✓ - Employed by sponsoring local authority before transfer ✗ - Employed elsewhere and joined Association prior to or after transfer						

Source: Interviews, 1998 and 1999

Figure 8.1 shows the number of holders of each post interviewed, and those who had previously worked with the sponsoring authority. Housing directors are more likely to have worked with the sponsoring authority than chief executives, finance directors or tenant participation officers. Many district councils do not have senior finance staff working exclusively for housing, and consequently a new finance director of adequate calibre is often brought in to LSVT associations from outside. Similarly, the perception that many of the sponsoring authorities did not devote much attention to tenant participation activity might help to explain why a high proportion of tenant participation officers are employed from outside the local authority.

Fig 8.1: Staff members interviewed and employment background
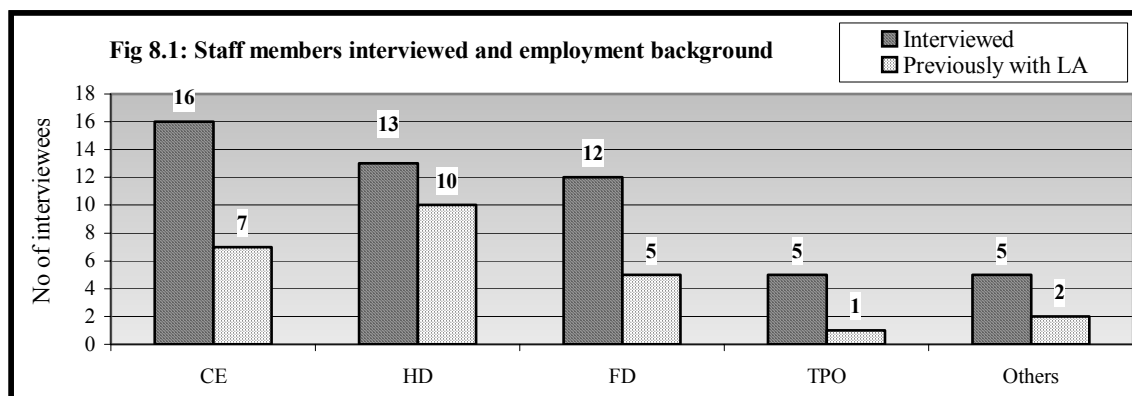
Source: Interviews, 1998 and 1999

Five senior management teams were comprised of a mix of former local government officers and employees from RSLs and private sector organisations. Three senior management teams were comprised wholly of former local government officials, while two were comprised entirely of employees of RSLs and private sector organisations.

Respondents' views on the importance of the origins of senior staff

The respondents were asked about the importance of the working background of the senior managers of the new organisations, and specifically whether or not they had worked with the transferring authority. The aim of senior management teams is seen as providing leadership and strategic direction for their organisations, in consultation with management committees, and are believed to be key to organisational change. Respondents expressed a number of views about the relative merits of senior management teams comprised of former local government officers versus teams from other organisations. Table 8.2 summarises the range of views on the relevance of the working background of senior staff to the organisations.

Respondents felt that for tenants, staff delivering services at the frontline are more visible and immediately relevant than senior staff. Staff transferring with the stock reportedly gave tenants a degree of confidence in the new organisations. For tenants who are familiar with the senior staff in housing departments of their councils, their presence in the new organisation was believed to provide additional comfort.

Table 8.2: Respondents' perceptions of importance of the working background of senior staff to their organisations

Respondent previously employed by transferring authority
Origin of senior staff less important to tenants than origins of frontline staff. (Chief Executive)
Continuity of senior staff provides comfort to tenants and staff. (Chief Executive)
Senior Management Teams that were with LA face steep learning curve to adapt to private sector culture. (Chief Executive)
Managers from outside the authority may not be aware of local sensitivities, making the potential for conflict between the association and authority greater. (Chief Executive)
Respondent from outside the transferring authority
Bringing in staff from outside can bring a fresh approach and help secure early gains. (Chief Executive)
Employing senior managers from outside the authority can help establish the new organisation's independence (Chief Executive)

Source: Interviews, 1998 and 1999

Respondents believed that senior management teams comprised wholly of staff that were with the sponsoring authority may not fully appreciate the challenges that they face in bringing about change following transfer. A chief executive remarked that her senior management team faced "…a very steep learning curve" after transferring to the new organisation. The entire team had been accustomed to "being cushioned by something else" within the local authority.

Directors who had not worked with the sponsoring authorities felt strongly that bringing in senior staff from outside had a very positive effect on the new organisations. They felt that new staff can help to bring a fresh approach to management in the critical early stages, where both tenants and staff are believed to be looking for early gains.

Respondents felt that employing staff from outside the sponsoring authority can also serve to help establish the new organisation's independence. One Chief Executive

described his appointment as a "pre-emptive strike" against councillor attempts to become involved in the running of the organisation. It was "an early blow for independence" and sent a clear message to councillors that "this organisation is not part of the council".

Other respondents felt that there were potential dangers in recruiting senior management teams from outside. New staff may not be aware of local sensitivities, and the respondents felt this might increase the possibility of conflict between the association and sponsoring authority.

BREAKING AWAY FROM SPONSORING LOCAL AUTHORITIES

In this section, I examine the respondents' perceptions of the process of housing departments breaking away from their sponsoring authorities to become housing associations. This process can be difficult, and it often determines how relations between the two organisations will develop in the future. I examine respondents' perceptions of the associations' relations with their sponsoring local authorities, both in the immediate post-transfer period, and at the time the interviews were conducted in late 1998 and early 1999. I also examine how some of the associations physically break away by expanding beyond the boundaries of their sponsoring authorities.

Breaking away from sponsoring authorities

Respondents thought that the 'divorce' of housing departments from local authorities can often occur amicably, although the potential for conflict between former colleagues is reportedly a danger that all LSVT associations are aware of. Respondents felt that there is also a potential for conflict on a corporate level.

Eleven respondents described the relationship of their associations with their sponsoring authorities as being good. Two of these associations had encountered difficulties between personalities on both sides. Nine respondents felt that their relationship with the sponsoring authorities had been difficult on a corporate level, with three associations also suffering difficulties on a personal level (see table 8.3).

Table 8.3: Perceptions of relationships between associations and transferring authorities post-transfer

Good relationship between organisations	Good relationship between organisations, but difficult relationships between staff	Difficult relationship between organisations	Difficult relationships between organisations and staff
11	2	**9**	3

Source: Interviews, 1998 and 1999

There are a number of factors that respondents felt had affected the associations' relationships with their sponsoring authorities. In addition to general tensions and misunderstanding of new roles, major factors include were reported to include negotiating the stock valuation and transfer 'deal'; councillors not accepting that they had lost control of the stock; a *change* of members in a subsequent election and a lack of understanding about the association; sponsoring authorities inviting other associations to develop in the area; and a basic jealousy of the new organisations and the freedom they gain. Table 8.4 shows the frequency of these problems among the associations reporting a difficult relationship.

Table 8.4: Factors thought to affect post-transfer relationships

Factor	No of associations
Difficult negotiations on stock valuation/deal between HA staff/shadow board and LA officers/councillors	5
General tensions and misunderstandings between HA staff and LA officers and councillors	4
Councillors not accepting that they have lost control	3
Jealousy	3
Difficulties in establishing effective communications	2
Inviting other HAs in to the area to develop	2
Total	19

Source: Interviews, 1998 and 1999

Senior staff in the new housing associations and senior local authority officers negotiate stock transfer valuations. Shadow boards and councillors will also have a

role in approving the deal negotiated by officers. When negotiating the transfer 'deal', the sponsoring authority is likely to aim to maximise the stock valuation to enhance the capital receipt it will receive. In contrast, the recipient landlord aims to depress the valuation to keep borrowings as low as possible to ensure that business plans are not too tight. Ultimately both parties aim to strike a sensible balance between maximising the council's capital receipt, and ensuring that the new landlord is financially viable and is able to fulfil its promises to tenants. Respondents reported that negotiations are often difficult, and this can affect the relationship between the associations and sponsoring authorities:

> *"...you're bound to have a difficult relationship. All the time, the same people are around on the Council side and the Association side...it's not easy to overcome, because the negotiations are tough. There's blood on the carpet almost when you're talking about money." (Housing Services Director)*

Respondents believed that one method used by councils to enhance stock valuation was to depress predicted costs of the new organisation, either in terms of staffing requirements or exceptional repair works. One association director believed that the sponsoring authority was demanding more services with fewer staff resources:

> *"There were a lot of arguments about staffing levels, because they were trying to impose upon us the numbers of staff that would be required. They wanted us to decentralise and provide more services, but they weren't willing to allow us to have the staff to carry those functions out. What we saw was the effect upon the valuation, and that's why it got a little bit difficult towards the end. That spilled over for a few months afterwards." (Housing Director)*

Difficulties in developing relationships were said to occur when sponsoring authorities attempted to depress costs by not permitting the recipient landlord to make allowances for the costs of addressing major problems in the housing stock:

> *"We've got some difficult to let estates, where, frankly, we need to replace some of these properties – which are mainly flats – with houses. We're in negotiation with the Housing Corporation, and they say 'you should have taken account of that in your transfer deal' but of course, the local authority wouldn't let us. Now its left this problem not only for us, but also for the local authority. We've got this inappropriate housing that doesn't fit its Housing Strategy. There's all that baggage left behind, which we've got to overcome." (Housing Services Director)*

In other associations, respondents felt that difficulties in the relationship with the sponsoring authority occured when both sides did not 'stand down' from their negotiating positions. This inevitably led to an adversarial relationship, where staff were reported to have developed "them and us" stances, rather than seeing the other side as a partner:

> *"During the first two years of operation, it was almost as if someone forgot to tell everybody at the Council's end that 'that's it, the battle's over, we can go back to friendly relations'. Its almost as if the false regime of Chinese walls that gets set up between the ballot and transfer, and the messages that 'thou shall not talk to them, we're negotiating with them' never got switched off." (Chief Executive)*

In three cases, respondents believed that councillors found it difficult to accept that they had given up their authority's role as a direct provider, and attempted to continue to control the new landlord. The recipient landlords attempted to resist this control, causing tensions between the two organisations:

> *"Initially, there was a big fallout between us and the local authority. The Council wanted to continue to run the stock after it had been transferred. They thought it was going to be business as usual, and this would be an operating arm of [the council]. We had a very independent minded Board, and at that time, a very independent minded Managing Director, who were coming from a very different direction. They just couldn't agree on the independence of the Association." (Chief Executive)*

Respondents reported that difficulties appeared to occur when members changed in an election shortly after transfer. The respondents suspected that, unlike their predecessors, the new councillors may not have been aware of the concept of LSVT, and may not have understood why a housing association was running 'their' housing stock. Respondents felt that it may have taken time for councillors to understand their council's role as an enabler, and not a direct provider of housing.

Three respondents observed a basic jealousy amongst council staff of the position of the new organisations. Staff in councils were thought to have seen a change in culture and attitude in the newly established landlord organisations. There was reportedly a move away from political control and a perceived focus on service delivery. The staff who remained *"...would quite like to be in that arena"* (Chief Executive) and escape from a structure that respondents felt that they might have found frustrating.

Finally, two respondents felt that their associations' relations with their sponsoring authorities had been damaged in the early stages by attitudes towards development opportunities. One of the associations had expected that it would receive all social housing grant available in the area. Although it came to recognise that it was right that they should compete for grant, there was an impact on the relationship with the council. The other association had never expected that it would receive all or even most of the grant available in its area, but that there would be a level playing field between it and other competing associations. This was not the case however:

> *"...we felt as though we were being treated less than equal with the other associations. There was an absolute discrimination against us almost, not to give us grant, or not to give us a particular area of work. We didn't expect any favours, but we certainly hoped that we would be treated as equals." (Chief Executive)*

Perceptions of relations with local authority in 1998/99

By 1998/99, eighteen respondents described their perception of relations with the sponsoring authorities as good. One association was reported to have had difficult relations at an organisational level, while the other had difficult personal and organisational relationships. Both of these associations were approximately four years old.

Three associations whose relationships had reportedly improved attributed this to changes in councillors. Although most relationships were perceived to be good, there were still some problems in two associations around the issue of councillors who were thought to be attempting to control or influence decision making. A Chief Executive observed that councillors were said to promote the cause of certain constituents and that there was still a feeling of *"can't we tell you what to do?"*

Two associations felt somewhat frustrated by their sponsoring authorities' distribution of social housing grant. In one of these cases, the sponsoring authority was seen as being wary of giving favourable terms to the LSVT Association. The Association felt that perhaps the council had erred the other way and were too cautious in its handling of the grant issue.

Three of the associations who were reported to have seen an improvement in the relationship with their sponsoring authority attributed this to changes in council

officers. New personnel and members were said to have developed more effective working relationships with the associations. Unlike their predecessors, new members and officers did not have a history of either line managing the staff who had gone over to the Association, or controlling them through the political process.

Geographical expansion

All the associations were attempting to develop new stock to some extent, largely to replace units lost through Right to Buy sales, and to spread overheads over a greater number of units. The extent to which the twenty associations have expanded outside their original sponsoring authorities' areas varies. Geographical expansion is significant because it has the potential to force changes to an association's approach to housing management. Figure 8.2 shows the numbers of associations developing outside their region; within their region; in adjacent local authority areas; or in their own local authority area only.

Figure 8.2: Geographical Expansion
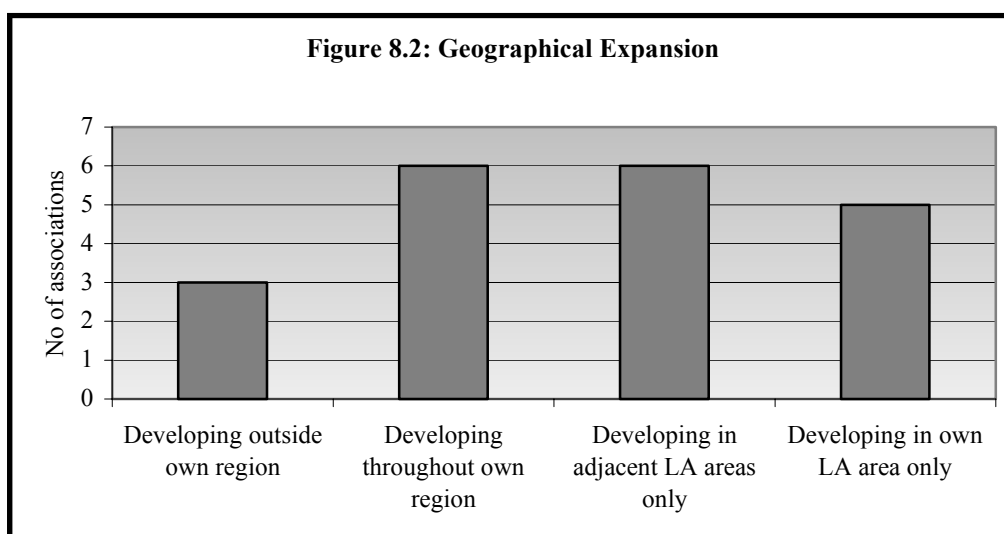
Source: Interviews, 1998 and 1999

Three associations had been developing aggressively and owned stock in a number of regions. One of these associations owned stock in nine counties, although 77 per cent of its stock was based in its sponsoring authority's county. Respondents reported that the Association had never intended to expand geographically, but opportunities to develop in the sponsoring authority's area were limited. Respondents attributed this to competition with other associations who were invited by the sponsoring authority to apply for social housing grant. Another Association expanded outside its own area because the need and capacity to develop in its own area had become more and more

limited. Development had reduced homelessness, and land for developing new stock was increasingly scarce. The Association's senior management took the view that "it would have been a criminal waste of resources not to use them to address social housing in a wider area" (Finance Director). The Association progressively widened its boundaries, first beyond its own district to neighbouring districts in the same county, then to the counties surrounding the county.

Respondents reported that expanding geographically can present LSVT associations with management challenges. They originate from local authority style housing organisations, which provide services to tenants in very restricted geographical areas. Service delivery can be difficult when expanding beyond these geographical areas. A Chief Executive observed that his association had not "…thought through the management implications" of expansion, and that management of distant stock was believed to be quite different from management of stock in the same town. Before establishing local offices to provide services to dispersed stock, respondents reported that the associations felt that they needed to build up a critical mass of units so that the additional costs could by fully justified.

In contrast, five associations were developing in their own sponsoring authorities' areas only. Two of these associations were subsidiaries within group structures, and their directors reported that they did not face pressure to expand into other areas, as their parents or other group members would seek out new opportunities elsewhere. They were established as community based associations for their locales, and as such their mission was said to be to concentrate on service delivery and investment in existing and new stock in those areas only. Respondents reported that their parent organisations or other subsidiaries in the same groups aimed to address needs in other areas.

One of the associations was said to have developed aggressively outside its own area in the past, while at the same time reportedly neglecting its original area. The Housing Director observed that "…we had a very poor housing stock, yet we owned properties in Essex, in Newham… and yet our tenants weren't happy with the service they were getting here in [the local area]." The Association has subsequently disposed of all stock outside its own boundaries in order to re-focus its efforts and improve services.

Another Association was reported to have taken a view from the outset that it would not develop outside its sponsoring authority's area, until it had completed all catch up repairs and works to existing stock. The Board was understood to have taken the view that the Association's role was to "look after what we have, that was what it was set up for" (Chief Executive).

Tenants and sponsoring landlords were believed to be generally supportive of their associations' geographical expansion. Respondents felt that tenants and councillors recognised that the associations needed to develop to remain cost effective and to avoid stagnation. Councillors and tenants were said to be less supportive of development if it distracted their association from either core service delivery or repairs and maintenance of existing stock, particularly the catch up repairs programme:

> "The Council said to us that their main concern is that they want us to keep our promises to our transfer tenants first and foremost. If we are able to deliver those, then there's not a problem with us expanding outside the boundary. If it starts to affect the quality of what we're doing, or if we're [outperforming] the business plan by not undertaking the capital repairs that we'd promised to do, they would take a very dim view." (Housing Director)

Respondents also believed that tenants were supportive of geographical expansion as they were said to recognise that their associations may be able to offer opportunities for individual transfers to other areas.

CULTURAL DEVELOPMENT

LSVT arguably has the potential to offer staff and managers an opportunity to adopt a new culture and to completely re-configure the way they deliver services to tenants. This section examines the respondents' perceptions of the organisational cultures of the twenty associations, and the implications for staff and staff structures, housing management ethos and style, impact upon customer service, maintenance of tenant involvement and the creation of group structures.

Management Ethos and style

Directors in all twenty associations felt that their organisations were focused on the needs of their customers, although this was in many cases just the perception of

respondents, while others had conducted surveys which backed up their view. This focus was reported to have developed fairly rapidly after transfer in most associations. Two respondents reported that their associations had not developed new cultures until much later on. Directors in another association felt that they had already developed a more customer-focused approach while Housing was still under the control of the sponsoring authority.

The management ethos in the associations was characterised by respondents as being led by responsiveness, innovation, specialisation, and with a focus on customers. They felt that the associations had were aware of people's expectations and demands upon them. This was said to be coupled with a feeling among staff that the associations should be delivering what customers wanted. In practical terms, this was thought to involve making it easier for customers to deal with the organisations. For example, staff in one Association visited tenants in their homes whenever possible, rather than expecting tenants to come to an office.

In the two associations where respondents reported that a customer-focused ethos had not been developed until much later on, senior managers attributed the lack of progress to their predecessors, who they felt had failed to drive this process forward. The Housing Services Director in one of the two associations joined five years after transfer, and felt that the organisation had not progressed much in that time:

> *"It looked to me to be a local authority in exile. The staff appeared to have done many years in the Association and the local authority prior to that, but many of the housing staff were unskilled, untrained, de-motivated. As an organisation, it was quite disorganised. My job was to modernise the Housing Service. We set about looking at how policies and procedures were written, looking at the competence of staff, and measuring the quality of service with our tenants." (Housing Services Director)*

The Association adopted new systems and its performance reportedly improved. Senior staff were said to be managing their departments more effectively, and staff were thought to have responded positively and work more flexibly. The Association recently achieved ISO 9002 accreditation for the Housing service; a Government Chartermark; and Investors in People accreditation.

Adapting to New Culture and Working Practices

Directors in all twenty associations felt that the Associations were more demanding of their staff than the sponsoring authorities had been. Respondents argued that this was largely because the organisations were thought to focus more closely on the needs of tenants. Respondents reported that this approach required greater flexibility and the acquisition of new and different skills. Staff were reported to have adapted well to new cultures following transfer. Figure 8.3 shows the respondents' perceptions of obstacles and opportunities for staff.

Figure 8.3: Cultural changes to which staff had to adapt
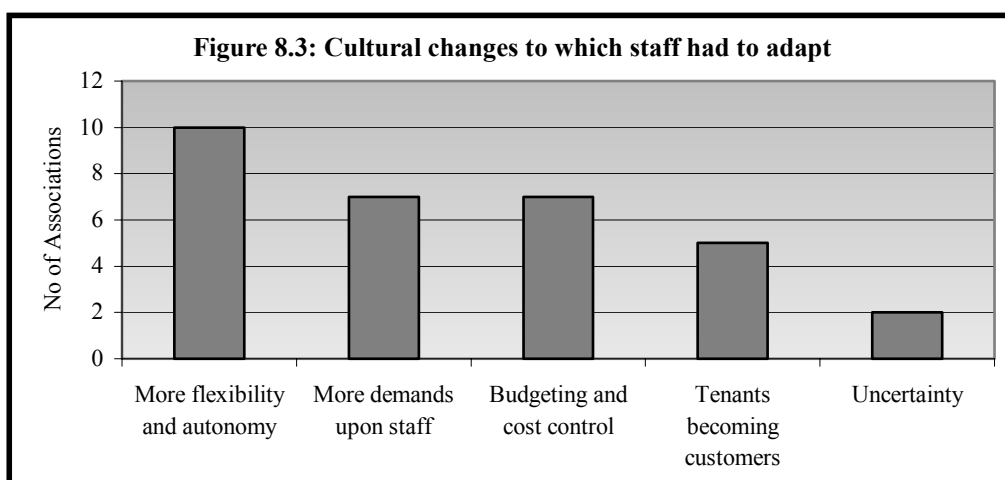
Source: Interviews, 1998 and 1999

Many staff coming from a local authority background were reported to have become accustomed to strict lines of demarcation in their work. Respondents felt that the new organisations put staff under the spotlight, where they could no longer say "*that's nothing to do with me*". Some were reportedly reluctant to make decisions, and sought approval from line managers, apparently to protect their own positions. Respondents said that they increasingly expected their staff to take ownership of an issue, make a decision based on policy and procedure, and to implement that decision. While many staff seemingly welcomed the autonomy this gave them, some were reported to have had difficulties adapting:

> "Something that should have disappeared, but got dragged over from the Council, was staff wanting to have everything rubber stamped and someone else having to approve it. But the tenant wants to have a yes or no answer straight away. Staff should know what our policies and

*procedures are, and shouldn't need to come back for reassurance. I
encourage them to make a decision." (Housing Director)*

Respondents reported that their associations appeared to put a great deal of effort into
giving staff the support and confidence they need to be able to deal with decisions that
they have often not been used to making, often because decisions had been taken by
more senior staff.

Directors in seven associations felt that some members of their staff had had
difficulties in adapting to the pressure of increased demands upon them. One Chief
Executive took a hard line with staff that could not adapt:

> *"We expect performance. We will treat people well, but we expect them to
> work hard for us. And if they don't like those terms, then they can go."
> (Chief Executive)*

A number of staff had taken the opportunity of transfer to retire early. A senior
manager observed that this process "*weeded out the people who would not have fitted
into the new culture*". Staff who were able to adapt were said to have responded
positively, because they reportedly felt that their efforts were helping to deliver a
service that tenants were happier with:

> *"However hard worked we are, they can see the improvement. Pre-
> transfer, we used to get people coming off the phone in tears because
> tenants were yelling and screaming at them. We don't get that sort of
> thing now - we have a totally different relationship with them." (Housing
> Manager)*

Staff in seven associations seemingly had difficulties in adapting to the semi-
commercial culture of their new organisations. Respondents reported that members of
staff had become accustomed to being in a department that was part of a much larger
organisation. The LSVT associations were completely independent, and respondents
felt that this independence brought pressure to perform and to meet business plan
objectives. This pressure was reportedly most intense in the early years following
transfer, as the associations were most likely to be running at a loss:

> *"The change in culture came as a bit of a shock. The fact that money is so
> important to the business, the fact that we kept stressing the need to keep
> very tight control of our costs." (Chief Executive)*

Staff in five associations were said to be adapting to a culture where tenants are treated more as customers, and meeting customers' needs became a high priority. Respondents believed that the process of consulting and balloting tenants in the run up to transfer had brought the organisations closer to them. This process was thought to have raised expectations, and the associations were thought to be increasingly judged by how they deal with tenants as customers. Consequently, respondents felt that there was pressure upon staff to ensure that the organisations were delivering effective services:

> *"We've become more conscious that tenants matter. Within a Local Authority, of course tenants mattered, but they weren't the prime consideration. With our staff now, [tenants] have to be the prime consideration. I think their motivation is that they want to deliver a good service. At the Local Authority, it was 'how much am I getting paid?' That's still a consideration, of course, but I think their prime consideration is 'I want to deliver a good service…where aren't we delivering a good service? What can we do to improve it?'" (Chief Executive)*

One Association was reported to to be encountering difficulties in encouraging some members of staff to adopt the organisation's culture where tenants were treated as customers:

> *"It's an organisation almost of two sections, one section that had been here a long time and were with [the sponsoring authority], and the new staff. There was clearly a tension here, between – putting it simplistically – a more paternalistic approach and a more customer orientated approach. That goes throughout the organisation." (Housing Services Director)*

Staff in two associations were believed to have had difficulties in adapting to change and uncertainty, that had become a feature of their associations. The Associations were believed to be quick to recognise areas of their operations that were not working as effectively as they might, and were said to be willing to change them. Respondents felt that some members of staff had become accustomed to an environment within their sponsoring authorities where there was greater stability in the way services were delivered. Some members of staff were thought to be nervous about the impact of constant change and evolution on their own position.

Management structures

Respondents were asked to describe the management structure of their associations. Four respondents felt that the management structure of their association was hierarchical. Eleven respondents felt that their management structures had been somewhat flattened following transfer, but that there was scope for further change. Five respondents felt that the management structure was flat, that is, that there were few tiers of management between the frontline staff and the Chief Executive.

Flattening the structure of the associations involved removing layers of management between the Chief Executive at the top, and the interface with the customer. Respondents reported that part of this process involved giving people at the bottom of the hierarchy more responsibility and authority, both to avoid overload at the top, and also to help ensure that customers can get answers to their questions as quickly as possible:

> *"Originally, our structure was set up the way it is for monitoring purposes. Now its not. Effectively, we're trying to provide a better service and we believe that this is the best way of doing that. Originally, every letter went out with my name on. That's how local government orientated we were. Now every housing officer does their own correspondence."* (Housing Services Director)

Devolved Budgets

Nine associations had devolved some degree of control over budgets to staff. Table 8.5 describes the types of devolved budget, which include team budgets; budgets for small scale projects; delegation of specific budgets, such as responsive repairs; and delegation of all budgetary control to middle management.

Table 8.5: Extent of devolution of control over budgets

	Description of devolved budget	No of associations
A	Budgets devolved to area teams	3
B	Estate Managers/Housing Officers have small budgets for environmental improvements	3
C	Budgetary control delegated to middle management	2
D	Housing officers responsible for responsive repairs budgets.	1
E	All staff given a budget	1

Source: Interviews, 1998 and 1999

Devolved budgets in three associations involved giving all housing officers a small amount of money each year, which they could spend at their discretion, within certain parameters. The aim was to "*give them the idea that they can get something done*" on their patch outside the programme of stock reinvestment (Housing Director).

One of the associations had attempted to devolve control of budgets and spending decisions to tenants, but the respondent reported that tenants were reluctant to grasp the opportunity:

> "*We did try to go the whole hog in two pilot projects on resident democracy - effectively creating local boards of tenants, where they could say where they wanted the money to be spent. At that time, the rent envelope wasn't around, and they could say 'let's have another 50p a week on rents to do X'. We actually found that it was the staff who were more flexible and open minded about it than the tenants. We were prepared to break down the old landlord-tenant relationships of the 20th century, but the tenants weren't.*" (Chief Executive)

A Housing Services Director in one of the nine associations had given all his staff a budget, in an attempt to "*teach them some good housekeeping*" and to help them understand how small items of expenditure contributed to the total expenditure of the association. Devolved budgeting were reported to have been effective and popular among the staff:

> "*When you're at the bottom level, and you haven't got budgetary responsibility, you'd always say 'Can I have a bit of money for this, because I think it's a good idea'. It was a good idea, but they never had a vision of how it fitted into the whole...whereas by giving them all a budget, they learn, and it makes them think. It's theirs, and once it's gone, they don't get any more. They're cunning buggers, because they barter their budgets among themselves. If someone's got a big project that's more than their budget, they'll try and get other people's budgets on the understanding that next year, they'll give some of theirs back.*" (Housing Services Director)

Local Offices

A majority of the twenty associations made use of area offices to deliver services to tenants, and many local teams offered a generic service. Table 8.6 shows the number of associations operating from single offices and from more than one area-based office and if staff offer a generic service.

Table 8.6: Organisation of housing management services

HA	Approximate number of units owned	Operating from single office	Area Offices	Generic service	Description
1	3200	✓			Staff operate from Head office
2	2600		✓		Two area housing teams, dealing with all HM functions. Separate Housing Needs Team.
3	4500		✓	✓	Operates from six area housing offices, providing generic services.
4	4600		✓		Two area offices, which have limited opening hours and are, shared with other service providers.
5	9000		✓	✓	A regional structure. Generic housing officers. 4 regional offices.
6	5500		✓	✓	Two area offices with generic housing officers.
7	12000		✓		Three area offices with devolved decision making in each.
8	1900		✓	✓	Three area offices each with generic teams.
9	3300		✓		Two area offices, not entirely generic. Another office will be opened when a "critical mass" reached.
10	6000		✓	✓	Five area offices, all generic teams.
11	1800	✓		✓	Operating from Head Office. Five housing officers are "reasonably" generic, plus two specialists. Staff go out to tenants.
12	4000		✓	✓	Two area offices. Generic teams in each.
13	2000	✓		✓	Two generic area teams operate from Head Office. Staff go out to tenants as much as possible.
14	4000	✓		✓	Generic housing officers operating from Head Office.
15	4100		✓		Three area offices. Functional teams (generic teams scrapped).
16	8200		✓		Three area teams operating from local offices.
17	3500		✓	✓	Three area offices. Generic teams.
18	3400		✓	✓	Three area offices. Generic teams.
19	1400	✓			Stock divided into HO patches, operating from Head Office.
20	1700	✓			Four patches, not completely generic, operating from Head Office.
Totals		6	14	11	

Source: Interviews, 1998 and 1999

Area offices and generic teams were clearly favoured by a majority of the associations. One association was reported to have taken the decision not to open local offices because there was no obvious site, and because the additional cost was thought to outweigh the benefits. The Association's standard practice of visiting tenants, rather than expecting them to come to an office, had helped it to avoid pressure to open local offices:

"A small office in terms of bricks and mortar is quite expensive. Two [members of staff] is not the right number. Three is the right number, but you can't necessarily afford that in terms of unit costs by the time you've added the office costs on as well. We've taken a conscious decision to try and avoid opening that type of area office. There is some political pressure to do that." (Chief Executive)

An association who had started with generic teams had scrapped them a few years after transfer. Generic teams had dealt with almost all aspects of the service within their areas. The respondent reported that the Association found that it had been difficult to take an area wide view, because the only person outside the generic teams was the Housing Director:

"We found that we weren't concentrating on the service as a whole, particularly in sheltered housing. We decided that if we had a team that looked after sheltered housing, and a centralised repair taking team (because one office was significantly under-performing the other two) then we might be able to get some consistency back into it." (Chief Executive)

Creation of Group Structures

Respondents felt that establishing or joining a group structure offered a number of advantages for LSVT associations – the ability to share overhead costs; to "hive off" non-core activities (those activities not directly related to the provision of social housing) to separate organisations and enable a core part of the group to concentrate on service delivery to local tenants; to undertake stock transfers for other authorities; and to enable charitable associations to establish profit-making enterprises.

In common with the rest of the RSL sector, many of the twenty LSVT associations were actively considering establishing or joining group structures, or had already done so. Figure 8.4 shows the stages that the twenty associations had reached.

Figure 8.4: Steps taken towards establishing or joining group structures
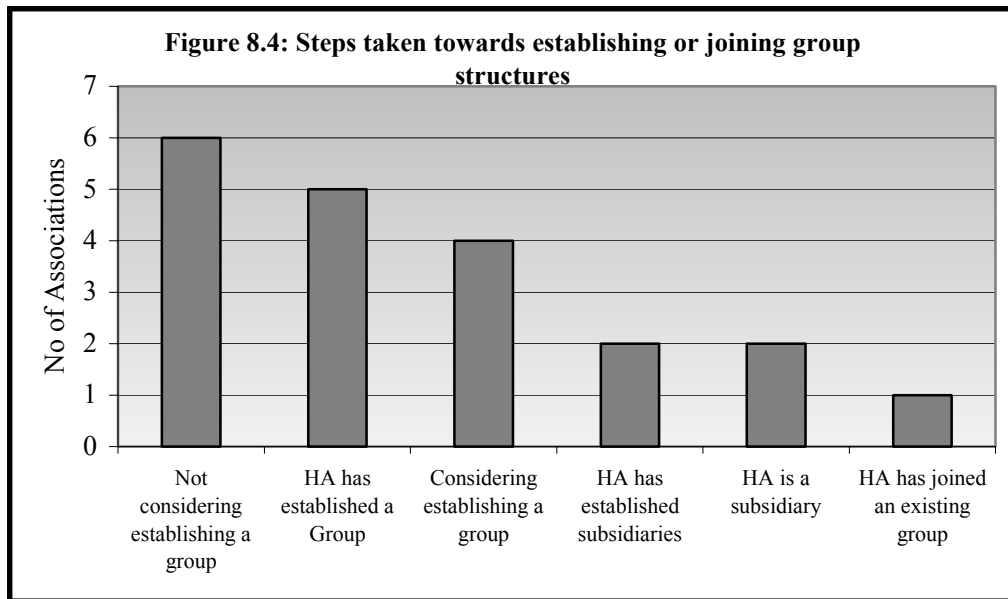
Source: Interviews, 1998 and 1999

By establishing a group structure, and inviting other associations to join it, an LSVT association can spread overhead costs over a greater number of units. Each individual association in the group can maintain its own local board and own identity, and can arguably operate with a degree of autonomy. By joining a group structure, respondents believed that small but expanding associations could access a good IT system, IT manager and finance director, without paying the full cost.

Respondents felt that group structures might in the future result in more efficient delivery of stock transfers and stock transfer landlords:

> *"I look around and see all these LSVTs coming into existence, and they've all got their managing directors, their finance directors, their IT managers, their chief accountants. And you think…do they really need all that? Wouldn't it be better if they were in some form of group organisation, where the central services are provided? You've still got to provide the local service, and the local choice, the local board. But do they all need to employ this expensive bunch of individuals? I think there is scope for mergers and assisting other stock transfers, where you have that central expertise at the right marginal cost." (Finance Director)*

Respondents reported that new stock transfer associations that join a Group formed by an existing LSVT association might also be able to negotiate more preferential terms with funders than newly created standalone associations:

"If we were to finance another stock transfer, and put that alongside our current one, I expect margins on both deals to drop. The margin that would have been applied if you had been an untried, untested, inexperienced, vulnerable organisation would have been reduced, because they'll take account of the fact that you've got a partner who has experience." (Finance Director)

One Association is part of a group that was established to enable the stock transfer in its area to take place. The Group has since undertaken a further transfer in an inner urban area. Respondents reported that directors from the LSVT association played a major role in establishing this new organisation, including undertaking much of the financial planning in the run up to transfer. Respondents believed that the organisation appears to able to deliver stock transfers efficiently and effectively because it has practical experience through the original transfer.

Directors at another Association were also reported to be keen to share their experience and understanding of stock transfers. They felt that their existing structure was not able to accommodate stock from other authorities without having an impact upon original tenants. A group structure would enable the Association to undertake other stock transfers while at the same time protecting the position of original tenants:

"If we said that we would do a stock transfer for Authority X, and make [the acquiring association] a subsidiary, or if we said we'll merge with the another LSVT, then I think the Council and the tenants would think that this was a distortion of what they voted for four years ago. But if we have a group structure, [the original association] can sit within the Group and do its own thing. But we have a much more robust vehicle for tacking on stock transfers from elsewhere, without distorting Big Brother." (Chief Executive)

Six respondents reported that their associations were not currently considering establishing group structures. Some held a certain degree of scepticism about the aims and objectives of other associations who might want to join a group structure. A Housing Director felt that his association was "*a unique kind of body*" which might not be compatible with others.

Respondents' perception of staff morale

According to directors, staff morale in fifteen of the twenty associations was generally high. Although it might be predicted that a high proportion of directors would believe, from their position, that morale further down their organisations was high, it is

interesting to note that respondents in five out of twenty of the associations admitted that morale was low. Respondents who reported that morale was good attributed this to a feeling among staff that they were better placed to provide a good service to tenants. A director observed that for local authority housing staff there was '*nothing so soul destroying as saying 'no we can't house you, don't call us, we'll call you.'* Staff reportedly spent less time explaining to tenants why certain things could not be done and more time on enhancing and improving services. Another director felt that his Association delivered a degree of certainty about the future, whereas the future of the Housing operation within the local authority had been uncertain:

> *"The future is clearer. That always helps morale. The future of this organisation is certain, it's mapped out in the Business Plan, and everyone knows where we're going. Council housing has always been an area of great debate and consternation, and that doesn't help morale."*
> *(Housing Services Director)*

In five associations, respondents felt that morale was mixed. The five associations had been in operation for between four and ten years. Respondents believed that the main problems for staff centred on second or third rounds of re-organisation, change and weariness with the fast pace of work. While respondents felt that staff had positive feelings towards their associations, poor morale was believed to be focused on uncertainty about individuals' personal positions within the organisations. Low morale was seen by respondents as being a short-term problem, which would improve as staff became accustomed to new structures.

In the immediate post transfer period, staff morale in five associations was reported to be either mixed or poor. Only one of these associations also reported mixed or poor morale at the time of interview. In four associations, staff were thought to have had encountered difficulties in adapting to a shift in culture. A director in one of these associations observed that staff had to adapt to a culture where individual performance was monitored and measured for the first time. Associations seemingly recognised that individual performance contributed to the success of the organisation as a whole, including meeting business plan targets:

> *"Staff morale definitely dipped after transfer. If you worked in Housing, it dipped, because we had to face up to performance. That was a real culture change for us. We moved from a Council who couldn't give a toss*

about rent arrears and that sort of thing to an organisation that did. That was faced up to mainly in the first year. After that, things improved."
(Housing Services Director)

Staff in the fifth association that suffered from low morale after transfer had to cope with structural re-organisation and change. Respondents reported that there was a period during which members of staff were reviewed and jobs were evaluated. This process culminated in a number of people being re-graded, both up and down.

RESPONDENTS' PERCEPTIONS OF HOW THE ASSOCIATIONS ARE DIFFERENT FROM LOCAL AUTHORITY PAST

This section examines respondents' views on how the associations are different from the housing departments under the control of the sponsoring authorities. These perceived differences are important in helping us understand LSVT associations. I examine respondents' views on the importance of housing as an activity to the sponsoring authorities; changes from the past; and developing customer focused organisations. The respondents arguably have a direct interest in demonstrating improvements in performance and structures following transfer, and the arguments presented here should be read in that context. Further research, including, for example, interviews with councillors in the transferring authorities, or with tenants, might reveal a contrasting picture to the respondents' assertions.

Changes from the past

Respondents were asked to identify key organisational changes following stock transfer (see figure 8.5).

Single Purpose Organisations

Respondents in twelve associations identified the move from a multi-purpose organisation to a single purpose organisation as being important. I discussed the pros and cons of single purpose versus multi-purpose organisations in chapters two, three and four. Respondents tended to favour a move away from multi-purpose organisations towards single purpose bodies. In local authorities, respondents felt that housing departments were in competition with other services for councillors' time, resources and attention. They also believed that there were constraints on innovation from other parts of the authorities.

**Figure 8.5: Respondents' perceptions of how LSVT associations are
different from local authority housing departments**
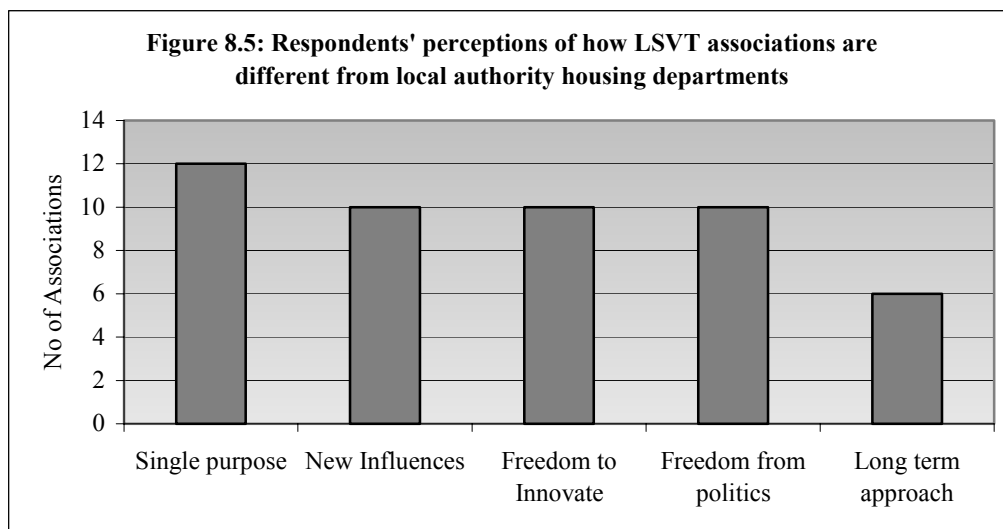
Source: Interviews, 1998 and 1999

Following transfer, respondents felt that staff were able to concentrate on their role as a landlord, and tenants were treated more as customers. In local authorities, this was believed to be much more difficult, as the councillors – who formulate strategy and policy for Housing – were said to have many other interests. Housing departments may find themselves competing for resources with other departments:

> *"It is easier from a Housing point of view to deliver a good service, simply because you're focused on a much narrower range of activity. In a local authority, you get pulled in so many different ways when you go to the Corporate Management Team – you've got Social Services and Planning and Highways and Engineering. And the local authority has pressures from all directions. This organisation focuses on housing, and that makes it much easier." (Chief Executive)*

Operating outside local authority structures seemingly gives staff more freedom to innovate. Within the local authority structure, respondents felt that councillors or other departments stifled innovation. In contrast, the only constraints on associations were believed to be cost and time:

> *"We're now freer to operate, and we're not constrained by the Corporate Management Team, or the political infighting. We're much more able to develop that culture. We're seeking to be far more entrepreneurial than we ever could have been within the constraints of the local authority." (Chief Executive)*

New Influences

Transfer to a housing association reportedly brings new influences upon the Housing Service. Respondents in ten associations believed that a positive influence was brought by private funders and independent board members. Respondents pointed out that local authority housing committees were made up of elected councillors, who were often "well meaning, but people who just happened to have the time, but didn't have a lot of expertise in the area" (Housing Manager). Respondents felt that the complexities of local government finance led to increasing reliance on finance directors and chief executives, as the election system does not necessarily deliver councillors with a sufficient understanding to ask challenging questions:

> *"By being elected, there's nothing in the election system that actually says that you've got any skills to do things, which I think is one of the big problems. You've got a lot of people in local government who are committed politically and socially. But they might not have a clue what they're doing." (Chief Executive)*

However, the idea that councillors should be expected to have a full grasp of all issues under their consideration and that they should develop policy has been criticised by, for example, Wilson et al (1998). Indeed, similar criticisms could be applied to an expectation that LSVT board members should be able to lead their organisations without the advice of their senior paid staff. For example, the NFHA (1995) has suggested that the housing association movement might consider a more business orientated model, with committees reconstituted as boards comprised of senior staff and paid non-executive directors.

Respondents argued that independent board members were selected to ensure that an association is led by people with sufficient skills and understanding. Boards reportedly contained a range of skills "from accountants to architects to surveyors" (Housing Director). While the selection process may well put together a board with various skills, it may been seen as undemocratic, resembling what Greer & Hoggett (1995:27) describe as "self perpetuating oligarchies".

Respondents also highlighted the influence of funders, who seemingly bring a culture of cost control and financial discipline which respondents felt was often of some benefit to the organisations:

> *"They bring constructive control. They're not just interested in money, they're interested in our tenants, and that was a real shock to me." (Chief Executive)*

Freedom to innovate

Respondents in ten associations felt that the local government system had constrained and stifled innovative ways of working. This was not only due to competition for resources with other departments, but also due to incentives built into the system to prevent staff taking risks:

> *"Too many decisions are made by committee and the philosophy is to be risk averse, because you don't want to get blamed. If you're risk averse, you don't learn. Those organisations that don't make mistakes won't learn. They become bureaucratic and it becomes stifling. Its much more difficult for a local authority to be innovative." (Chief Executive)*

Freedom from local authority politics

Respondents in ten associations highlighted their associations' freedom from local authority politics. The origins of the associations meant that they were "not *divorced* from politics, but *separate* from politics" (Chief Executive). Directors reported that they had often been frustrated when putting housing issues before committee, and finding them being turned into "*political footballs*" (Housing Director). This view tends to be supported by Stoker (1991) who argues that opposition party councillors have very few resources at their disposal in order to act in the interests of their constituents. However, "publicity and political embarrassment can provide useful resources" (ibid: 100).

Prior to stock transfer, respondents reported that some councillors had sometimes become involved in operational matters, rather than concentrating on strategy and setting the parameters within which staff should operate. This criticism of councillors' by the respondents may be unjustified, as they may see their role as "monitors and progress chasers" (Stewart, 1990:27). However, Widdecombe (1986) raised concerns over the tendency for some councillors to increasingly challenge their directors' 'right to manage' their own departments. Respondents reported that some councillors were thought to have become accustomed to bringing pressure to bear on staff on behalf of individual constituents:

> *"There's nothing wrong with political influence. If the members decide that the strategy is to build houses in village A or town B, fine. They're elected to make that decision. But getting involved in who gets what house, and who works for whom, that kind of nonsense doesn't help." (Housing Services Director)*

Respondents also felt that political considerations were high in the order of priority factors in decision making on financial issues. This criticism was referred to in earlier chapters (Emms, 1990; Henney, 1984). The respondents believed that the associations were able to move business considerations higher in the order of priorities:

> *"Rents are really set with an eye to the politics of a situation on an annual basis by the government – with some local manoeuvring possibly – then its not a business decision…its not related to the standard of service tenants get or the standard of properties that the tenants get." (Finance Director)*

Long term Approach

Respondents in six associations believed that their organisations were well placed to adopt a long term approach to housing investment. The associations were reportedly not geared to a political cycle, which tends to last for four to five years. Under the local authority. respondents felt that priorities for the service may have changed if the ruling political group had changed:

> *"The trouble with local authorities is that they work on a political cycle, and members quite dramatically challenge and officers challenge quite radically as well. That gets in the way of the long term view being taken." (Chief Executive)*

Respondents believed that there was also a high level of uncertainty about future funds for investment in the stock. Levels of investment were determined largely by central government. Although councils were able to make long term plans for stock re-investment, respondents felt that they could never guarantee that they would be fulfilled, because "…the resourcing side is always subject to government intervention" (Chief Executive). Respondents felt that transfer had given staff the opportunity to plan a long term stock re-investment programme, which would be fully funded and guaranteed:

> *"We can say to people that we will refurbish their house in three years, and know that we can deliver that. Its about saying to people that their rents in three years time will be X, and that you can deliver. Its not*

> *waiting each Christmas to see what you're going to be allowed to spend*
> *on your capital programme with some ministerial announcement. It was*
> *so difficult to establish credibility and so difficult to plan. You don't have*
> *the abortive work. You know where you're going. You can take a view*
> *over the long term." (Chief Executive)*

Developing a Customer Focus

There was a consensus among respondents that, while their perception of the performance of the former local authority housing departments was adequate or good, there was scope for improvement. In many cases, respondents felt that a lack of resources meant that the departments were unable to meet customers' needs, leading to a perception of defensiveness amongst staff, as they seemingly sought to resist additional demands from tenants. In turn, tenants were believed to have become accustomed to not expecting too much from their landlords. Transfer of the housing stock reportedly gave staff an opportunity to refocus on the needs of customers. Respondents believed that the organisations were able to operate outside the constraints of the local government financial regime, and that they had additional resources to address re-investment needs. In turn, respondents felt that tenants were encouraged to expect more from their landlord. It is possible to argue that, had the sponsoring authorities enjoyed the same level of resources as the LSVT associations, they too could have done more to meet tenants' expectations.

Respondents in all twenty associations reported that steps had been taken towards providing a service focused on the needs of customers. Respondents in eleven associations felt that the customer service ethic had penetrated every level of their organisations. Respondents in nine associations felt that a customer focus was developing, but that further progress was required.

Respondents believed that LSVT forced staff, managers and politicians to really listen to tenants and act upon their wishes. They seemingly recognised that tenants largely had the power of veto over the process, as it would be them who would ultimately decide whether or not the transfer would proceed. Respondents reported that the closeness of staff to tenants continued after transfer, although as discussed in the next chapter, tenants did not always reciprocate by participating:

> *"We work very hard at trying to engender tenant participation and tenant*
> *consultation. But we're not tenant led, we're not as good as we should be*

at having tenants' views on what the service should be. But we do react very quickly to tenants' issues and problems. Part of what an LSVT forces you to do is actually get close to tenants. Every tenant is visited once, or maybe twice. Once that level of expectation has been built up, its very difficult to move away from. The very act of LSVT makes landlords closer to their tenants." (Housing Services Director)

Respondents believed that expansion and development outside the sponsoring authorities' areas meant that associations had to some extent not focused sufficiently on providing customer services tailored to the varying needs of tenants in different areas. The original housing management services were designed for a traditional shire district council housing stock, where all units were located in a relatively small area. This style of management was reportedly not well suited when associations built units outside their core areas, and this has forced re-configuration of services:

"Our big anxiety is that our growth is avoiding us focusing as clearly as we might on services delivery, and that's beginning to show in our core stock as well as our dispersed stock. We're thinking about getting some groups or consumer panels into play, but we're not quite sure what the questions are yet, let along what the answers are. Some of the ideas we're looking at include trying to re-focus our [original area] operation, and to recognise that the services needed by our original stock are different to the services – or the delivery of them – that we need in other places. Whilst we want consistency in terms of how telephones are answered, how enquiries are dealt with, it's apparent to us that the needs of our original stock in terms of the staff groups we have are different to the people who are living 50 – 60 miles away. We might need generic teams who are much more mobile, who are able to go out by appointment, whereas in the [original area] base, we might well need a public office still open where people can come in. We're trying to get to grips with all that to see where that might lead us." (Housing Services Director)

Respondents believed that LSVT associations faced a conflict between their apparent desire to provide a better quality of customer service with the need to contain costs in order to meet covenants and ensure financial viability. All the associations are entirely debt funded, and have to operate primarily as businesses, because they have loans to pay. They are also social landlords, and they need to "steer a route between the two" (Housing Director). One respondent observed that his Association did not always strike what he considered to be an appropriate balance between business objectives and social objectives:

"We tended to be very lean and mean… probably too mean…to provide the services we want. The biggest fear during the first few years was 'are we going to make it financially?' We were very much aware that we had a very tight two or three years that we had to get through. Everybody was driven to make sure that we didn't overspend." (Housing Services Director)

Respondents in another Association felt that the customer service focus had been stronger immediately after transfer than it was five years later. Again, the requirements of the business plan seemingly had to take precedence over customer focus when the Association encountered financial difficulties:

"I think it was stronger at the start than it is now. That was one of the things that there was a big push on when we first became an Association. People were excited by the new organisation, and there was a feeling that we had to prove ourselves. I sometimes get the impression that that's drifted a little – that's one of the things that's suffered as a result of the budgetary issues. For example, we're now making housing officers spend more time on rent arrears and voids control, so we meet business plan targets. So they spend less time on customer service." (Housing Director)

Although tenants were involved in varying degrees in establishing the LSVT associations, respondents indicated that their role appears to have been most effective in shaping customer services in the two newly created subsidiary associations. Staff reportedly worked with tenants to ensure that they delivered an organisation focused purely on local needs. Respondents felt that this may have stemmed from a fear among staff that tenants may not have voted for transfer to an organisation that too closely resembled the parent organisation:

"There was an opportunity to start something afresh. So this new Board was in a position to ask 'what sort of services do these people want, and how can we deliver a service that meets their expectations?' We were starting with no history, so we could do nothing other than get things right." (Tenant Participation Officer)

SUMMARY AND CONCLUSIONS

In this chapter, I explored respondents' perceptions of how LSVT can help to deliver organisational change. I examined perceptions of the influence of senior management upon change and the pressures upon staff to change; perceptions of the process of breaking away from the transferring authority and its links with organisational development; perceptions of how the new organisations develop new cultures; and

how the new organisations are perceived to be different from the former local authority housing departments.

Approximately half of the senior staff in the twenty LSVT associations were former local government officers. While respondents felt that staff at the frontline were more important in helping to shape tenants' views of the new organisations, they believed that former local government staff faced steep learning curves in adapting to the post transfer environment. Senior staff brought in from outside the local authority reportedly took a more proactive stance towards organisational change.

During the process of breaking away from the transferring authority, respondents felt that there was potential for conflict between the authority and LSVT association due to general tensions, tough negotiations, lack of understanding by councillors, and a basic jealousy of the new organisations' perceived freedom outside the local government structure. However, difficult relations during the early period are seemingly resolved after a short period has elapsed, and both sides adapt to new ways of working with each other. Some of the twenty LSVT associations have physically broken away from their sponsoring authority's area by developing elsewhere. Respondents felt that this process had presented its own management challenges, driving further organisational.

The new organisations were reported to have taken steps towards developing new cultures, particularly a focus upon the needs and aspirations of customers. The twenty LSVT associations were seemingly more demanding of their staff as a result, with the majority of staff adapting well to this change. Following transfer, senior managers have taken steps to flatten management structures, with a reduction in the number of tiers between the chief executives and frontline staff. Respondents felt that this process has helped to drive the organisations in the direction of change to place customers first, including more devolution of budgets and the provision of local offices. Respondents felt that this change also helped to drive the creation of group structures to enable growth and change, while protecting the interests of tenants of group members. Respondents believed that staff morale has generally risen as a result of change, and they attributed this to improved relations with tenants.

Respondents perceived a number of changes delivered through stock transfer. The new organisations were felt to have a single focus on housing, which enabled them to concentrate more closely on their landlord role. There are new influences, including private lenders and independent board members, which reportedly help to drive organisational change. Respondents felt that the new organisations are free from local authority politics, which enabled somewhat greater scope for innovation. Finally, respondents felt that the organisations were better placed to take a long term approach to investment and organisational development, largely due to their ability to work outside the constraints of the local government financial regime.

In the next chapter, I explore respondents' perceptions of how the shift of housing in the twenty survey areas from the public to the private sector has impacted on the organisations, staff and tenants.

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INTRODUCTION

In this chapter, I explore respondents' perceptions of how the shift of housing in the twenty survey areas from the public to the private sector has impacted on the organisations, staff and tenants. I explore their perceptions of the impact of greater tenant involvement and the creation of a form of quasi market during and after the transfer process, particularly whether respondents feel that tenants have used their new role to push for enhanced services from their landlords. I examine how the new private sector organisations are governed and how respondents believe these structures provide continuing accountability to tenants and the wider community. I explore how a shift towards the private sector can arguably help create the conditions for greater long term sustainability of socially rented housing. Finally, I examine respondents' views on how private sector influence affects the funding and financial performance of LSVT associations. As with the previous two chapters, readers should note that the views presented here are expressed by one particular group with particular interests. Further research, exploring the views of tenants, local authority officers and councillors, would provide a further valuable dimension to this discussion.

CREATING A FORM OF QUASI MARKET BY INVOLVING TENANTS

Respondents reported that the run up to transfer involves intensive consultation with tenants. They believed that the consultation process is likely to bring staff closer to tenants than they have ever been before, or will be again in the future. While I did not interview tenants of the twenty LSVT associations, due to time constraints, Lee, Power and Tunstall (1999) demonstrates clearly how an authority which had largely ignored its tenants is forced to involve them as key partners in a transfer and the on-going management of the recipient landlord. The process is reported to offer LSVT associations an opportunity to encourage tenants to get involved in the running of the organisation. However, respondents in fourteen of the twenty associations felt that, despite efforts to encourage tenants, there was little continuing interest in routine tenant participation. Respondents in five associations felt that tenants were interested, but their interest was attributed to the non-traditional methods of participation that the associations had adopted. These methods included focus groups and panels of tenants

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who were contacted by telephone when their association required tenants' views on a particular issue.

Respondents in the fourteen associations reported that they were struggling to maintain tenant interest found that tenants would only get involved when there was an issue that affected them directly, or if part of the service was failing. This phenomenon is believed to be a common feature in many social landlords and has been attributed to a mismatch in the perceptions of structures for participation held by the landlords and tenants (Department of the Environment, 1993a). When things did go wrong, respondents reported that the associations found this to be an effective way of encouraging tenants to set up Tenants' Associations. These groups would, however, quickly dissipate once the problem had been addressed. A Chief Executive had begun to question the presumption of housing professionals that tenants necessarily want to be involved at all:

> *"I had someone say to me at a public meeting not long ago 'Why do you keep bombarding me with all this information? Why do you keep assuming I want to be involved? I buy my gas from British Gas…it normally doesn't go wrong…I don't want to be involved in the running of British Gas. I pay my rent, please leave me alone.' And I thought maybe that the new paternalism is assuming that we know tenants want to be involved. Maybe we're wrong. Tenants don't want to be involved, and in fact they just want to be left alone. I haven't quite got there yet…I want them to be involved. I want them to be telling me what they want." (Chief Executive)*

Respondents argued that tenant participation is something that landlords need from their customers. They felt that in the private sector, customers can let their provider know they are happy with the service they receive by going back and buying the service again. Conversely, if customers are unhappy they can buy the service from another supplier. In social housing, tenants arrive in their home through an allocation process. They often have no choice in where they are housed, and often lack the opportunity to leave if they are unhappy. Tenant participation is therefore believed to be an important substitute for "choice" by helping to give landlords signals that tell them when they are doing well and when they need to improve or change.

Another respondent also argued that as long as tenants were "happy" with the service they received, the Association should not necessarily assume that they want to be

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involved. The danger in such an approach is that a landlord could assume its tenants are satisfied, withdraw its efforts to involve tenants, and no longer learn about the areas in which it needs to change or improve.   The respondent argued, perhaps naively, that a better approach was to offer the opportunity to get involved, but not assume that the Association was doing anything wrong if tenants decided not to:

> *"People tend to be a bit apathetic. If they've got a grouse, they'll respond. Tenants don't want to be involved. I think they should have the **right** to be involved. Some of them have actually said to me 'you're paid to do this, why should I do it for nothing?' Fair enough – why should they? It's only when they've got a grouse that they actually want to get involved. As soon as that problem is solved, they disappear. They've got their own lives to lead. I think we've got it right – they **can** participate, we **encourage** them to participate, but the decision is down to them." (Chief Executive)*

In six associations, tenant participation appeared to attract a body of tenants who respondents felt might not be representative of the views of all tenants. For example, Tenant Participation activities were said to attract the same group of tenants who attended all meetings and events, or only older tenants. This was particularly the case for broad conceptual consultation, such as deciding upon the future aims of an association:

> *"We get increasingly elderly tenants who I fear are not representative of our tenant body. We've worked very hard to engender interest among our younger or even middle aged tenants, and that's difficult. We make sure we have childcare available, we'll pay people's taxi fares. We've tried to target the newsletters more at the younger audience. It's an uphill struggle. Younger people seem to want to tell us very quickly when something goes wrong, which is fine, but they don't want to stick around and tell us when things go right." (Tenant Participation Officer)*

The five associations that had reportedly been able to maintain tenant interest in participation had adopted a number of non-traditional approaches. According to respondents, traditional methods had proved to be unpopular, but tenants had shown more interest in focus groups. One Association had established a *Tenants' Forum* which was used as a sounding board for testing out new approaches to service delivery. The tenants were initially interviewed over the phone through a consultant, and the Association speaks to the same tenants again on a range of issues throughout the year. Although the number of tenants involved is small, the forum was believed to include a wider range of tenants than the Association had been attracting to traditional

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meetings. Other associations had also run focus groups to seek tenants' views on issues they faced.

A drive for improvements in customer service?

Respondents in sixteen associations felt that the push for better customer service was coming exclusively from the senior management team. Two respondents felt that both tenants and senior management were demanding better service, while one respondent felt that staff, tenants and senior managers were all pushing for improvements. One respondent felt that the push for better service came exclusively from tenants.

Respondents expressed a certain amount of disappointment that tenants were not more demanding of their landlord:

> *"Initially, we expected them to be, but it didn't transpire that they were. I found that quite strange." (Chief Executive)*

This was believed to be linked to the lack of interest in participation, which respondents claimed was due largely to high levels of satisfaction among tenants. Low levels of participation were also believed to indicate that tenants were not organised enough to put pressure on their Association. A contrary view might be that tenants did not participate because they did not believe that any substantive change would occur as a result. It might also be possible that some tenants had participated before, but did not continue as their inputs did not appear to create any impetus for change within their association.

Respondents in one Association argued that there was a great deal of common ground between staff and tenants in terms of improvements to customer service. It was in the interests of both groups that services should improve:

> *"If you're providing the service, your day to day job is easier because you haven't got to spend a lot of time going round to discontented tenants, writing letters of apology, having people banging on your desk and threatening you. It makes your job much more enjoyable and gives you more time to get on with it. You're not fire-fighting, you're doing what you should be doing. That's the difference. The staff we've got want to provide an effective and efficient service. The tenants want an effective and efficient service." (Tenant Participation Officer)*

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Respondents felt that a lack of involvement was not always matched by low expectations. In one Association, however, tenants' expectations were said to be low as they had become accustomed to dis-repair and lack of investment in their homes. Respondents believed that several factors contributed to increases in expectations among tenants. The re-investment in the stock by the LSVT association served to raise tenants' expectations of the Housing Management service. A respondent in another Association attributed improvements in customer service to the pressure brought to bear on the organisations by tenant representatives on the Board:

> *"We've got seven tenants on the Board of twenty, and they always put pressure on us. They receive a service, and they're always looking for improvements, and they often come up with recommendations." (Housing Manager)*

GOVERNANCE AND ACCOUNTABILITY

In this section, I outline the board structure of LSVT associations, and examine the respondents' perceptions of the effectiveness of boards; how tenant board members are selected; and respondents' perceptions of councillors' roles on boards. I examine perceptions of the accountability of LSVT associations to their tenants and wider communities, and how they believe this compares to the accountability of councils' housing committees.

LSVT Board Structure

Boards or management committees govern all RSLs, including LSVT associations. Boards are made up of approximately twenty members who give their time voluntarily. Unlike other RSLs, the boards of LSVT associations have places reserved for tenants and local authority representatives. The balance of places on the boards is filled by independent members, who, according to respondents, are selected to provide the board with the range of skills required to run the organisations effectively. These skills reportedly include finance, housing management, business experience, personnel and surveying. Board members also sit on sub-committees, including a Housing committee and Finance committee.

Effectiveness of boards

Sixteen respondents described their boards as challenging, while four felt that their boards did not challenge enough. The relationship between senior management teams

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and their boards was said to be generally one of partnership, and decisions were reportedly reached by building a consensus around issues. A Chief Executive observed that the partnership between his Senior Management Team and the Board was based on "…mutual trust, but not blind trust". The Board would not object to sound proposals, but in return, the Board expected the directors not to attempt to "get through some outrageous proposal". Further research, into the views of board members, might add an alternative dimension to this discussion.

Directors saw the role of their boards as developers of strategy and policy. In this role, they took their lead from the senior management team:

> *"We should be leading the Board, not the Board leading us. At the end of the day, the Board is the body that says 'yes'. We as directors go the Board and say 'this is what we think you should do and this is why you should do it'." (Finance Director)*

A Chief Executive of one Association felt that his Board did not concentrate sufficiently on "the big picture" of setting a strategy and broad policy framework, and instead challenged on the detail of operational matters or proposals presented to them. Others had sent a clearer message to their boards, that *"...directors run the association on a day to day basis, and [members] set the strategy and policy"*.

Within board memberships, respondents believed that members are not always equally effective. A Chief Executive observed that it is impossible to expect tenant members to have a grasp of all the issues that the Board will be engaging in. An alternative view might be that it is the responsibility of directors to communicate with board members in an accessible manner. Whilst this perceived problem can be addressed in part through training, recruiting independent members with a range of skills was believed to be equally important. In another Association, only five of the independent Board members were said to be effective and brought the organisation into focus. The other Board members were reported to "*make up the numbers*" (Chief Executive). This is seen as a big problem for LSVT associations, as boards are essential to ensure that senior staff are working effectively and not taking risks with their association's future viability.

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When recruiting new board members, a Chief Executive expressed a preference for people in employment, as they were said to be more up to date with current developments than candidates who had retired. Others stressed the importance of the business focus that independent members were said to bring. Respondents believed that they helped the associations to develop a business attitude, which was seen by a finance director as *"...vital to the whole exercise"* as LSVT associations are debt funded during their formative years, and reportedly require effective controls and a strong focus.

Respondents argued that it was becoming increasingly difficult for associations to recruit board members of the right calibre. This is seen as a widespread problem throughout the RSL movement (NFHA, 1995). Respondents suggested that this may begin to present problems for Associations when the current generation of board members retire:

> *"We are beginning to feel that we've got a problem brewing, because the Housing Corporation are expecting much more responsibility from Board members. There is going to be a problem getting the right sort of people. There will be a time when we will have to pay people." (Chief Executive)*

Selection of Tenant Board Members

Table 9.1 shows methods used by associations to select tenant board members. Few associations ballot all their tenants, apparently due to the cost of sending out ballot papers. The most common method of selection is through elections organised by the existing tenant participation infrastructure, for example, a Tenants' Forum or tenants' associations. Two associations have open shareholding and have asked shareholders to elect tenant representatives to the board. In four associations, existing board members select new tenant representatives. In many cases, therefore, the tenants taking decisions on appointment of new representatives were self-selecting.

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Table 9.1: Method of selection of tenant board members

Selection method	No of associations
Election by whole area tenants' forum/panel members	6
Election by other Board members	4
Ballot of all tenants	3
Election by area panel members	3
Election by representatives of tenants' associations	2
Election by association shareholding members	2

Source: Interviews, 1998 and 1999

Respondents' perceptions of councillors' role on boards

In sixteen associations, councillors were believed to see their role as being the same as any other board member (see table 9.2). This had not always been the case in one of these associations. Respondents felt that councillors on boards see their role as helping to manage a business that has a series of social objectives and does not operate politically. In four cases, respondents felt that councillors also played an additional role of "monitoring" their associations on behalf of their communities. Both these roles would appear to correspond with the councillor's role as 'watchdog' or 'case-worker' described by Gyford (1984). Gyford argues that the councillor's role as a watchdog has been increasingly replaced by "surrogates" as the pressure of demands has increased. It is arguable that transfer of direct ownership of housing reduces pressure upon councillors somewhat, enabling them to devote more attention to their role as watchdog.

Table 9.2: Councillors' roles on boards

Perceived role	No of associations
Same as any other board member	16
Councillors behave as delegates of council (all LA representatives on the association's board)	2
Councillors behave as delegates of council (only one LA representative on the association's board)	2

Source: Interviews, 1998 and 1999

In the other four associations, there were said to be some stark differences in how the councillors viewed their roles. In two associations, respondents believed that councillors sometimes or always saw themselves as delegates of their councils. In the

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other two associations, respondents felt that one of the three nominees from each council saw themselves as delegates, while the others acted in the same way as any other board member.

A number of Chief Executives expressed concerned about the quality of council members nominated to their boards. They believed that local authorities tended to nominate junior or backbench councillors, none of whom were believed to be "*leading power brokers*" (Chief Executive). A number of authors point out that councillors who concentrated on lobbying on behalf of individual constituents and on 'case work' are believed not to be involved in policy processes in matters affecting their wards, and this role was undertaken by more senior councillors (Elkin, 1974; Lambert et al, 1978, Muchnik, 1970). In one association, the relatively junior status of the council representatives apparently caused difficulties when attempting to construct a working relationship with their sponsoring authority:

> *"It's a valuable link with the Local Authority, but it doesn't work in the way you might expect it to. It certainly hasn't promoted dialogue and understanding. If anything, it counters it. From the Local Authority side, they say 'we don't need to do anything, because we've got three members on the Board anyway. And the members on the Board are not necessarily the members who are in power." (Chief Executive)*

In other associations, directors view the presence of councillors on their boards more positively:

> *"It's a very good link with the Local Authority, and I've no doubt it's a very useful thermometer for both of us to use as to whether or not one of us is doing something that is not to the benefit of the other." (Chief Executive)*

As associations expand geographically, they face the dilemma of having nominees of the sponsoring authority on their boards in perpetuity, while a third or more of their stock might not be in the "home" area. Group structures may help in this respect, by passing control of stock outside the original area to another association in the group, whose board is not obliged to invite nominations from the local authority.

Instances of council nominees abusing their positions as board members to gain political advantage were said to be rare. Respondents believed that council nominees are the same as any other Board member, and once the board has made a decision,

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they must accept it, or resign. In one association, respondents claimed that a council nominee decided that she might gain more political advantage from attacking the association than defending and promoting its record. This councillor was not re-elected in the subsequent local council elections and was not therefore eligible for re-appointment to the Board of the association.

Respondents perceptions of the roles of housing committees in comparison with LSVT boards

Table 9.3 outlines respondents' views on the roles of LSVT association boards in comparison with a local authority housing committee.

Table 9.3: Respondents' perceptions of roles of LSVT HA Board in comparison with a local authority Housing Committee

LSVT HA Board	LA Housing Committee
A single purpose body	Councillors also have other concerns and are members of other committees
Includes tenant representatives who rank alongside others as full board members with voting rights	Tenants can attend Housing Committee but are legally barred from voting.
Tenant board members represent as few as 500 tenants	Councillors represent between 2000 and 3000 constituents
Arguably there is a more honest and open relationship between board and staff due to the less adversarial style of boards	A tendency towards a culture of secrecy
	Complex committee structure
Decisions reported to be based on business case and customers' interests	Decisions necessarily based largely on politics
Board members are not elected, but are commonly selected by other board members	Councillors elected in local elections, but often with low turnouts.

Source: Interviews, 1998 and 1999

Respondents reported that LSVT Boards have no other purpose except to set the policy and strategy for their organisations, including financial strategy. In contrast, councillors were said to have many other concerns, and would very often be members of other committees. A respondent observed that a council *"...could have someone chairing the Housing Committee who's got no social housing in their ward"* (Housing

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Services Director). However, it can also be argued that independent members of LSVT board members may have fairly tenuous connections with the area of operation, including perhaps living elsewhere. For example, a study of 36 housing associations in Bristol by Malpass (1997) discovered that only one third of the members gave a Bristol postcode, which extends beyond the city boundaries.

LSVT Boards are able to have tenant representatives on their boards, who are full members in every respect, including having voting rights. In contrast, although a number of councils had recruited tenants to their housing committees, they were legally barred from allowing tenants to vote by the Local Government and Housing Act 1989. Respondents argued that tenants were able to participate at the highest level of management in LSVT associations.

According to respondents, tenant representatives on LSVT HA boards typically represented a smaller number of people than councillors did. Furthermore, respondents argued that tenants represented other tenants only, whereas councillors also had to consider the interests of owner-occupiers and constituents renting in the private sector. The extent to which councillors represent their constituents is also questioned by Green (1981), Dennis (1975) and Davies (1972) who assert that councillors in the ruling party are constrained by the need to 'tow the party line', while Stoker (1991) argues that the demands of opposition party councillors can easily be ignored by the ruling party and officers.

A Chief Executive argued that in his experience a culture had developed in local government where staff kept as much information from councillors as possible. *"The officer's job is to get on and run it, and tell the members as little as possible. If you tell them something, they want to get involved."* In contrast, the respondent thought that board members had little interest and no incentives to get involved in service delivery. Consequently he believed that staff did not feel compelled to hold back information from their boards.

Respondents asserted that decision making in a Board is based on examining information; by listening to the case presented by directors; and on objective factors. In a Housing Committee, respondents believed that an issue was often not considered in such a manner:

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> *"Whatever the item on the agenda, it is rarely considered on its merits. It is nearly always considered by politicians as 'he is proposing that, therefore I should oppose it'". (Chief Executive)*

Boards of LSVT HAs are not elected, and this is, in most cases, believed to be by design. Respondents reported that the Board of an LSVT HA requires a range of key skills to successfully manage a multi-million pound operation, which is heavily indebted in the first stage of its life. Respondents felt that a selection process that is based on popular appeal may not deliver a Board with these skills:

> *"If I had democracy, I'm not sure that I'd have the skills and the profile on the Board that would deliver the best results. When it comes down to it, however much one aspires to democracy and fairness, it is very difficult to use democracy to find a group of people who can deliver the goods." (Chief Executive)*

Although housing committees are made up of elected councillors, respondents felt that their composition was not decided upon democratically:

> *"You might have been elected as a Councillor, but they divvied up between them who went on finance and who went on Planning and who went on Housing. The Public weren't asked. Most councillors liked Planning and Finance, because its power. So the senior politicians nab those...and all the new boys and girls get stuffed on Environmental Health and Housing, and Leisure." (Chief Executive)*

The seniority of councillors on housing committees, generally, can be debated, but it can be argued that whatever the composition of any committee, members have to account for all decisions they take to the full council and also to their electorates.

Accountability

Directors were asked about their views on the accountability of their organisations to tenants and the community, compared to their perception of the accountability of a housing department within a local authority. None of the directors believed that local authorities were more accountable than the LSVT associations. There are concerns, however, from outside the LSVT associations themselves that housing associations generally and LSVTs specifically have considerable flaws in their accountability to tenants and wider communities. The second report of the Nolan Committee (1996) argued that the Housing Corporation as regulator "should pay close attention to the stewardship of LSVT associations...which are monopolistic suppliers in specific

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localities". Turning to the housing association management committee model in general, Page (1993) raises concerns that associations were beginning to recreate the problems associated with difficult to let estates in the LA sector. For associations which have expanded across regions, Malpass (1997:85) raises concerns regarding "the claim that HAs, as small locally based organisations were less bureaucratic than allegedly remote LAs has been thrown into question by expansionism". Finally, the NFHA (1995) expressed concern about the ability of management committees to govern associations effectively in a changed environment. It suggested that the movement may need to "consider a more business orientated model, with committees reconstituted as boards comprised of senior staff and paid non-executive directors".

In spite of the criticisms outlined above, directors in all twenty associations believed that their organisations were more accountable to tenants than local authorities are. Respondents argued that tenants, as key stakeholders, were able to make a more meaningful contribution to an Association than they were able to in a local authority. As members of boards of the associations, tenant representatives were believed to have a real influence and are able to vote. Although local authority housing committees sometimes invite tenants to participate in debates, they are legally barred from voting:

> *"At the time of transfer, some tenants were saying 'we've got 52 elected members that we can turn to if the housing service is bad. If we go through transfer, there will be 15 board members, and they'll probably be more remote'. Our response to that was that there would be three local authority nominees on the Board. There would also be five tenant reps on the Board, who would have full voting rights, which they didn't have on the Housing Committee. And you'll still be able to go to your elected councillor if you want to." (Chief Executive)*

Councillors are, however, elected by local people, who can exercise their democratic right to vote for alternative candidates at the following elections. The extent to which electorates use local elections to hold councillors to account is questionable (Dearlove, 1973), and it is argued that national politics are more important in determining local election results (Gyford, 1984). Tenant representatives are normally not elected by the wider tenant body, arguably they face little pressure to be truly representative, or to find out what tenants actually think or want. There is also a danger that self selection of colleagues by tenant representatives "could lead to

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perpetual control by a small group of people who would become closed to new ideas"
(Nolan Committee, 1995: 8).

Respondents argued that although councillors are elected by tenants, LSVT
associations were, in their opinion, far more in tune with tenants' wishes, as they had
no other issues to distract them:

> *"While councillors would argue that they have the interests of their
> tenants at heart, they also have their wider constituents." (Housing
> Services Director)*

Some respondents pointed out that low turnout in many authorities blunted
councillors' accountability to their electorates:

> *"I've spent so many years as a local government officer that I ended up
> completely disillusioned that any councillors are truly accountable to the
> community…the average turnout at elections is 30 per cent, and if they get
> 52 per cent of their votes, that means that 1 person in 5 voted for them."
> (Housing Services Director)*

Respondents argued that councillors also have to pay regard to the electoral cycle,
whereas board members do not have to be concerned about seeking re-election. A
Finance Director observed that "*the service you get from your elected representative
depends on how close it is to the election*". This sentiment is echoed by Gyford
(1984: 130) who argues that in between elections "councillors can be remarkably well
insulated from public sentiment, communicating primarily with each other and with
their officers rather than with the public".

Five respondents believed that their organisations could be held more accountable to
the wider community than the local authority. Although their primary responsibility
was to their service users, LSVT associations also "…have a duty to be good
members of the community and should seek to be responsible and involve the
community in issues that the Association is involved in" (Finance Director). Very
often, a LSVT Association will be the largest landlord in a district, and respondents
believed that its activities inevitably attract media attention, because its decisions will
impact upon thousands of people locally. Lack of other news in local areas was said to
ensure that activities of LSVT associations receive attention, including financial
problems, rent increases, and plans for new development. Respondents felt that this

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high level of public scrutiny may help provide comfort to tenants and councillors that the associations will not undertake activities that may be to the detriment of tenants and the wider community.

One of the respondents belieived that the system of both formal and informal regulation of RSLs made them more accountable than local authorities:

> "We're accountable to the Council – if they start to say we're not very good, then we're not going to do very well in terms of Housing Corporation allocations. Secondly, we're regulated by the Housing Corporation, who are very stringent regulators in comparison with the Audit that happens in local authorities. Then we're audited internally and externally. Then we're accountable to funders – if we start performing badly on basic performance indicators – rent arrears, void turnover, void rates – then they'll be jumping on us." (Housing Services Director)

LONG TERM SUSTAINABILITY

This section examines the respondents' perceptions of the level of demand for social housing within the twenty associations' areas. The shift to the private sector makes long term sustainability vital, as the associations' funding is arranged over periods of up to 25 years. They need to ensure that they take steps to protect long term sustainability to pay back their loans. I examine the strategies they have adopted to address demand problems, including local lettings policies; the income mix of tenants in the stock; and the development of housing for market renting to run alongside social housing.

Level of Demand for Social Housing

Over half of the twenty LSVT associations were operating in the South East or Eastern regions of England, both areas with relatively high demand for social housing. The low numbers of associations identifying problems with demand in some of their areas, as show in Figure 9.1, reflects their regional distribution as primarily southern based.

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Figure 9.1: Demand for Social Housing
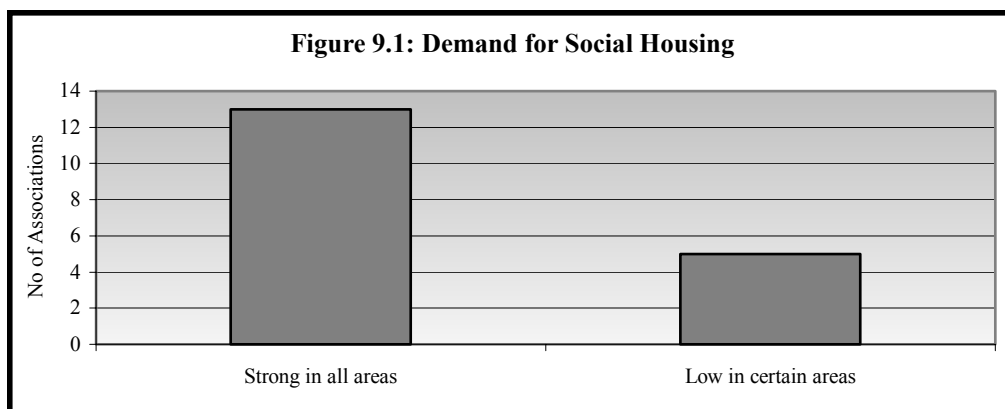
Source: Interviews, 1998 and 1999

Figure 9.2 shows demand for social housing by region. Respondents in the associations based in the South West and Yorkshire and Humberside reported strong demand in all their areas of operation. Interestingly, a third of associations in the South East had areas where demand was low. One of the West Midlands based associations had some areas of low demand, while the other did not. The one association based in the North West also had areas where demand was low.

Figure 9.2: Demand for Social Housing by Region
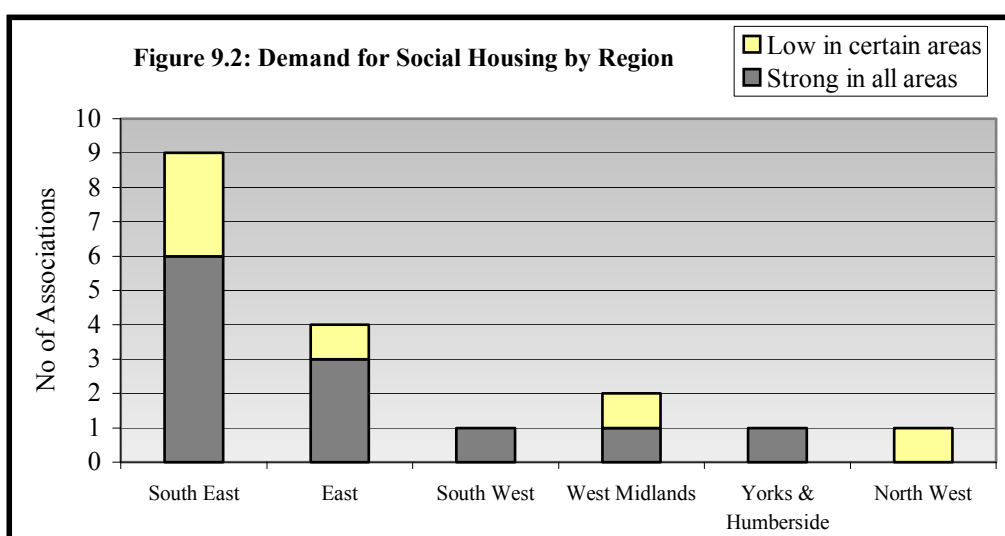
Source: Interviews, 1998 and 1999

Respondents in fourteen associations reported strong demand throughout their areas of operation, while six reported low demand for their stock in some areas. In South East based associations, there were problems in terms of excess demand for stock and long waiting times:

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> *"Even our worst and most unpopular flat…people will bite their hands off for it. There are no demand problems here…too much demand. The council always used to damp it down by making the list too restrictive, so half the people in the Borough couldn't even apply." (Housing Director)*

In associations with areas of low demand, respondents reported that the most problematic areas tended to be the more remote villages. Villages with low demand had poor access to shops and other facilities, and expensive and infrequent transport to the nearest towns, which presented tenants on low incomes with a particular challenge. In one of these associations, senior staff took the view that properties based in remote villages were no longer financially viable:

> *"I've got six properties at [   ], a place with no pub, no shop and a bus service two times a week. Those six properties need a lot of work done on them. Had they been social housing in [the town], we'd have stood making a loss on them, because there's a demand for them. But because it's a village with no demand, we may as well get shot of them." (Housing Director)*

Low demand for certain types of stock

While a majority of the associations did not have areas with demand problems, the reverse is true of the level of demand for certain types of stock. Respondents in eleven associations reported low demand for particular types of their stock. Figure 9.3 shows the types of stock in low demand:

Figure 9.3: Low demand for certain types of stock
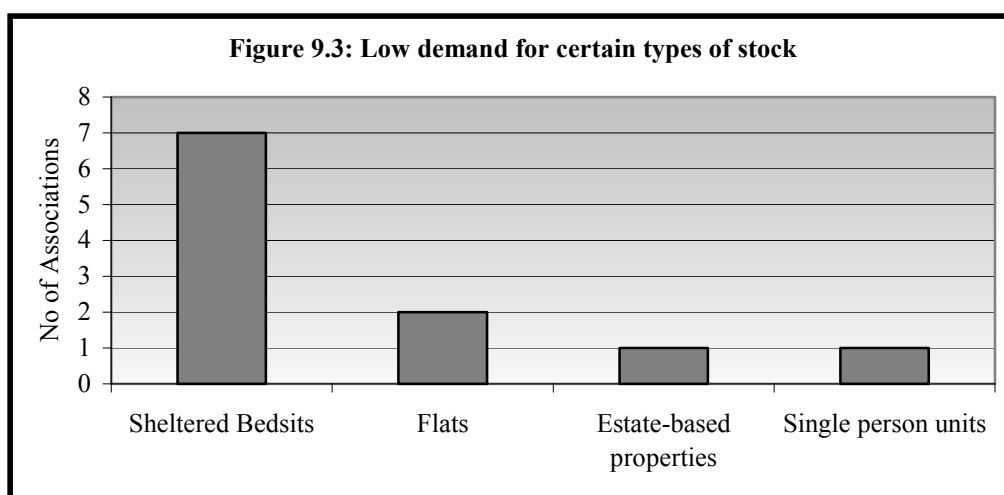
Source: Interviews, 1998 and 1999

Unpopular and difficult to let sheltered accommodation was reported to have become a major strategic issue for seven of the associations. Although vacancies in general

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needs stock were heavily oversubscribed, demand for sheltered bedsit stock with shared facilities was reported as being low. Respondents attributed this to a lack of privacy and poor amenities, and because the units did not meet peoples' increasing expectations:

> *"Demand for sheltered stock is dwindling. We're finding that people don't want to live in small flats anymore, and people don't want to live in bedsits at all. People want two bedrooms, because they've got loads of furniture that they don't want to get rid of...they want their grandchildren to come and stay." (Housing Manager)*

In two associations, respondents reported that general needs flats were in low demand, while at the same time there was excess demand for family-type houses with gardens. In one case, the unpopularity of flats was believed to be linked to the provision of newly built houses by the Association, which had heightened tenants and applicants expectations:

> *"Most people who want social housing are expecting high quality social housing. Part of that's our own making. During the first seven years, [the council] was able to provide funding for two thousand new high quality homes – so why would someone go into a grotty three bedroom flat when they can get a three bedroom house down the road?" (Housing Director)*

One Association had a surplus of single person accommodation, and another had problems with demand on some of its estate-based properties, which respondents felt has a poor first impression among applicants.

Strategies to deal with low demand

Respondents in nine of the Associations reported that they did not currently have any problems with low demand for their stock. Respondents in eleven associations were experiencing low demand for their stock to varying degrees, and ten of these eleven were reported to have devised strategies to deal with the problem. Strategies adopted included re-development of difficult to let stock; refurbishment; conversion; marketing; relaxation of allocations policies; and disposal. Table 9.4 shows the strategies adopted by each of the associations with low demand stock.

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Table 9.4: Strategies adopted to deal with low demand

Association	Re-development (existing use)	Re-development (change of use)	Refurbishment	Conversion	Marketing Strategies	Disposal	Relaxation of allocations policies	Notes
1.		✔	✔	✔				Bedsits in sheltered schemes to be re-developed as family housing. Rural sheltered stock to be demolished unless there is proven demand.
2.								No long-term strategies currently in place.
3.	✔							Six year programme to demolish all sheltered bedsit stock and general needs bedsits
4.				✔	✔			Marketing unpopular stock. Some units used for Sure Start and other schemes.
5.	✔				✔			Regeneration of all sheltered stock. Has attempted marketing, but not found to be successful.
6.				✔	✔			Change of use of some stock to market renting. Local lettings on other estates with low demand.
7.							✔	Relaxation of allocation policies for DTL stock.
8.					✔			Marketing of DTL new build stock in small rural town.
9.				✔	✔			Sale of stock in poor condition in remote rural locations.
10.							✔	DTL converted for use as market renting. Relaxation of allocations policies in some areas.
11.				✔	✔			Combination of de-sheltering, and marketing of retained EP sheltered accommodation.

Source: Interviews, 1998 and 1999

Six associations had adopted two or more strategies. The most commonly adopted strategy was marketing of stock in low demand, including; advertising vacancies in local newspapers; placing cards in local shop windows; and running open days. At the heart of marketing strategies was the aim of challenging potential applicants' views of social housing, including the perception that there are long waiting times, or that it is always reserved for non-working people. Conversion and re-development of unpopular stock were also reported to be widely adopted strategies. Associations have

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adopted such drastic measures when properties do not meet modern day standards, and respondents believed that increasing choice for applicants in some areas of the country meant that they did not have to accept properties that did not meet their expectations.

Two associations have relaxed allocations policies to widen access to their stock and enable applicants who would not normally be eligible for re-housing to be offered difficult to let stock. Both associations operate in areas where demand for housing is relatively high, but the stock profiles do not match applicant requirements. They are filling their difficult to let stock by widening access to lower priority applicants, such as single people and couples without children. One of the two associations has gone a stage further, by combining relaxation of allocations policies with a move into market renting:

> *"The Marketing Manager in the Private Lettings Team is actually now meeting with our three area managers to talk about how he can share his list of people who phone up saying 'I want a flat tomorrow, what have you got?' with what they have available. The local lettings policies we now have in place give us a lot more flexibility." (Housing Services Director)*

Local Lettings Policies

Local lettings policies can help the associations to address the problem of low demand by dealing with imbalances in communities that develop as a result of poor lettings decisions in the past. Local lettings policies can help reverse stigmatisation and restore an area's popularity among housing applicants. The associations' approaches to local lettings policies varied considerably. Nine associations had either adopted local lettings policies for parts of their stock, or were at various stages of developing or attempting to develop them. Four associations had not yet developed any local lettings policies, but were committed to the principle of sensitive lettings. Seven associations had not considered adopting any form of local lettings policies (see Figure 9.4).

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Figure 9.4: Use of local lettings policies
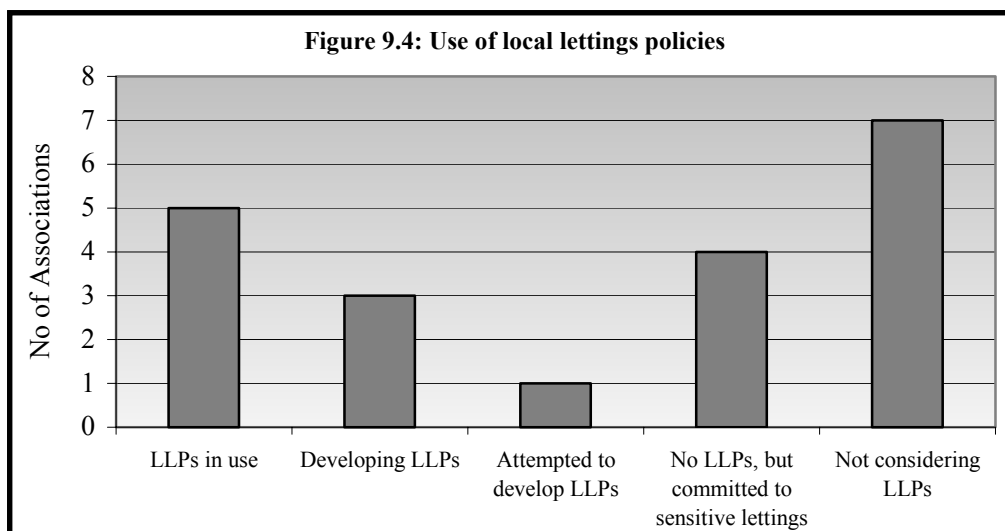
Source: Interviews, 1998 and 1999

The Associations had developed local lettings policies to attempt to create more balanced communities; to reverse stigmatisation; to deal with blocks housing concentrations of tenants with problems; and to reduce child densities.

Respondents reported that the Associations had become increasingly concerned about the social mix on some of their estates. Estates were believed to be increasingly unbalanced, as allocations systems had led to concentrations of *"desperate people in the most desperate situations"* (Finance Director). Respondents stressed the importance they attached to achieving a balance of lettings in their new developments:

> *"We are looking to get a balance – people who are older, people who already have children – not to end up letting it to top of the waiting list, so that in about ten years time, every single family has two or three teenagers – that's a management problem for the future." (Housing Director).*

Following the Housing Corporation's relaxation of guidelines, associations were adopting local lettings policies in an attempt to stabilise their tenant bases. One Association had adopted local lettings as part of its attempt to regenerate its most unpopular estate. One of the aims of local lettings was reported to be to remove some of the stigma attached to estate, by opening up eligibility, and letting accommodation to people who were not at the top of the waiting list. Two other associations had adopted local lettings policies to address problems in individual blocks, where there

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were concentrations of tenants with very high support needs, or very high child densities.

The associations encountered a number of difficulties when developing and introducing local lettings policies. Respondents felt that local authorities with very pressing homelessness problems tended not to support the associations' attempts to introduce local lettings policies, especially when these policies involved letting housing to applicants who were not in the most dire need:

> *"We're trying to change the allocations policy so that when a two or three bedroom flat becomes available, we don't stuff it full of families with young children. So perhaps under occupy some units...bring in some older people...some professional people...so we can break the mould of the typical resident on that estate being a single parent with 2.4 children. But the Council are concerned. They see us as trying to gentrify the estate. And what's going to happen to all their homeless families in their hostels if they can't go there?" (Housing Director)*

There is clearly a tension between making the maximum possible use of a scarce resource by providing for people who are in most need, and the desire of landlords to create stable and sustainable communities by deliberately not letting some of their housing to the most needy. Respondents felt that LSVT associations need to ensure that their tenants will want to stay with them, and so it is essential for them to avoid becoming the landlords of last resort.

Respondents reported that the associations also faced problems in their stock outside their sponsoring authorities area, as they did not have the same levels of concentration of stock, and the same high level of local neighbourhood knowledge. They may not have the same level of control and influence in those areas, and they lack *"the luxury of provision of property that can balance the allocations"* (Housing Director). In those areas, associations were said to be in danger of receiving groups of residents with profound needs, who are being housed in developments that may not be appropriate for them:

> *"Councils are bound to nominate people who are in the greatest need, even when it might not be sensible for the property that's vacant." (Housing Director)*

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An Increasing 'Welfare Housing' Role?

The majority of respondents' perceptions was that their associations are housing increasingly marginal sections of society. This might have a deleterious impact upon long term sustainability, and encouraged the associations to consider diversifying away from their core business of social housing provision. Only six respondents felt that their associations' housed tenants on a range of different incomes. Half of these respondents observed that their associations were housing increasingly poorer households with each new letting:

> *"One factor that's changed [since transfer] is the mix of our tenants, from a typical suburban commuter belt shire district, with very few tenants in financial difficulties, very few tenants on benefits…a middle class sort of housing association, into one where we have a very much larger number of problem tenants and tenants on benefits, particularly the newer tenants." (Finance Director)*

Thirteen respondents felt that their associations were already catering for only the poorest people in their communities (see figure 9.5).

Figure 9.5: Staff perception of social mix of new tenants
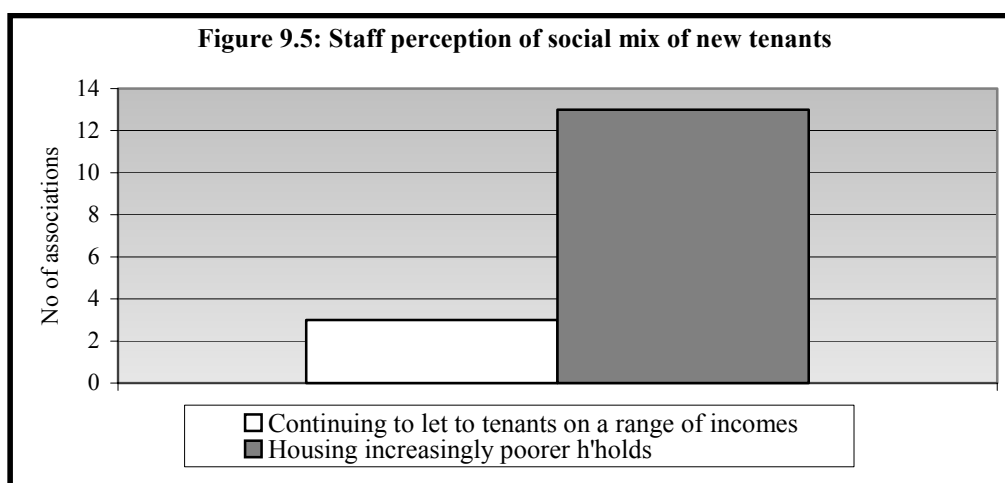
Source: Interviews, 1998 and 1999 Note: four respondents did not comment on this question

A Chief Executive observed that average income excluding social housing occupants in his association's area was £43,000. When occupants of social housing are included, the average drops to £30,000. Looking at social housing tenants only, average income was £7,000. Six of the thirteen directors that believed their associations were already

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catering for the poorest people in their communities felt that the residualisation of their tenants and future tenants would continue:

> *"We've got an income mix between poor and very poor. Increasingly our new tenants are benefit dependent. Eighty per cent of new tenants are benefit dependent, less than twenty per cent are in full or part time work." (Chief Executive)*

Three respondents observed that the continuing popularity of owner occupation among all income groups had served to intensify residualisation, particularly in areas where house prices were low. A Chief Executive remarked, *"if anyone's got any sort of income, they tend to buy"*. The continuing popularity of Right to Buy was said to stabilise areas to a limited extent, by helping to retain working people on estates.

Two associations had converted to charitable status, and as a consequence housing applicants must not exceed certain income limits set by the Charity Commission. All new tenants are therefore on low incomes, although the Charity Commissioner's income limits are currently quite generous at £15,000 gross per household. This prevented the Association from housing people on higher incomes, who were more likely to be working and socially included.

Increasing residualisation presents a major challenge for LSVT associations. They are in danger of becoming landlords of last resort, and in areas with fragile demand for social housing, a future collapse in demand could wreck an LSVT association's business plan. LSVT associations are relatively well placed to deal with the problem, however. They have access to resources to convert or adapt stock to meet different needs. They are able to diversify into new areas of business, including market renting, which can help cross subsidise the social housing sections of their businesses.

Market Renting

Figure 9.6 shows market renting activity among the twenty associations. Three associations had already developed and let housing for market rents, whilst eight associations were considering developing market renting schemes, either actively or as a possible future activity. For these associations, respondents felt that market renting can be seen as a way of diversifying away from social housing in order to

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protect long term sustainability. Six associations were not currently considering
marketing renting, while three had considered and rejected the idea.

Figure 9.6: The twenty LSVT associations' market renting activities
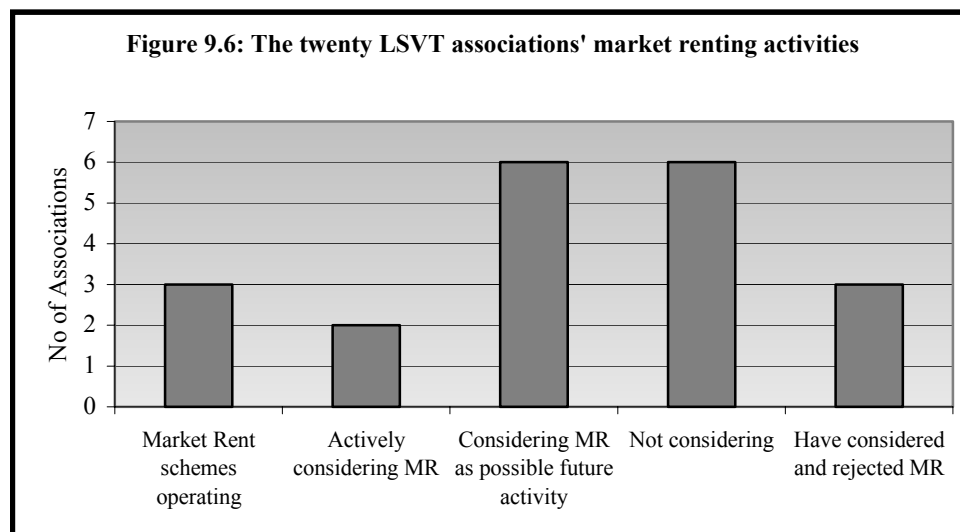
Source: Interviews, 1998 and 1999

The three associations were said to have entered into this activity to produce profits to
cross subsidise the development of the social housing side of their businesses. Being
heavily indebted following transfer, LSVT associations are often unable to compete
for development opportunities against traditional associations who have large reserves
and the ability to borrow to develop. The profits from market renting would enable
them to compete more effectively against traditional associations for development
opportunities:

> *"As an organisation, we made a decision that we wanted to grow. One
> way of achieving that is to become more competitive in bidding for new
> properties, and one way you make yourself more competitive is to be able
> to put in more of your own resources. In order to have more resources,
> you've got to have something that creates a surplus, and market renting –
> apart from providing another aspect of renting in the community, which is
> an objective in itself – provides the opportunity to plough resources back
> into the organisation." (Chief Executive)*

Respondents reported that the three associations were committed to market renting
being seen as peripheral to their core business of social housing, and its growth would
be limited. They recognised that market renting was a distinctive activity that would
require separate management if the number of units continued to grow. A Chief

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Executive suggested that the management of market renting properties would need to
be passed to a separate company within the Group, so that the properties could be
managed in an entirely different way from social housing.

Two associations were actively considering developing stock for market renting.
Although one Association was said to be primarily motivated by making profits to
plough back into social housing, the other felt that it was well placed to meet an
identified need for additional rented accommodation in its area:

> *"There is a tremendous number of people on our housing register who are
> never going to be housed by us. A lot of people lower down the register
> have some financial ability to pay extra amounts, and will never qualify
> for social housing. Therefore, there is some logic in trying to assist
> people who are often trying hard to look after themselves, are in
> employment, but can't quite find the rented accommodation they need."
> (Finance Director)*

Of the three associations who had considered and rejected the idea of developing
housing for market rents, respondents in two cited demand in their areas as the main
reason. In both areas, there were believed to be pockets of low demand, and one of the
associations found its social housing stock was in direct competition with existing
private rented sector stock:

> *"There's a very buoyant private rented sector down here. I'm not sure it's
> within our role to do market renting. We're in direct competition with the
> private rented sector. The high turnover [in the Association's stock] is
> because people have such a wide choice down here, or partly that. Rents
> are quite low generally – they're still higher than ours, but still within
> Rent Officer levels." (Housing Services Director)*

The other Association rejecting market renting had done so because the Board was
believed to have felt that the risks of the activity outweighed potential benefits to
tenants. Although the Board was generally said to be risk averse, it also took the view
that there were a range of other agencies that were already supplying adequate private
rented accommodation:

> *"The Board has been very clear that we are about providing housing for
> people who can't afford to do that themselves. Whenever the Board would
> look at running housing for another authority, or doing housing for nurses
> and so on, they will want to look at the business risks involved. And unless*

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*it's a copper-bottomed certainty, they'll ask us why we're doing it, why we
need to do it, what's the pressure for us to do it." (Chief Executive)*

Respondents in one Association felt that market renting might not be an activity
compatible with its status as a charity. Charitable associations are required to house
only those people who are "in need". In more recent transfers, the Charity
Commission has applied a narrow definition of need[1]. Another respondent suggested
that there should be no reason why a charitable association could not provide housing
at market rents, provided that a separate company within the group managed it.
Profits could be recycled back to the Association by covenant.

FINANCING ARRANGEMENTS

In this section, I examine how the finances of LSVT associations are arranged and
how they relate to their private as well as public status. I examine the process of
arranging funding; financial performance against business plans; factors accounting
for financial performance; the perceived impact on LSVT associations of the Housing
Corporation's rent regulation regime; the impact of Right to Buy sales on finances;
respondents' perceptions of the influence of boards over business planning; and
respondents' perceptions of the influence of funders.

Although the finances of each LSVT association are unique and tailored to local
circumstances, they share a number of common features. All LSVT associations take
out loans from day one, to pay the sponsoring authority the tenanted market value of
the stock and to provide funding for repairs. Most LSVT associations will make losses
in the first few years, and will continue to borrow to finance these losses. Once the
intensive period of catch up repairs has been completed, the associations move into
surplus, and can start to repay their loans. Payback of loans is usually within 25 years.
Three of the twenty associations were reported to have never made losses at any time.
Their operating surpluses were sufficient to cover the costs of catch up repairs and to
service their loans.

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[1] See for example Lee, Power and Tunstall (1999), where the Charity Commission questioned whether
the tenants on three estates being transferred to a Local Housing Company were "appropriate
beneficiaries of charitable status". The Company was eventually granted charitable status.

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LSVT finances are very different from the finances of local authority housing departments. Housing departments receive revenue subsidies, which can help cover both running costs and loan repayments. Their debts attract favourable rates of interest through the public sector. In contrast, LSVT associations are responsible for their entire debts, and have to meet all repayments from their own resources. They do not receive any subsidies towards running costs or loan repayments. As a result, LSVT associations are reported to be extremely cautious in their formative years, because they will be making heavy losses and debts will increase. Consequently, finances and "meeting the business plan" are said to become key drivers for staff throughout the organisations.

Arranging funding

Arranging funding for the first LSVTs was reported to be difficult but the process became more straightforward once lenders were familiar with housing associations and the LSVT process. The private finance regime for housing associations was also unfamiliar to funders, having been introduced in 1989. Among the twenty case study associations, the earliest transfers took place in 1988, 1989 and 1990. All three experienced difficulties in arranging funding, largely due to bankers' lack of familiarity with housing associations:

> *"It wasn't just that it was an LSVT, it was also that nobody knew anything about housing associations, really. So it was difficult. I think the fact that the first LSVT was funded by a French bank tells you how difficult it was. None of the British banks could pluck up the courage to fund us."*
> *(Finance Director)*

Respondents believed that the size of loans required by the associations also caused difficulties for early transfers. Lenders had become extremely cautious in 1989 and 1990 because of high interest rates and large numbers of mortgage holders who were unable to keep up repayments. Funders were said to be willing to lend smaller amounts, which meant that syndicates of funders were often established to meet the full funding requirements of the associations.

For early transfers, respondents felt that the funding market was not at all competitive, and funders were said to be in control of the terms upon which they would lend. The

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cost of loans was thought to be much higher for early transfers as bankers sought "compensation" for the perceived risk they took:

> *"We went out to 30 organisations and got proposals back from 6, and they were very much in the driving seat in those days, so the margins they could command were colossal compared to today. They were like the traditional bank manager – they would lend to you if you met all their needs." (Finance Director)*

The market for funding housing associations and LSVTs soon became more familiar to banks, and there was greater competition to fund most transfers:

> *"The market is such that they're falling over themselves to get our business." (Finance Director)*

Funders are believed to be attracted to lending to LSVT associations by Housing Corporation regulation, which implicitly guarantees that they will not go out of business. As funders have come to understand this, they have reportedly become more willing to lend at lower rates, as lending to housing associations is seen as low risk compared to other businesses. Funders are also said to look for a quality management team and a Board with a good breadth of experience. Respondents reported that LSVT associations that are subsidiaries of established associations are often able to negotiate better funding deals than standalone associations, especially where the parent already has a track record in raising private finance.

Financial Performance against Business Plans

Respondents identified a number of key determinants of performance of a stock transfer association. Stock valuation determines the price the new association will pay their sponsoring landlord for the stock, and valuation is in turn determined in part by stock condition and repairs requirements. Interest rate movements can affect the cost of servicing of an association's loan facility. Right to Buy sales deliver a capital receipt, which is often shared with the sponsoring authority, but sales mean that associations lose rental income. Turnover of tenancies is also important, as transfer tenants pay lower rents than re-let tenants. Development of new stock increases rental income. In this section, I examine *financial performance*, and not other types of over or under performance, such as the acceleration of catch-up repairs programmes.

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Figure 9.7 shows the financial performance of the twenty associations. Respondents reported that the financial performance of fifteen of the twenty associations was better than predicted in their business plans. One association's performance was as had been predicted in the business plan, while four had performed worse than predicted. Respondents identified a number of reasons for over and under-performance of their associations against their business plans.

Figure 9.7: Financial Performance against Business Plans
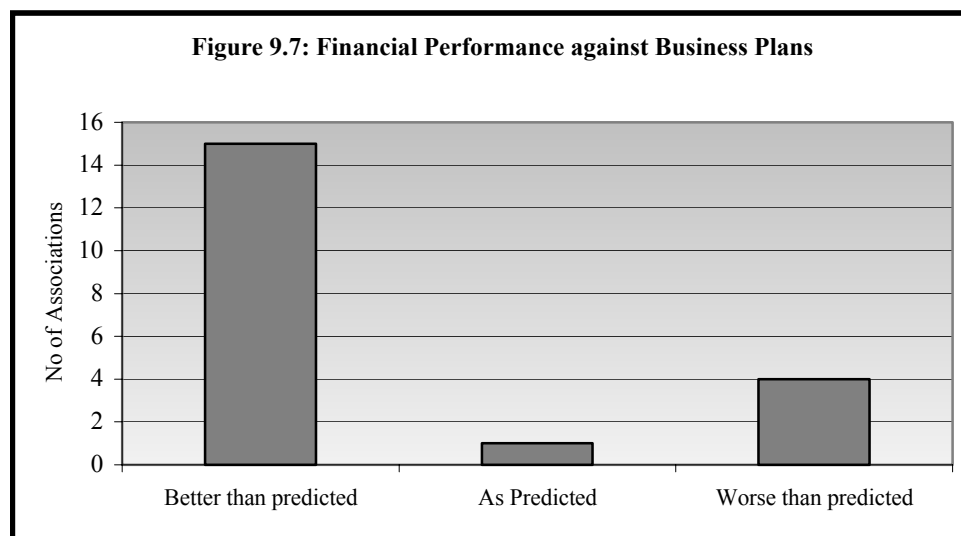
Source: Interviews, 1998 and 1999

Finance directors of the fifteen associations who had beaten business plan predictions identified the following factors for their performance: lower than predicted overheads; lower than anticipated funding costs; low stock valuations; higher than predicted tenancy turnover; greater than predicted development activity; and better stock condition than had been estimated before transfer. The numbers of respondents identifying each factor as a cause of over performance in their association is shown in figure 9.8.

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Figure 9.8: Factors Accounting for Financial Outperformance
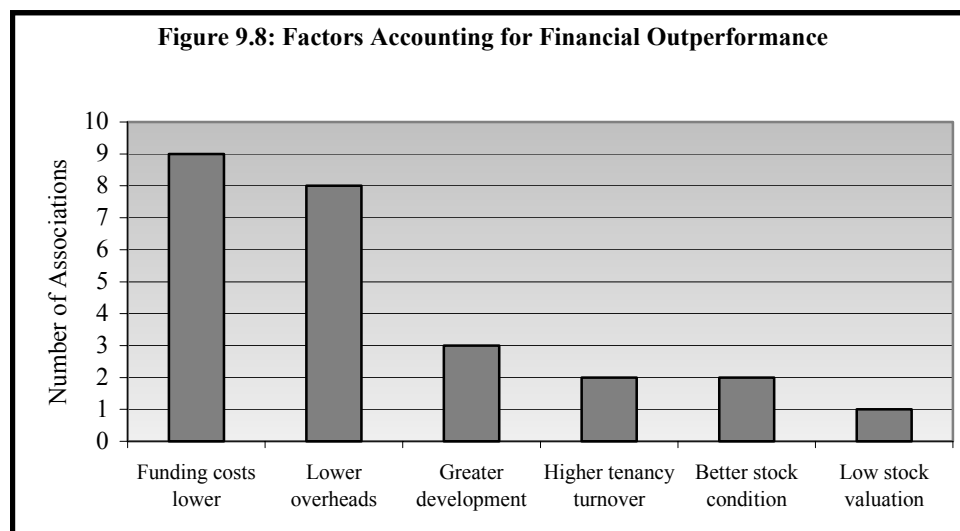
Source: Interviews, 1998 and 1999

In nine associations, a lower than anticipated cost of borrowing was reported to have had enabled them to outperform predictions in their business plans. The period between 1990 and 1997 saw large changes in interest rates, which lowered funding costs for the associations:

> *"The financing costs that we had assumed in the business plan were based on the situation before we left the Exchange Rate Mechanism. So interest rates were quite high – 11, 12, 13 per cent – so with a bit of luck of some careful husbandry, we saved a fortune in financing costs." [Finance Director]*

Respondents felt that the benefits of lower interest rates to the Associations depended partly on the structure of their loans, and the extent to which rates of interest were fixed. Some associations will have continued to pay high rates on loans arranged before 1993 for a number of years until they re-financed their borrowings, or until fixings were re-negotiated.

There are additional long-term benefits for associations who were able to take advantage of lower funding costs. In the initial period of the associations' loan profile, it is common to capitalise interest payments, that is, to add interest payments to the loan, until surpluses are achieved. If interest payments are lower, then the associations add less to their loans, which in turn lowers interest payments over the whole loan period.

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In eight associations, respondents attributed outperformance partly to overhead costs being lower than predicted. Overheads for initial business plans following stock transfer are usually based on historic costs of the housing service within the sponsoring authority structure, including overheads for central services. Respondents felt that the division of overheads between different departments was often unclear, and once released from the sponsoring authority, associations found that they were able to spend less, while maintaining the same service levels:

> *"We found that we were paying a third of the costs of the computers…but*
> *we were only using 15 per cent of that service. By bringing our IT service*
> *in house, we saved substantially later." [Finance Director]*

Associations were also reported to be able to reduce overheads by becoming more focussed on costs at all levels of the organisations. The idea of every activity having a cost, which staff had to consider, was said to be a concept not widely adopted in the sponsoring authorities.

Three associations had accelerated their development programmes, which yielded additional income, helping them to outperform original business plan predictions. The associations began to develop in the very early stages after transfer, which was quite uncommon:

> *"A lot of people have a development scheme or two in their first year*
> *programme, but know they'll never deliver, because you're starting from*
> *a standing start." (Chief Executive)*

One Association had begun working up a development programme in the year prior to transfer, and was on site *"literally on day one"* (Chief Executive). The scale of development in one of the associations was said to have had delivered a dramatic shift in its financial position. The original business plan had predicted a move into surplus in year 11, but six years after transfer, the finance director predicted a move into surplus by year seven because of the impact of the development programme. At that point, the Association had to decide how those surpluses might be used most effectively:

> *"Decisions then had to be made, what to do. We can carry on developing*
> *and innovating or we consolidate and make use of those surpluses in other*
> *ways. We felt it was important not to stagnate. Perhaps unusually for*

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LSVTs at the time, after the initial business plan, we did then start to make allowances for stock growth outside the host local authority." (Chief Executive)

Respondents in two associations attributed outperformance to higher than predicted tenancy turnover. Tenancy turnover from transfer tenants to re-let tenants yields additional income because of the differentials in rent. LSVT associations expect this to happen over time, and are said to make prudent assumptions about the rate at which it will happen. If turnover occurs at a higher rate, an association will receive additional income. Conversely, if turnover fails to meet predicted levels, income will be lower than forecasts in the business plan. The Housing Corporation has recognised that additional income from tenancy turnover in is relatively unpredictable, and allows associations to disregard it when calculating rent increases for the purposes of rent regulation.

Two associations were reported to have had outperformed their business plans, due to the condition of the stock being better than had been thought at the time of transfer negotiations. Respondents reported that this enabled them to push the replacement of building components further down the maintenance cycle, thus delaying spending on these items until much later than initially forecast:

> *"In the stock condition survey we've produced, we're trying to predict the timing and cost of replacing all the components of a property, so over a sixty year period, you probably get everything at least once, some things you'll get two or three times. We've just spent £20m on refurbishing all the houses that we own. So a combination of a bit of pessimism at the start, and the significant investment that we've made has taken that sixty year cycle - and left it more or less the same - but within it, what we had in our business plan to spend over the first ten to fifteen years has slipped back down the timescale. So what we had in for the first fifteen year period, we have now been able to half. In monetary terms, its gone down from £100m to £55m." (Finance Director)*

Respondents in one Association attributed its performance to a low stock valuation at the time of transfer, which enabled it to buy the stock at a very good price. The low stock valuation was largely attributed to the low rents charged by the sponsoring authority. Following transfer, central government encouraged local authorities to increase rents, and at the end of the Association's rent guarantee period, it was

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charging much lower rents than the neighbouring local authorities. The Association
felt that this situation was inequitable:

> *"...we wanted to spend a lot of money on the stock anyway, and we had
> tenants coming in at much higher rents. So we decided that it was
> appropriate to raise our rents to the level of our neighbours." (Finance
> Director)*

Having purchased the stock on the basis of a valuation which was based on an average
rent of £18 a week, the Association was later charging a third more, which meant that
its income increased far beyond the amounts required to service its loans. This has
greatly enhanced the Association's financial strength and development capabilities:

> *"We're a strong organisation financially, possibly too strong, to the
> extent that we really ought to be doing more than we are doing." (Finance
> Director)*

Four associations were reported to have failed to meet some or all of their original
business plan predictions. Respondents attributed the failure to achieve financial
targets to a number of factors – investment in the stock had been brought forward;
increases in interest rates; an under-estimate of staffing requirements; Housing
Corporation restrictions on rent increases; inaccurate stock condition surveys; and
lower than predicted Right to Buy sales. Table 9.5 shows the number of associations
affected by one or more of these factors.

**Table 9.5: Factors accounting for performance of the four associations not
meeting their business plan targets**

	HA 1	HA 2	HA 3	HA 4
RTB Sales lower than predicted	✓		✓	✓
Housing Corporation rent regime		✓		✓
Inaccurate Stock Condition Survey	✓			
Investment in stock brought forward		✓		
Under-estimate of staffing requirements	✓			

Source: Interviews, 1998 and 1999

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Three associations were said to have been adversely affected by lower than predicted Right to Buy sales. One association transferred in 1989, and the other two transferred in 1990. Assumptions about the likely levels of RTB applications were made pre-transfer, at the height of the late1980s house price "boom". Interest rates rose from eight per cent in 1988 to 15 per cent in 1989. Rates began to fall a year later, but by that point the housing market had collapsed. The number of tenants applying to buy their homes fell, as did the value of properties that were sold. Two of the associations were reported to have experienced major difficulties as a result. In one Association, the Housing Corporation imposed its own nominees on the Board, placing it under supervision. In the other, the response to the financial difficulties were reported to have led to a major breakdown in the relationship between the Association and its sponsoring authority:

> *"Effectively we were insolvent back in 1993. Our Board took a very brave decision to sell some of the worst properties. They took the decision to sell 200 properties on the open market and that involved the Housing Corporation's consent, as well as the DoE's. That brought the Council into conflict not only with us, but also with the Corporation and the DoE. It was a pragmatic, sensible, business solution for us, but politics got in the way. They were opposed to any sales policy." (Housing Director)*

The third association was said to have been able to absorb the impact of lower RTB sales by slowing down its repairs programme from an eight year period to between twelve and thirteen years. The respondents felt that the repairs programme, as originally envisaged, had been over ambitious, and slowing it down made it more manageable:

> *"Although there were financing problems with the programme, it was never an issue. The Council had only spent £1-£2m a year, and there was no way that the organisation could gear itself up to spend £10m a year. We couldn't consult that many tenants quickly enough." (Finance Director)*

Two associations' performance against their business plans were reported to have been adversely affected by the imposition of rent controls by the Housing Corporation. In both cases, business plans had been drawn up with forecast rent increases of more than RPI plus one per cent, once the rent guarantee period had expired. Respondents believed that future increases in rents will have to be scaled back to RPI plus one per cent, and adjustments made elsewhere to compensate:

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> *"Our loan profile, officially, at this stage is kicked out beyond what it was
> before. Its gone up a year or two years because of RPI plus one per cent.
> The Business Plan was originally drawn up on the basis of RPI plus two
> for transfer tenants, and RPI plus one for new tenants." (Housing
> Services Director)*

Extensive stock condition surveys carried out by one association were reported to
have revealed greater repair and replacement requirements than the survey carried out
for valuation purposes had. This meant that the Association's initial funding was
insufficient to cover the cost of all repairs that were now required, and adjustments to
the timing of programme have been necessary.

Conversely, another Association was reported to have taken the decision to accelerate
its repairs programme. This had caused short term financial under-performance, in
terms of when the Association will move into surplus, and its position on its debt
profile. In the medium term the effects of undertaking more repairs at the initial stages
were believed to be limited, as the Association would have made savings later on.

One Association had under-performed financially because the negotiation process
during transfer was said to have underestimated the number of staff that would be
required to run the new organisation effectively and to meet tenants' heightened
expectations:

> *"Now I understand that transfers are told to increase their staffing
> complement by at least twenty per cent, so you've got some built in slack.
> We didn't have any. And we've had to accommodate regulation and all
> the other pressures that have come upon us within the existing Business
> Plan." (Chief Executive)*

Impact of Housing Corporation Rent Controls

LSVT Associations are in a unique position with regard to rent setting and rent
controls. Unlike traditional housing associations, LSVT associations have
traditionally started with two rent streams – one stream for transferring tenants, and a
stream for re-let tenants. Over time, the number of transferring tenants will decline, as
properties are re-let. Separately from tenancy turnover, LSVT associations might also
try to "converge" the two rent streams, either by freezing or decreasing some rents, or
increasing some rents at a faster rate than others.

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At the time of interviewing respondents in the associations (late 1998 and early 1999), the implications of the Housing Corporation's rent influencing policy were emerging. Firstly, turnover of tenancies yields "additional" income for the associations, as re-let tenants' rents are set at a higher level than transferring tenants' rents. This additional income may cause LSVT HAs to breach the RPI plus 1 per cent envelope. Secondly, limits on rent increases were reported to restrict the ability of LSVT associations to converge rents. Thirdly, LSVT associations often needed to "store up" cost reflective rent increases until the rent guarantee period has expired. These increases, when finally applied, result in additional income, which push total income above the rent envelope. Figure 9.9 shows the impact of rent controls upon the twenty LSVT associations. For ten associations, respondents reported that there has been little impact, while the other ten have had to reduce planned rent increases.

Figure 9.9: Impact of Housing Corporation rent controls
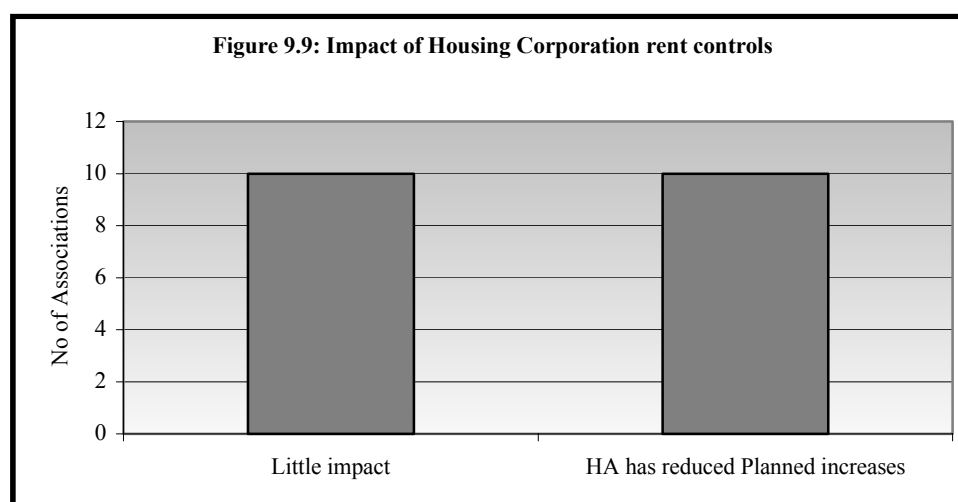
Source: Interviews, 1998 and 1999

Respondents felt that limits on future rent increases are potentially very difficult for LSVT associations. The price they paid their sponsoring authorities for the stock was based on Tenanted Market Values that often included future rent increases above RPI plus 1 per cent. TMVs assumed that re-let rents would be higher than transfer tenants' rents. After the initial rent guarantee period expired, transfer tenants' rents would increase faster than re-let rents, until all rents converged at the same level. Increases for transfer tenants were often planned to be up to two or three times faster than the Corporation regime would allow. As a consequence of limits on rent increases, respondents reported that future income might not meet forecasts contained in

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business plans, which may mean adjustments to repairs programmes or staffing levels
would be required.

The associations have adopted a number of strategies to deal with the impact of
Housing Corporation rent regulation on convergence plans. Rent convergence plans
built into associations' business plans typically involved increasing transfer tenants'
rents at a faster level than re-let rents. Over a period of time, transfer tenants' rents
would catch up to the level of re-let rents. Rent convergence would yield additional
income for a number of years, which would cause the associations' income to breach
the RPI plus 1 per cent envelope.

At the time the respondents were interviewed, the Housing Corporation's regulation
of rents was still a matter of some debate and uncertainty. Senior staff and boards
were attempting to find the best strategy towards rent convergence. A number of
strategies had been adopted or were under discussion.

Associations could choose to abandon rent convergence as an aim. This would mean
that the two rent streams would remain in place, and the differential between streams
would not change. Associations were reported to be reluctant to abandon rent
convergence plans because they would have forgone the additional income that the
process yields.

> "Everybody's dealing with rent convergence, apart from those LSVTs
> which have transferred in the last year, and those transferring now may
> not have convergence as part of their business plans. Certainly before last
> year, convergence would have been a key feature of the Business Plan.
> Convergence is no longer a feature because of RPI plus 1." (Finance
> Director)

Associations who have abandoned rent convergence policies might decide to rely on
tenancy turnover to converge rents. When a transferring tenant leaves, the new tenant
will immediately pay the higher rent level. Over time, all transfer tenancies will turn
over, but this may be a slow process:

> "There was a rent convergence policy, until rent influencing came in.
> That's gone in the bin now. They'll only converge if all protected tenants
> become new assured tenants. It won't take that many years until that
> happens." (Housing Services Director)

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Respondents felt that associations could have decided to reduce future income by freezing or even reducing re-let rents to allow transfer rents to catch up. This strategy would, however, reduce future income below levels predicted in the business plan. Consequently, re-investment plans would need to be re-phased or the scope of works would need to be reduced:

> *"Our highest rents have been frozen for three years. Over time, the standard rent will rise and pick up all the others on their way up. So we haven't got the higher rents reducing, and the lower rents going up. The effect will be that we can converge by bringing those higher rents down rather than freezing them, which will still allow us to jack those lower rents up. But that means we won't be converging at our average rent of £50. We'll be converging somewhere lower than that. So what we've got to work out is whether we can afford to converge at something lower, or whether we have to extend the period over which convergence takes place." (Finance Director)*

One Association had taken the view that they should implement their convergence policy as planned and continue to breach the RPI plus 1 per cent envelope until convergence had been achieved. The Association risked falling foul of the Corporation, but respondents believed that there were unique reasons for LSVT associations to receive special treatment:

> *"The Business Plan still assumes rent increases after the guarantee period of 2%. We're obviously well aware of the national debate with the Housing Corporation around RPI plus 1%. Our view remains robust about our argument that [the business plan] was built up in the first place on RPI plus 2%. Realistically, that's going to be an on-going debate with the Housing Corporation. If we go on improving the business plan, then the Corporation will expect us to use that to keep the rent increases lower." (Finance Director)*

A number of associations were reported to have used the opportunity of making changes to convergence policies to deal with existing inequities within rent regimes inherited from the sponsoring local authority. This usually involved allocating a number of points to each property, based on size and amenities. Each rent would move towards the target rent over a number of years, but total income would not increase by more than RPI plus 1 per cent per annum:

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> *"There are some huge inequities within the rent structure. The average
> rent for a two bedroom flat is more than the average for a three bedroom
> house. So all rents have now moved onto a points basis. So the ability to
> converge is therefore the ability to move everybody over to a pointing
> basis. Over the next couple of years, we will be looking at moving people
> on a phased basis from existing rents onto a pointed rent. That would be
> the way of achieving a convergence." (Finance Director)*

All LSVT associations receive "additional" income when units are re-let for the first
time at a higher rent level. The differential between transfer rents and re-let rents is
larger in the earlier period before the associations make any attempts to converge the
two rent streams. This additional income is reported to be unpredictable, and depends
wholly on the pattern of turnover in the stock. Some units (e.g. flats) might be re-let
two or more times before other units (e.g. houses) are re-let for the first time. The
Housing Corporation is reported to recognise that this feature is unique to LSVTs, and
in most cases it is willing to allow associations to disregard some of this 'additional'
income when calculating the rent envelope.

Impact of Right to Buy

All tenants who transfer from a local authority to a LSVT association have a number
of preserved rights, including the Right to Buy. Re-let tenants do not have the Right to
Buy. Fifteen of the twenty associations were reported to have experienced levels of
RTB above or below the predictions in their business plans. In nine associations, sales
were higher than had been predicted, and in six associations, sales were lower (see
figure 9.10).

Figure 9.10: Levels of RTB sales against predictions

Source: Interviews, 1998 and 1999

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of a more private sector style of provision
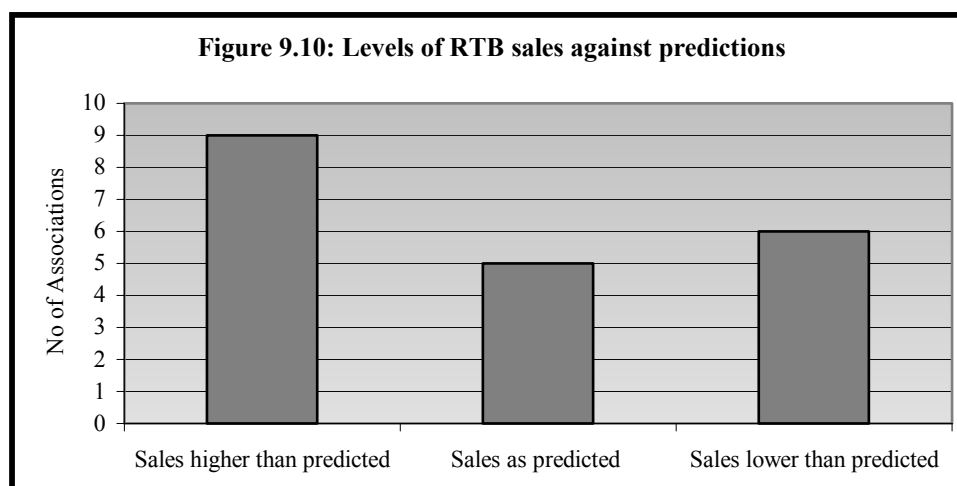
Four of the five associations whose predicted RTB sales had been achieved transferred between 1992 and 1995. One had transferred in 1989, prior to the collapse in house prices in 1990 and 1991. To a certain extent, respondents reported that the association had met its sales target before the market collapsed, as many tenants had applied to buy before the transfer:

> *"When we did the consultation, over 1000 tenants put Right to Buy applications in, to protect their position, just in case the stock transfer changed their rights, albeit they were guaranteed that they would keep them." (Finance Director)*

Following stock transfer, 700 units were sold in the first three years, accounting for approximately ten per cent of the stock. The target for the first four years was 14.5%, and this was achieved by introducing an incentive scheme to assist people in buying.

The four associations who transferred later were established with the benefit of the experience of LSVT associations who had suffered the effects of the collapse in the housing market and its impact on Right to Buy sales. By 1992, officers and staff were said to be wary about relying on Right to Buy receipts. All four had negotiated "claw back" agreements with their sponsoring authorities whereby the associations retained the net present value of future rental receipts, and the balance of the capital receipt was passed back to the council. This arrangement compensated the associations for the outstanding debt on the unit sold. Claw back agreements leave associations in a *"standstill position"* (Finance Director).

One of the four associations had reduced the number of Right to Buy sales included in its business plan to completely remove the possibility of any negative financial impact:

> *"I almost have none in my business plan now. That means that every time we sell a property, the business plan doesn't rely on it, so there's a cash benefit, and we can use that money to replace the housing stock." (Finance Director)*

In six associations, Right to Buy sales had not met the baseline level in business plans. Respondents reported that this had caused cash flow difficulties in five associations, with two suffering serious problems. All six associations had begun operating between 1989 and 1991. One of the two associations who encountered

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serious difficulties as a result of lower than predicted Right to Buy sales was subject to intervention by the Housing Corporation, who imposed its own nominees on the Board. The other association was able to take action itself to avoid intervention by the Regulator:

> *"There was a short term facility that was highly expensive. We had to keep dipping into this short term facility because the Right to Buy sales weren't being achieved. The major crunch was over this arrangement that existed between the District Council and ourselves – they gave us a loan – effectively a top up for any shortfall in the housing sales, as if they knew it was going to happen. There was talk of mergers and palming us off to another Association, but our Board decided to fight for its independence. It was a short term problem." (Housing Services Director)*

A Chief Executive of one of the six associations attributes part of the problem of unrealistic assumptions about the level of Right to Buy sales to central government pressure on councils and associations in the period from 1989 to 1991:

> *"We were the first LSVT to get the Treasury to agree to a reduction in the Right to Buy projections. Every stock transfer up to ours had an increasing expectation of Right to Buys because the property market was rising all the time. We got the expectation depressed...it wasn't enough. When we transferred, the property market went kaput." (Chief Executive)*

Nine associations' Right to Buy sales had exceeded baselines in their business plans. For all nine associations, respondents felt that higher than anticipated sales delivered capital receipts, which were shared with sponsoring authorities under sharing agreements. In most cases, the short term effect was said to be largely neutral. Sales reduced the associations' housing stock and income bases over the long term.

Tenants' decisions to purchase their properties were said to be influenced by a number of key events, the first being transfer itself. One Association saw a large increase in sales immediately after transfer because tenants *"panicked and thought they would buy"* (Housing Director). Respondents felt that sales also increased in response to the Government's changes in Right to Buy regulations. Although the changes do not affect tenants of the twenty associations, a number of tenants were said to believe that they would.

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Improvement works to tenants' properties were also believed to affect the timing of
their purchases. One respondent observed how tenants delayed their purchase until
improvements works had been carried out:

> *"It must be the case that people are holding off until certain
> improvements are done. We've actually seen it – we've seen properties
> where the tenant has put in a RTB 1 form. They've come off the
> programme for new windows, and they've withdrawn the RTB 1. As soon
> as the windows are in, they put the RTB back in again." (Finance
> Director)*

Unsurprisingly, associations would prefer to sell properties earlier rather than later,
and before improvements had been carried out:

> *"If you can have Right to Buy sales early on, it benefits you. You lose your
> rental stream, but you're also not paying out for maintenance. If you have
> enough sales, let's say 400 extra, you'll employ one less Housing Officer.
> The main thing that impacts on us is improvements – let's say for one
> property you're going to put in new windows in year 4 and new central
> heating in year 6, and new kitchen and bathroom in year 8. If you can sell
> it before year 4, that is before you spend £3000 putting new windows in it,
> then it must be beneficial." (Finance Director)*

Respondents felt that LSVT associations rarely wish to encourage tenants to purchase
their properties. They recognise that tenants have the right to do so, and have to
include predictions in their business plans. In exceptional cases, associations may
wish to sell properties in the short term to meet their cash flow covenants. For the
majority of the associations, Right to Buy sales would give them short term cash
receipts, but would reduce long term cost effectiveness, as the cost to rental income
ratio would deteriorate:

> *"We don't actually predict any Right to Buys from a planning point of
> view. We aren't reliant on this type of up front injection of cash from
> Right to Buy sales. From a financial point of view, Right to Buy sales
> mean cash in the bank. From a housing management point of view, it's
> negative. If we could, we would actively discourage anyone from putting
> in an application. We'd bombard them and say 'please don't do it, please
> go elsewhere…we will be as obstructive as possible'. But the law prevents
> us from doing that." (Finance Director)*

Influence of Funders

Standalone LSVT associations are newly created organisations with no financial track
record. Senior managers do have a track record within local government and possibly

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other organisations, including housing associations, although Housing Departments sit within a much larger organisation which provides support and control. Lending to a newly created LSVT association therefore entails a degree of risk for funders. In the first few years of operation, the associations normally make losses, which are funded by more borrowing. Funders need to be assured that the Associations have adequate controls in place to ensure that costs are contained so that losses eventually become surpluses, and that loans can be repaid.

During these early stages, respondents reported that funders have quite a strong influence over LSVT associations. A Chief Executive observed that during his Association's first year, the funders are *"all over you like a rash"*. This is the point in an association's life where it is most at risk – if costs are not contained, it will never move into surplus, and will never be able to repay its loans. Funders' influence over the associations was said to decline after the initial period, and they adopt a "maintenance" approach.

Respondents reported that funders require their LSVT association clients to observe a number of basic ground rules, which are not usually onerous or restrictive. Although individual loan agreements vary from association to association, all funders require directors to obtain approval before taking certain decisions. A Housing Services Director gave a number of examples:

> *"We can't sack a member of the Senior Management Team without consulting the funders. If we change the Chair, or if we want to change the Committee structure, they want to know. They would also want to know about any change in external auditors." (Housing Services Director)*

Respondents observed that funders expect the associations to run in accordance with their business plans, which contain a number of financial ratios that provide an indication of the financial health of the organisations. Ratios include the value of the stock to outstanding debt; income to expenditure; and net interest cover. If associations meet the ratios, respondents believe that the funders will be reassured that their loans will be repaid. If an association does not meet the ratios, respondents felt that funders may become nervous and might take more of an active role:

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"As long as you're running in accordance with your Business Plan, and you're meeting the ratios, they'll pretty much let you get on with doing what you want. If you run into financial problems, you'll have them crawling all over you." (Finance Director)

Funders are said to be very keen to ensure that the associations take a measured and perhaps cautious approach to new activities. Respondents felt that lenders are unlikely to welcome new activities that add to existing risk associated with their loans. A Chief Executive observed that the funders of his Association were keen on facilitating new activities, as this was "good lending" for them, as long as risks were minimised:

"The funders won't let you be cavalier. Even if I wanted to be cavalier, the [funders] would simply switch off the tap and say 'calm down'." (Chief Executive)

Influence of boards on their associations' finances

The respondents' perception of the influence of Boards over the twenty associations' finance and business planning ranged from a significant influence in some to little or no influence in others (see figure 9.11).

Figure 9.11: Perceptions of the influence of Boards
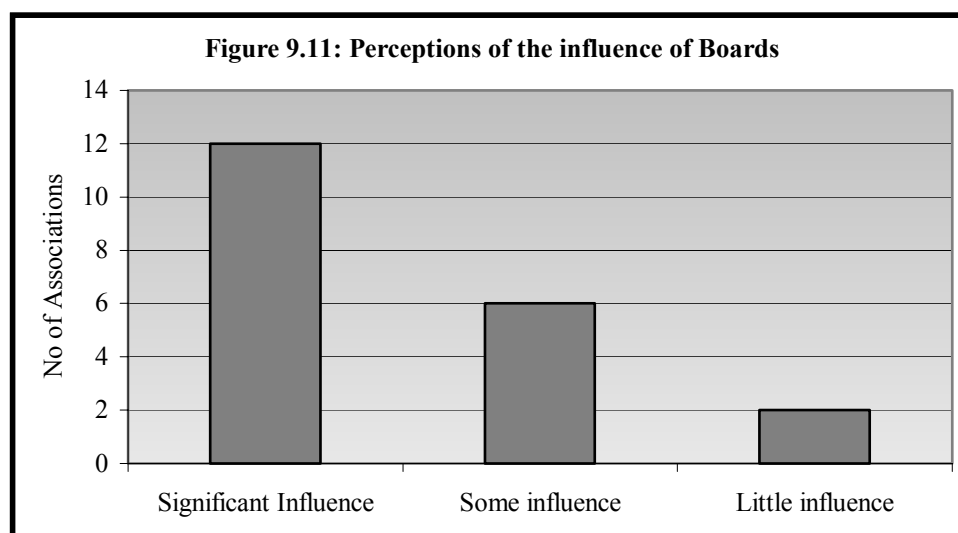
Source: Interviews, 1998 and 1999

Respondents in the twelve associations where Boards were said to have a significant influence felt that members had a sense of responsibility for the financial health of their organisations, and therefore sought more than just an overview. A Finance Director observed that board members were *"gambling their reputations"* on the

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success of the association and consequently they tended *"to be fairly careful about any business risks we put to them"*.

Board members' involvement was reported to commonly involve examining the results of benchmarking exercises; comparing staffing levels over time; examining income and expenditure forecasts over time; and monitoring expenditure against budgets. More importantly than all these activities, Board members were reported to play a role in developing corporate plans, which dictate the direction of the business. This in turn determines the formulation of the business plan:

> *"The Board, in conjunction with the Management Team, set the direction for the organisation, and the Business Plan reflects that. So we try to make sure that the Board are actively involved in setting the direction, and not just rubber stamping something we present to them." (Finance Director)*

In one Association, the Finance Director felt that Board members had become a little too involved in the organisation's finances, at the expense of their other interests, such as developing the wider housing strategy. He attributed the Board's keen interest in the organisation's finances to earlier financial difficulties, which had been dealt with a number of years ago. In his view, the Board appeared to be prioritising the organisation's finances at the expense of the needs of tenants and social housing objectives:

> *"The Board is tending to become more financially turned on…financially harder. There are some people on the Board who almost think the organisation is just about the financial bottom line. There are some interesting culture clashes. There's a lot of pressure from the Board to disaggregate the stock and analyse it financially and get rid of the stock that doesn't work financially. It's good in the sense that it keeps us on our toes." (Finance Director)*

Respondents in the two associations where there was said to be little board influence took the view that it was not necessarily wrong that members were not involved in the detail of financial issues. One of the finance directors observed that the senior management team was paid to run the Association's finances, and if they were doing their job well *"that shouldn't leave much for the members to have a go at"*. This view was reiterated by a second Finance Director, who observed that *"[the Board] don't understand the business like we do"* and that their role was to challenge any senior

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management team *"group think"* or a dominant Chief Executive. A Board was good *"at asking simple and basic questions"* and should not get involved in the detail, which was within the domain of the senior management team:

> *"[Board members] have the opportunity, the absolute power and authority. They're only charged with long term planning and corporate governance of the Association. Really what they should influence is what [the Association] should be involved in. If the management got things financially wrong, then they may have to take more of an interest. They look at the judgement we make. They tweak it here and there, but fundamentally, the vision is held by the management team, as you would expect. You wouldn't expect a group of non-executive part time people who only spend a few hours a year together to be able to develop a vision for a business. It's not realistic."* (Finance Director).

Board members were said to take a more active interest in their associations' finances than funders, largely because they are ultimately responsible for any decisions taken. It is interesting to note that a small minority of the Board members of the associations encountering financial difficulties had been removed by the Housing Corporation.

SUMMARY AND CONCLUSIONS

In this chapter, I presented evidence which shows how LSVTs are perceived to help shift responsibility for rented housing from the public to the private sector and the implications of this for how they operate. I explored respondents' perceptions of the impact of tenant involvement and the creation of a form of quasi market during and after the transfer process, particularly looking at whether tenants have used their new role to push for enhanced services from their landlords. Although tenants have been offered more opportunities to get involved in the management of their homes, few have taken the opportunity to do so. The push for better customer service was reported to have come predominantly from within the organisations, rather than from tenants.

I explored how the new private sector organisations are governed to help ensure their continuing accountability to tenants and the wider community. Local authority, tenant and community interests are protected through council and tenant board representation, alongside independent members with the range of experience required to run large complex organisations. I explored how a shift towards the private sector

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is perceived to help create the conditions for greater long term sustainability of socially rented housing. The organisations are said to able to formulate strategies to access resources to tackle low demand, but also to formulate strategies to deal with the problem, including adopting local lettings policies and converting some housing for market renting to improve social mix. Finally, I examined how private sector influence is believed to affect the funding and financial performance of LSVT associations. Private sector funders were perceived to be initially reluctant to fund LSVTs, but soon became heavily involved in funding social housing. The shift towards the private sector has prompted an emphasis upon performance against business plans. Funders are reported to have generally taken a laissez faire stance towards the associations they fund, but are said to be ready to take action against those who break covenants or take risks. LSVT boards have also played a positive role in developing financial strategy and reigning in over ambitious senior staff.

INTRODUCTION

In this chapter, I present an integrated analysis of the three core themes of this thesis – that LSVT is a method for the state to withdraw from direct provision of housing; that it helps to change the way council housing is organised; and that it shifts responsibility for service delivery from the public to the private sector. In order to understand the core themes and their interaction, I analyse four key catalysts for organisational change, – the transfer process itself; geographical expansion; the need to change management structures to adapt to changes in the housing stock; and diversification away from the core business of providing social rented housing. I examine how these organisational changes are associated with State withdrawal and the public to private shift in service delivery, drawing upon evidence presented in chapters seven, eight and nine, and data on comparative performance collected by the Housing Corporation. These links are shown in table 10.1.

Data sources

The chapter rounds up the evidence from the survey, and uses it to compare LSVT associations to traditional housing associations and local authorities, in order to explore the changes brought about. In addition to the evidence presented in chapters seven, eight and nine, I draw upon two data sources – Housing Corporation performance indicators for RSLs and LSVT associations, and Audit Commission performance indicators for district councils. The Housing Corporation collects data from 371 of the largest RSLs, which own 96 per cent of all RSL stock. The Audit Commission has a statutory duty to publish indicators of local authority performance. Both data sets cover the financial year ending 31st March 1999, released during 2000, and cover rent levels and the collection of rent; management and maintenance costs; lettings to statutory homeless people; vacant dwellings; and average re-let times. In addition, the Housing Corporation data set includes rent losses through voids and bad debts; rent arrears; financial performance; staffing and staff functions; and stock turnover.

Table 10.1: Catalysts for organisational change and links to withdrawal of state and public-private shift

Catalysts for organisational change	Linked to State's desire to withdraw	Public to private shift
TRANSFER PROCESS ITSELF	• Political pressure to improve service delivery • Financial problems • Removal of housing from politics • No longer subject to political cycle	• New influences – independent board members and funders • Empowering tenants through transfer process helps them demand changes to service delivery
EXPANSION BEYOND THE CORE LOCAL AUTHORITY AREA	• A need for new housing, but no resources to develop. Stock transfer provides access to resources for the provision of new housing.	• LSVT associations seek to expand to share overheads and reduce financial pressure.
ADAPTING MANAGEMENT STUCTURES TO MANAGE EXPANDED STOCK	• Pressure from councillors who see expansion in other areas as a dilution of the organisations originally created to take responsibility for their stock.	• Shift to the private sector forces an emphasis on performance against targets. • Existing management structures not capable of delivering effective services, threatening financial performance.
DIVERSIFICATION AWAY FROM SOCIAL HOUSING BUSINESS	• Removal of housing from risk averse public sector.	• Commercial freedom and access to resources. • Focus on sustainability to protect long term position.

1. ORGANISATIONAL CHANGE RESULTING FROM THE TRANSFER PROCESS ITSELF

Some of the organisational change occurring after stock transfer can be linked to the transfer process itself. In Chapter seven, we discussed how the process forces local authorities and the proposed landlords to get closer to their tenants during the consultation programme, in order to achieve a positive ballot result. Although tenant participation activities following transfer do not attract a wide range of tenants, LSVT associations make it easier for tenants to get involved if they wish to. LSVT associations reserve a number of places on their boards for tenants, and they also facilitate the establishment of tenants associations whenever tenants show an interest. Tenants are generally ready to take up this opportunity if they feel that something could be done better, or if services are failing. This step-change in relations with tenants makes organisational change more likely, as the organisations invite criticism and appear to take action in response. Organisational change can also be linked to the other two core themes of this thesis of state withdrawal and the public to private shift in responsibility for service delivery. I explore these links in the next two sections.

Links to State withdrawal

In chapter two, we outlined a number of accounts of housing policy that help us to understand stock transfer. We discussed how the State sought to withdraw from direct service provision by transferring responsibility for services to the private sector. State withdrawal helps to deliver organisational change in two ways. Firstly, there is political pressure from central government for local authorities to tackle poor service delivery. Once the stock is transferred, councillors are no longer directly accountable for service delivery, and are better placed to place pressure upon service providers to ensure that tenants are receiving the services they need and want. As a result, LSVT associations are subject to a degree of political pressure to change the organisation and management of services. Secondly, by removing housing from the local authority structure, the landlord organisations can make decisions along business lines, rather than having to have regard for the political wishes of councillors. We discuss the changes in political influence brought about by withdrawal below.

LSVT associations and their boards are not subject to political cycles in the way that local authorities are. They are better placed to take decisions that are based upon the interests of service users without being concerned about the impact upon their chances for re-election. LSVT associations are able take a long term approach, whereas local authorities are often subject to short term changes in political control, and the shifting priorities of central government. In LSVT associations, housing management services are freed from direct political intervention in operational matters by councillors. Staff work according to policies and procedures, rather than at the direction of councillors who sometimes sought to bring their influence to bear upon staff decisions in the interests of individual constituents, when housing was under the control of councils. Once freed from responsibility for the housing service, councillors are able to concentrate on their enabling role, and to act as the consumers "champion" if the LSVT association does not perform effectively.

Rent setting

Rent setting provides an example of the way state withdrawal changes political influence over the organisation of housing providers. Rent setting moves from a political environment – where politicians often have regard to the impact of rent increases to their chances of re-election – to a business environment – where rents are set at a sufficient level to fund services, undertake repairs and investment in the stock, and to service loans, while at the same time being affordable for tenants who do not receive Housing Benefit. Long term planning over 25 years effectively enables LSVT associations to plan rent increases over the same long term period, providing certainty for both the associations themselves, but also their tenants.

In order to explore the impact of political control upon rent setting, I examined data on average rent levels for RSLs, LSVT associations and district councils. Average rent levels in the 51 LSVT associations were 3 per cent lower than average rents of all RSLs, while average rent levels of the sample of 20 LSVTs were 4 per cent lower than the average for all RSLs, as shown in figure 10.1 (Audit Commission, 2000; Housing Corporation, 2000).

Figure 10.1: Average Rents
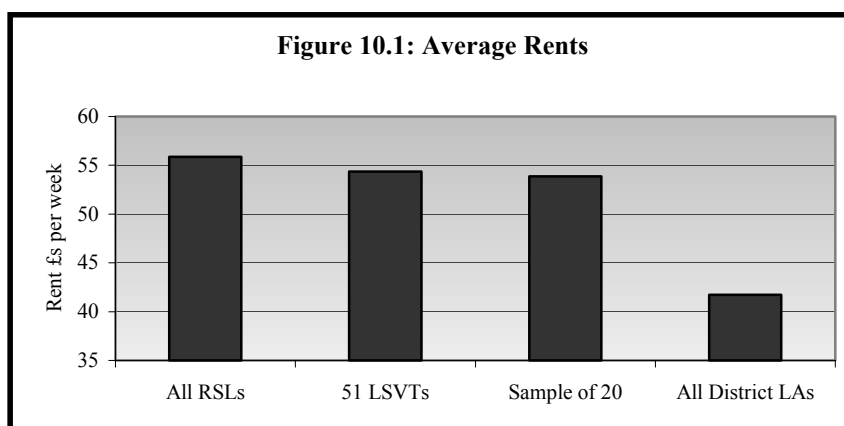
Source: Audit Commission (2000); Housing Corporation (2000)

Rents charged by the LSVT associations were some thirty per cent higher than average rents of all district councils. Higher rent levels in the LSVT associations can be accounted for partly by their regional distribution, with a majority located in the south. The LSVT associations had also made some progress in increasing their rents someway towards the levels of rents charged by comparable RSLs in their areas. This adjustment is made necessary by the shift from public to private sector provision, where income has to be sufficient to meet financial targets and to provide sufficient funds to service loans and provide resources for long term investment.

Comparing the LSVT associations to other RSLs, the LSVT associations were more heavily concentrated in the south of the country where average rent levels were higher than in northern regions and therefore we might reasonably have expected average rents of the LSVT associations to be higher. There are two possible explanations for the average rents of LSVT associations being lower than rents of all RSLs. Firstly, twenty of the 51 LSVT associations were still in their "rent guarantee" period, and rents for transferring tenants were increasing slowly often at RPI plus one per cent only. Secondly, the turnover within the stock, from transferring tenancies (with low rents) to re-let tenancies (with higher rents) was occurring slowly.

Rent Increases
LSVT associations increased rents by 6.4 per cent on average, compared to an average increase by all RSLs of 4 per cent, and an average increase of 2.2 per cent by district councils (see figure 10.2).

Figure 10.2: Average annual rent increase
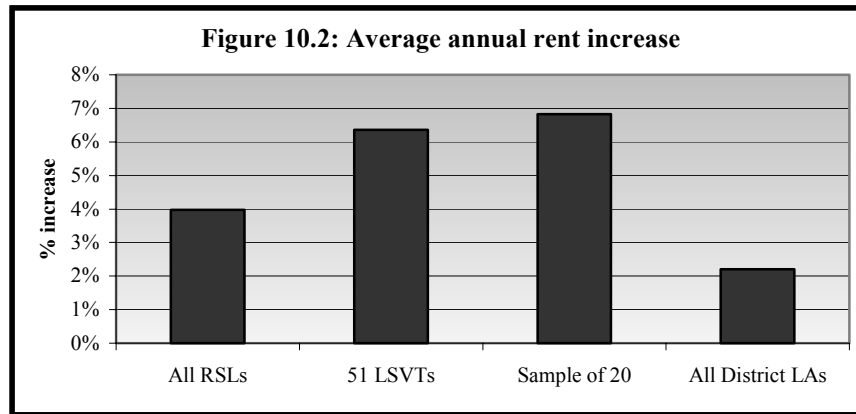
Source: Audit Commission (2000); Housing Corporation (2000)

LSVT associations increased their rents more quickly than other RSLs because they are aiming to increase their rent levels to the average for RSLs in their areas. The average increase is also higher because of turnover of tenancies from transferring to re-let tenancies. Rent increases by RSLs and LSVTs were at least double the average increase of district authorities. Local authorities' rent increases are constrained by the Housing Revenue Account subsidy regime, which penalises authorities that raise their rents by higher amounts than centrally set guideline rents. At an average increase of two per cent per annum, district council rents are barely rising in line with inflation.

The differences in the levels of rent increases reflects LSVT associations' freedom from politics, and their ability to set rents at a level which raises sufficient income to maintain and invest in the properties, and to meet business plan targets for income. Housing associations rents have, however, come under increasing scrutiny and regulation by the Housing Corporation.

Links to the public-private shift in service delivery

Organisational change can also be linked to changes brought about by the shift in responsibility for service delivery from the public to the private sector. Private sector involvement in service delivery brings a range of new influences to bear upon LSVT associations, including independent board members and funders. They have different perspectives on service delivery from councillors, and can help LSVT associations change by bringing new ideas and having higher expectations of staff. The new role of tenants can also help bring about organisational change. The LSVT process creates a form of 'quasi market' by empowering tenants and giving them decision making

power. This new role can also help tenants to push for organisational change after transfer.

New influences – Boards and funders

Interviewees in the survey felt that their boards were generally effective in supervising the activities of their associations. Interviewees felt that independent members were particularly effective at examining new proposals presented by directors, as many are skilled professionals who have experience of development and housing management. Very few LSVT associations have been placed under supervision by the Housing Corporation, despite the risks associated with their debts.

Independent board members are drawn from various backgrounds, including law, development, housing management, finance and business. They can bring a fresh perspective and new approach to service delivery. LSVT associations operate in an environment where their customers do not usually have a choice of service provider. However, independent board members can help the organisations operate as if they faced competition by holding senior members of staff to account on behalf of customers. They can help the associations to question the way they deliver services, which can lead to organisational change.

Funders also take an active interest in the operation of the LSVT associations they fund. They are interested in ensuring that the associations do not take undue risks, which could threaten their future viability. Funders are also interested in the extent to which the LSVT associations are meeting the aspirations of tenants, which will determine whether or not tenants will want to remain with their landlord. Funders are keen to see changes to the way services are delivered, if these changes could help to protect long term demand for the housing stock.

Empowering tenants and the creation of a quasi market

Tenants expectations are raised by the transfer process, during which a local authority sets out its proposals for repairs and improvements to their homes. They often become more demanding following transfer, and find that the associations are able to meet their expectations. Housing management services in the survey associations have become slightly more responsive and have become easier for tenants to deal with.

This is often due to the involvement of tenants in groups which explore new ways of delivering services.

The presence of tenants on LSVT associations' boards has changed the way that they are accountable to service users. Housing departments were accountable to service users through councillors, who were accountable to thousands of constituents, many of whom were not council tenants. Tenant board members represent several hundred tenants, and their only interest is to ensure that the association operates in the interests of tenants.

Greater tenant input has helped LSVT associations to adopt a management ethos that places customer interests as a high priority. In the sponsoring authorities, tenants' interests were often not considered in decision making, and tenants frequently felt that there was little to be gained from trying to influence their councillors. Following transfer, although many tenants do not participate in routine tenant participation activities, they do tell their landlords when services are not performing as effectively as they could be. They are willing to make the effort to make their voice heard, as they feel more confident that they will be listened to and that the association will respond positively.

Summary

The process of transferring housing to an LSVT association can create the conditions and the momentum required to deliver organisational change. There are links between these changes and withdrawal of the state from direct provision. Transfer itself is driven by political pressure to improve service delivery, and this pressure continues to bear upon the LSVT association. Transfer removes housing from politics, and housing issues are dealt with along business lines, rather than political lines. Housing is no longer subject to political cycles, helping managers to take a long term approach driven by private funding. There are also links between organisational change through the transfer process and the public to private shift in responsibility for service delivery. The shift to the private sector brings new influences, including funders and independent board members. The transfer process empowers tenants and creates a form of quasi market, enabling them to demand changes to service delivery to meet their needs and aspirations.

2. EXPANSION BEYOND THE CORE LOCAL AUTHORITY AREA

LSVT associations have access to private sector resources, which enables them to develop new stock, subject to their financial position and constraints imposed by lenders. For many chief executives and senior staff, development and expansion can lead to enhanced salaries, as well as more prestige and kudos. Figure 10.3 shows the key drivers for expansion through development.

Figure 10.3: Drivers for expansion through development
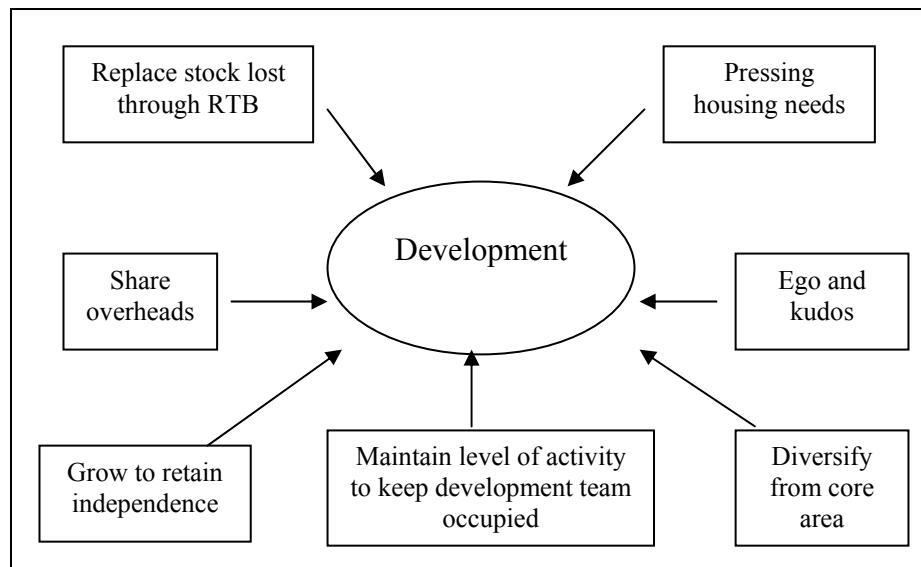
Source: Interviews, 1998 and 1999

Growth outside the "home" area can also be linked to personality clashes between former colleagues:

> *"In business terms, we had all our eggs in one basket, so spreading it over the other LA areas meant that if we fell out with [the sponsoring authority's chief officers], we wouldn't be totally reliant on their good favour." (Chief Executive)*

LSVT associations could, alternatively, chose not to develop, but to concentrate their efforts on delivering on their promises to tenants, including catch up repairs and improvements. There are, however, a number of pressures on LSVT associations to develop new stock. Associations that simply deliver a stock improvement programme and do not seek out new opportunities risk losing more ambitious and effective staff to other organisations:

> *"If you worked for me when we transferred, you'd have come as a very excited young man, with this new, vibrant organisation, with this job to do, and you'd have loved it – new building, new opportunities, new staff, new structures, money to spend. I reckon within four years, you would have left, because the initial job is done, and the future would be about containment, just sitting within [   ], never venturing over the boundary, just doing what work came up – almost a looking after the shop exercise."* (Chief Executive)

Grow or face pressure to merge

LSVT associations who do not develop and grow also face pressure to merge with other associations or join group structures. This is particularly a problem as an LSVT association moves into surplus and starts to repay its loans, as they become asset rich organisations, making them attractive targets for other RSLs or LSVT associations. An association in the eastern region, which had chosen not to expand, faces this prospect:

> *"We shall probably be taken over at some time. I wouldn't be surprised if there was some sort of merger in the long term. We're financially robust enough to be an attractive target. There are sixty odd LSVT associations who are trying to operate as social businesses. But its daft that we've got 60 odd organisations who do exactly the same thing, who've all been set up in the same model more or less, and some of them have moved into group structures, but 50 haven't. And we all sit here and do the same thing. And in the market place, that's going to get rationalised."* (Finance Director)

Links to State withdrawal

Local authorities have faced a downward pressure upon their resources for developing new housing for the last 25 years. This pressure intensified after the 1989 Local Government and Housing Act, which changed the financial regime for housing and placed further downward pressure on resources for new development. State withdrawal from direct provision can be seen as a response to this pressure. Local authorities with pressing needs for new accommodation sought to withdraw to provide resources for developing new housing, and to provide additional resources for reinvesting in their existing stock. The public sector sought to shift responsibility for funding services to the private sector, as voters were becoming more and more resistant to pay additional taxes to fund public services, including developing new housing.

Links to the public-private shift in service delivery

Stock transfer shifts responsibility for financing and delivering services to the private sector. LSVT associations face new risks and different pressures to public sector landlords, including the burden of the large debts taken on to finance the purchase of the stock and to reinvest in the housing stock. LSVT associations are under greater pressure initially than traditional housing associations, as demonstrated below. LSVT associations seek to expand as a response to this financial pressure. Expansion can help by spreading overhead costs over a larger stock.

Two key financial ratios for RSLs are net interest cover – the number of times income net of expenses can cover interest payments – and gearing – debt as a proportion of total assets. These ratios are important indicators of an association's ability to deal with short term cash flow problems, as well as the level of indebtedness. The average interest cover ratio for all RSLs is 2.12, so net income could meet interest payments more than twice over. In LSVT associations, the average interest cover ratio is 0.96, which means that net income does not fully cover interest payments (see figure 10.4).

Figure 10.4: Net Interest Cover
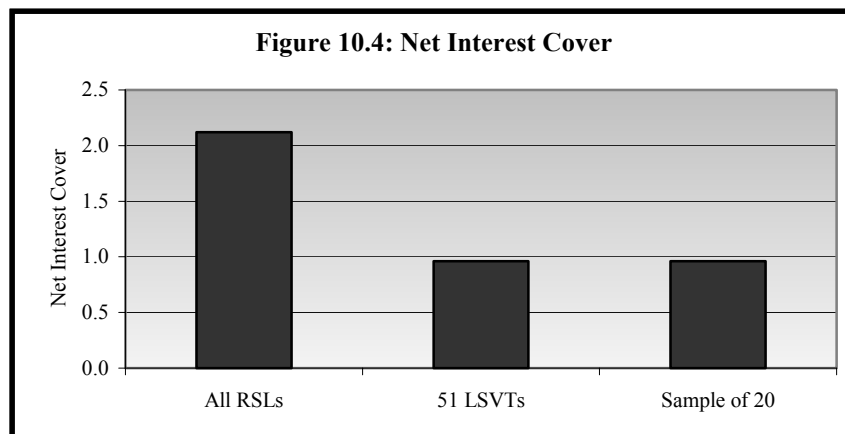
Source: Housing Corporation (2000)

The associations whose net incomes are insufficient to pay interest to their lenders need to borrow more cash to make up the difference. This is known as "capitalising" an interest payment. 22 of the 51 LSVTs associations' interest cover ratios exceeded 1.0, which meant that net income was sufficient to cover the full interest charge.

LSVTs are much more heavily indebted than average RSLs. The average gearing ratio for LSVT associations is almost twice as high as the average for all RSLs (see figure 10.5).

Figure 10.5: Gearing Ratio
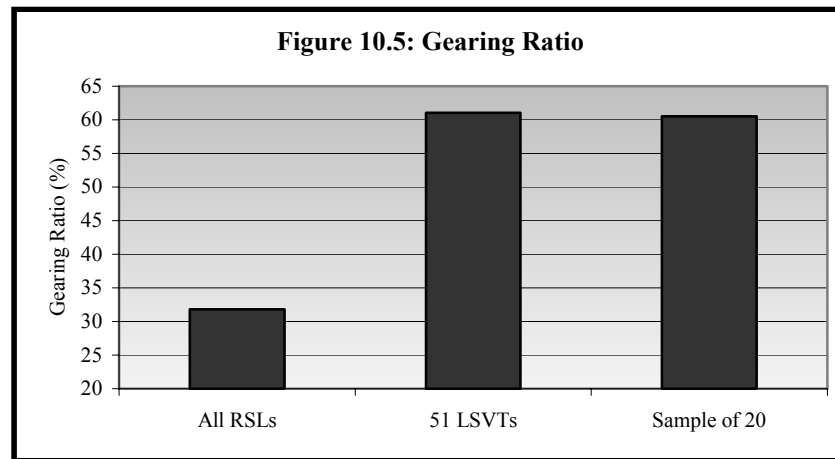
Source: Housing Corporation (2000)

The difference in gearing ratios between LSVT associations and other RSLs reflects their different traditions and origins. RSLs grew up gradually and traditionally did not borrow heavily against their assets until the 1990s, when they were encouraged to substitute Housing Corporation grant with private finance. In contrast, LSVT associations are heavily indebted from their inception, as they require finance to pay their sponsoring local authorities for the housing stock, and to fund catch-up repairs.

Expansion as a response to financial pressure

Expansion can be driven by the large debt burdens taken on by LSVT associations. Faced with downward pressure upon costs to help meet business plan targets, an association might seek to expand as a way of spreading overhead costs across a larger number of units. The burden of their debts can act as an incentive for LSVT associations to diversify into other business areas, including market renting, in order to provide resources for investment in new stock, as additional borrowing against the core stock may not always be possible until much later in the associations' lives.

Summary

LSVT associations have developed new stock both within and outside their original areas of operation. They face a degree of pressure to expand to maintain the momentum of improvement in service delivery, and also to avoid becoming a target

for mergers with other RSLs. Expansion can be linked to State withdrawal, as councillors often transfer to access new resources to develop new stock. Although they are sometimes reluctant to see their local LSVT developing in other areas, they recognise that this will release resources for reinvestment in the stock, as well as development in their own area in future. Expansion can also be linked to the public to private shift in responsibility for service delivery. Expansion can be seen as a response to the financial burden of the large debt taken on by LSVT associations to fund stock transfer. Developing new stock increases turnover and can help share overhead costs across an expanded housing stock.

3. ADAPTING MANAGEMENT STRUCTURES TO MANAGE THE EXPANDED STOCK

The rush to grow has brought problems for LSVT associations. Their origins as former local authority housing departments mean that their management structures are not adapted to geographical expansion. LSVT associations have sometimes developed outside their local areas, but have not developed an effective strategy for managing the new dispersed stock until much later:

> *"I don't think we've particularly thought through the management implications. Being an ex-local authority management service, we've been used to a very restricted geographical area to providing services. Now what we find is that we've got 100 properties in [   ] – trying to manage them 30-40 miles away is different from how you manage it here. The problem is that we haven't got any local authority area where we've got enormous numbers of properties, other than [our own area]. In terms of regional committee structures, everything tends to be skewed back towards [the sponsoring authority's area] anyway." (Chief Executive)*

Geographical expansion over wide areas eventually leads to changes in the way housing management services are configured. Figure 10.6 shows the impact of development upon the management structures of LSVT associations. Management structures change from a service that focuses most of its attention on a small area, to a structure capable of delivering a consistently high quality of service over a wider area:

> *"Being so spread out started to present a problem, because we had one Housing Director, who was going all over the place, same for the Development Director. This is why we regionalised. So each region has its own Director, and each Director has his own complement of housing, development and administration staff. They're totally responsible for their own patch, expect for finance, which is centrally controlled, because it*

*makes sense for us to borrow for the whole organisation, its cheaper and
we can control it better." (Chief Executive)*

Figure 10.6 The impact of development upon management structures

```
                    ┌──────────────────────────┐
                    │ Development of new homes  │
                    │      in local area        │
                    └──────────────────────────┘
                                 │
                                 ▼
                    ┌──────────────────────────┐
                    │ Opportunities in local    │
                    │ area dry up or association │
                    │ is outbid by other RSLs   │
                    └──────────────────────────┘
                                 │
                                 ▼
                    ┌──────────────────────────┐
                    │  Expansion to other areas │
                    └──────────────────────────┘
                                 │
                                 ▼
                    ┌──────────────────────────┐
                    │ Dispersed stock not       │
                    │ effectively managed by    │
                    │ "LA style" management     │
                    │ structure of LSVT         │
                    └──────────────────────────┘
                       ╱                    ╲
                      ▼                      ▼
        ┌──────────────────────┐  ┌──────────────────────────┐
        │ Association re-focuses│  │ Restructuring of          │
        │ on core area         │  │ management to deliver      │
        │                      │  │ effective services to      │
        │                      │  │ dispersed stock            │
        └──────────────────────┘  └──────────────────────────┘
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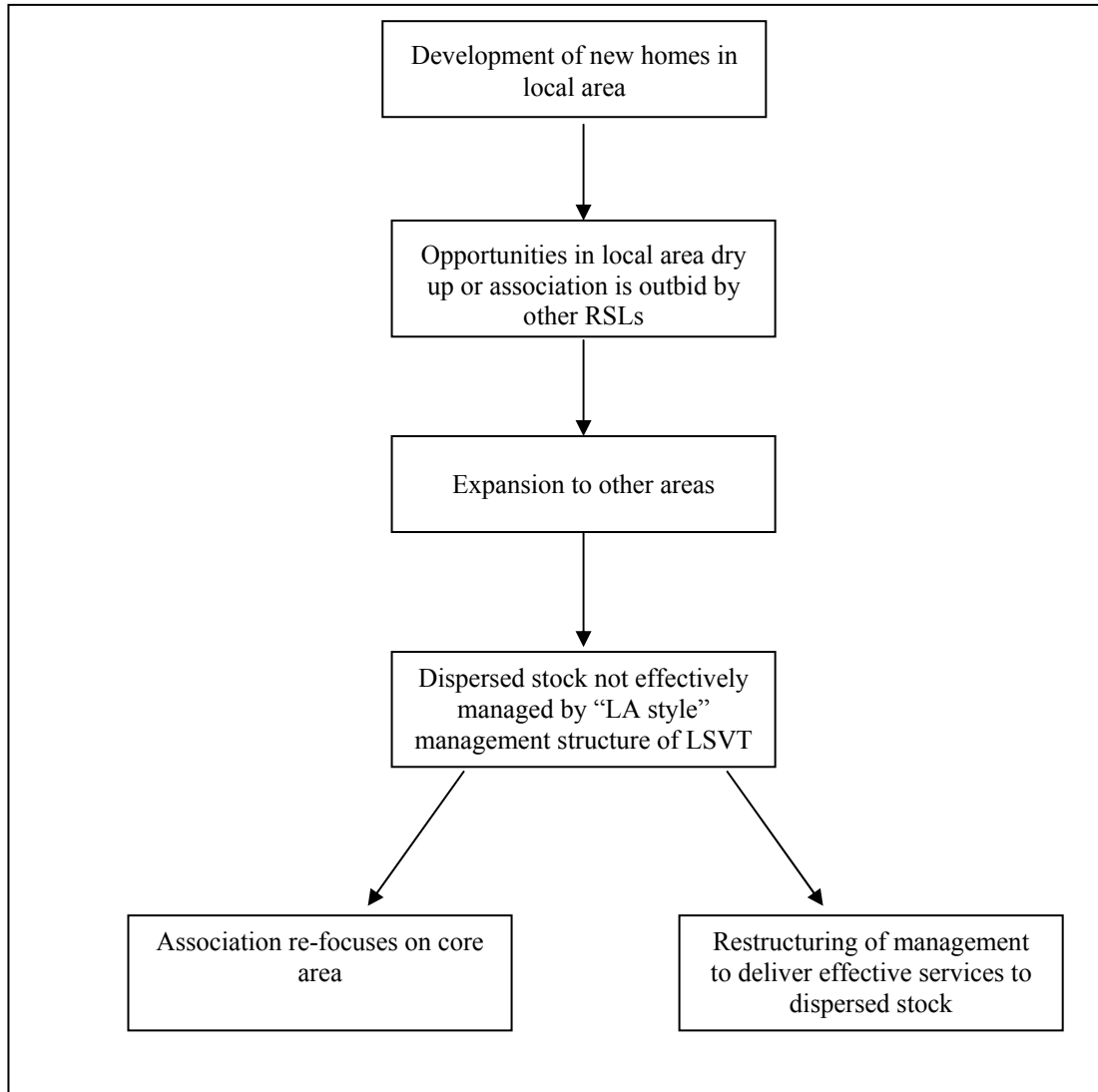
LSVT associations who have developed over wide areas often face difficulties with
their aims to create balanced communities. In their core stock, they have
concentrations of stock and have a high level of local knowledge. This enables them
to allocate sensitively, and to avoid housing concentrations of tenants with problems
in the same area. Developments outside their local area are often small, and the local
authorities in those areas will allocate people at the top of their waiting lists.
Inevitably, this could lead to concentrations of more vulnerable tenants in LSVT
associations' dispersed stock, as they do not have the luxury of provision that can

balance allocations. This compounds the general difficulties that LSVT associations face in managing their dispersed stock.

Lack of strategy in development

The way some associations have grown shows that there was to some degree a lack of strategy for development and growth. A director of an association that was not expanding outside its local area observed that some LSVTs had in the past been very aggressive in seeking out new opportunities, including in other LSVT associations' areas. This was not necessarily bad for the local authorities offering grant funding for development or for the associations themselves. It is not clear, however, that the associations had developed a clear strategy for expansion, other than to grow. One association developed aggressively in its first years in operation, but did not concentrate sufficiently on updating its existing stock, to ensure that it still met people's expectations. In the late 1990s, the association found parts of its stock increasingly difficult to let, partly as a result of its own development activities:

> *"Most people who want social housing are expecting high quality social housing. Part of that is our own making. During the first seven years after the transfer, [the sponsoring authority] was able to provide enough funding for 2000 new homes. That built a lot of brand new high quality houses. So why would someone go into a grotty three bedroom flat when they can get a three bed house down the road." (Chief Executive)*

Another association had developed aggressively outside its local area while neglecting its existing stock, some of which was deemed as statutorily unfit. For both associations, the location of their core stock was key. One was located in an area of very high demand, and its neglect of its core stock was straightforward to remedy later. The other association is located in an area where demand is not as strong. The association is facing a degree of pressure from its board to sell some of its stock if measures taken to tackle low demand are not effective. For this association, over zealous development has exacerbated demand problems in its existing stock. A more effective strategy for this Association might have involved examining how existing stock could have been modernised and improved rather than developing new stock.

Links to State withdrawal

Some local authorities withdrew from direct service provision as a way of releasing housing from the constraints of the public sector. LSVT associations face a degree of

political pressure to focus on ways of delivering effective customer services. Councillors recognise the need for LSVT associations to expand, but see that expansion over wider areas can have a detrimental effect upon the core housing stock. Some organisational change can be attributed to political pressure from councillors who sanctioned withdrawal, but see expansion beyond the original local authority area as a dilution of the organisations they established. Organisational change, including the formation of group structures, can help ringfence the 'original' stock to prevent distortion of the body that councillors helped to establish, while enabling the association to continue to grow.

Links to the public-private shift in service delivery

Changes to the way services are delivered become necessary when existing structures are not capable of managing the housing stock effectively. This can threaten financial performance, leading to financial pressure and greater emphasis on costs and budgets than service delivery. Restructuring of management can help LSVT associations provide more effective services to their new and existing stock while at the same time meeting their financial targets.

Emphasis on performance

The pressure of LSVT associations' debt burdens forces them to focus on financial performance. Expansion over wider areas often meant that existing management structures were not best placed to provide services and meet the targets set for them. This is because they lacked a local presence in outlying areas, making it difficult for them to stay close to tenants, or for them to keep in touch with conditions on the ground. Reorganisation has helped LSVT associations to deliver more effective services and to achieve consistently higher levels of performance than other RSLs and local authorities in most areas, including collecting greater proportions of rent due and lower rent arrears and void losses.

LSVT associations collected a higher proportion of rental income due than all RSLs did, but district councils' performance was better than both groups (see figure 10.7).

Figure 10.7: Rent Collection
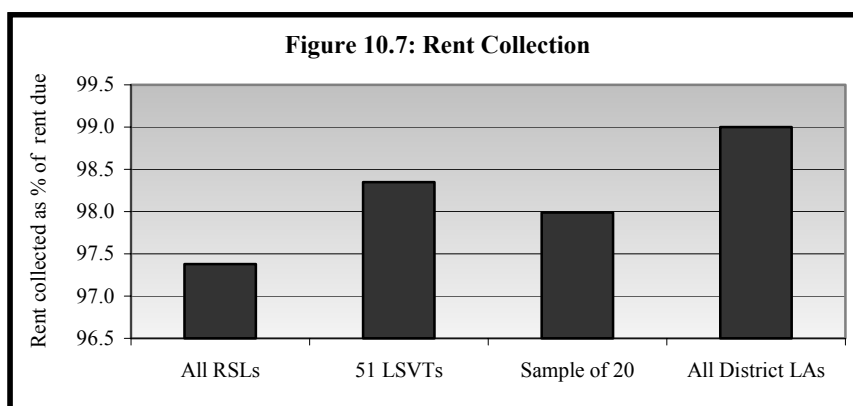
Source: Audit Commission (2000); Housing Corporation (2000)

The performance of district councils may be explained by their closer links with the offices that administer Housing Benefit. For LSVT associations, income maximisation is extremely important to ensure that they collect adequate revenue to meet their obligations to funders.

The importance of income maximisation to LSVT associations is also reflected in figures on rent losses through bad debts and voids. While LSVT associations lost 2.09 per cent of rental income through bad debts, all RSLs lost some 3.2 per cent (see figure 10.8).

Figure 10.8: Rent losses through bad debts and voids
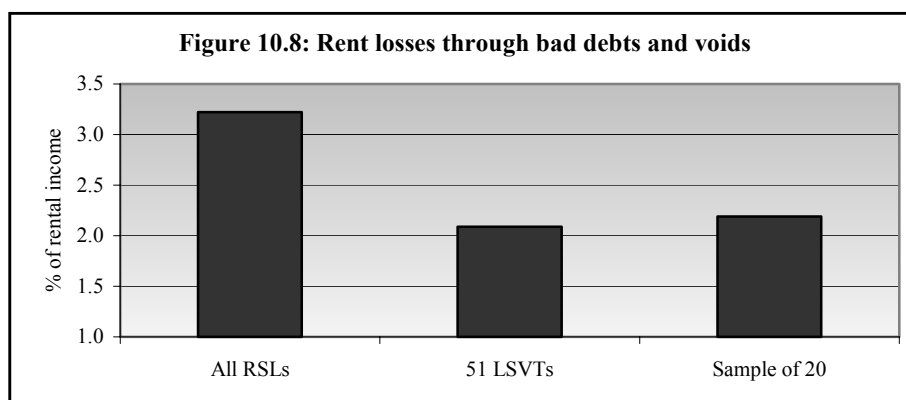
Source: Housing Corporation (2000)

LSVT associations are also more effective at controlling rent arrears than all RSLs, with a difference in performance of over 2 per cent (see figure 10.9). Better performance by LSVT associations on both rent losses and rent arrears reflects the tough targets set in early years, which require the organisations to maximise income collection and minimise losses.

Figure 10.9: Rent arrears as a proportion of total rental income
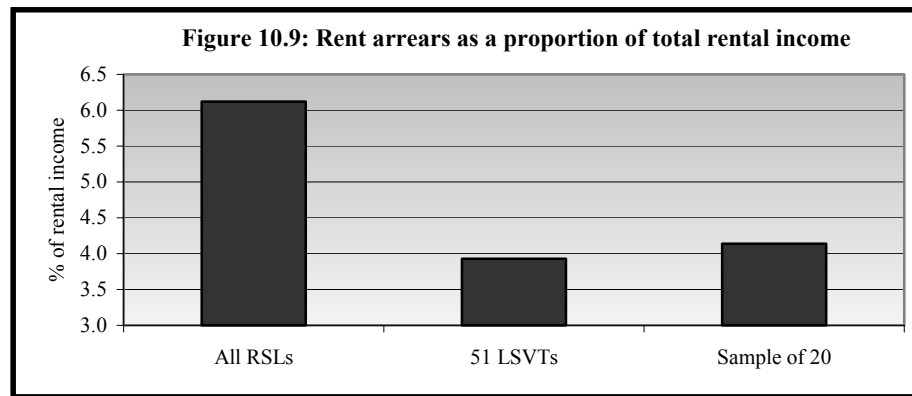
Source: Housing Corporation (2000)

Financial pressure

LSVT associations do not have the same comfort financially as other RSLs do. They start from a position where they have to work hard to achieve targets in their business plans. Business plans are tight initially, as sponsoring authorities want to maximise the sale price of the stock, and their capital receipt. Transfer negotiations start from the position of *the cost of provision of a local authority style service,* where costs and expectations have been kept to the minimum possible level for substantial periods before transfer. The consultation process unleashes new expectations of a better quality of service, which inevitably costs more than the local authority style service. LSVT associations have to meet their loan repayments and business objectives, as well as meeting expectations for better services:

> *"We are an entirely debt funded organisation, so we have to operate as a business, because we have loans to pay off. But we're also a social landlord, so the trick is to steer the route in between the two. There are times when we have to drop down on the business side. There are times when we will drop down on our social responsibilities. That is our culture." (Housing Services Director)*

Staff throughout the organisations are forced to become aware of the costs of everything they do, especially in the early stages when finances are most tight. The concept of every activity having a cost is not widely adopted in many local authorities.

Too much focus on business aims at the expense of customer service?

A Tenant Participation Officer observed that there was "*very much a business focus*" in his Association, and this focus "*detracted from it being a people business*".

Focusing on costs and the "business" side of social housing does not necessarily mean that associations cannot pursue their "social aims". Ultimately, all costs to the associations are costs that are passed on to tenants in their rents, and staff in LSVT associations are more aware of this than perhaps staff in RSLs or local authorities:

> *"We have a social objective, but we do run it as a business. We are quite used to looking at things from a business perspective. To take the financial costs to our tenants of the activities we get into fairly high up the agenda." (Finance Director)*

The presence of businessmen and women on the boards of LSVT associations can also strengthen the influence of the "business side" of running social housing at the expense of service delivery aims:

> *"The Board is tending to become more financially turned on… financially harder. There are some people on the Board who almost think the organisation is just about the financial bottom line. There are some interesting culture clashes. There's a lot of pressure from the Board to disaggregate the stock and analyse it financially, and get rid of the stock that doesn't work financially. It's good in the sense that it keeps us [the senior management team] on our toes." (Finance Director)*

Concerns with cost control can become more important than service delivery, particularly if business plans are very tight, or senior staff are too cautious. Figure 10.10 shows how an LSVT association might approach competing organisational goals of expansion, pressure to meet financial resources and pressure to improve services.

Figure 10.10: Approaches to competing organisational goals
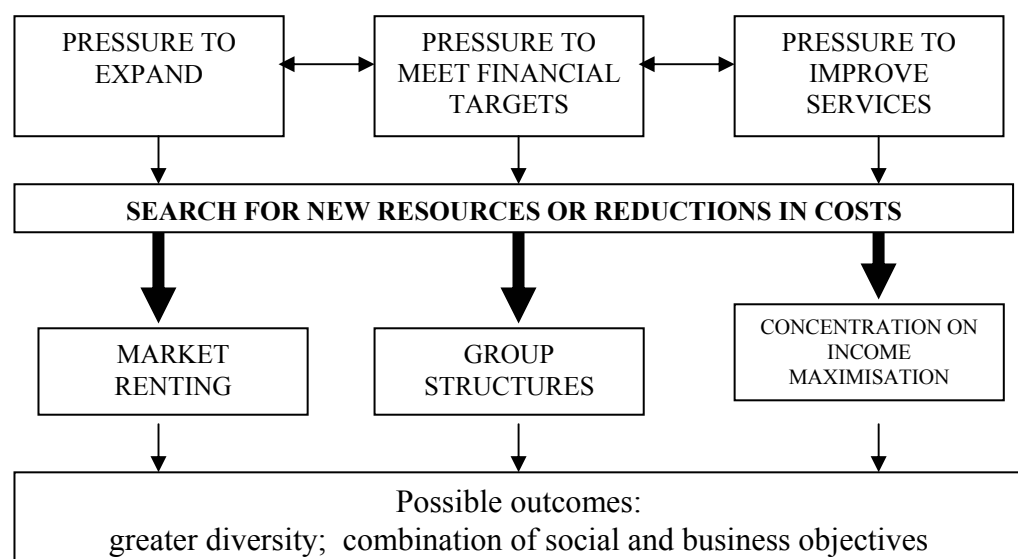
Emphasis on cost control might be a particular problem for senior managers from local authorities, who are unaccustomed to dealing with the risks associated with an independent organisation taking on a large debt burden. A Housing Director observed that his Association had made a number of attempts to introduce initiatives to shift the focus back onto service delivery, including a Tenants Charter. The success of these initiatives was limited, partly because the Association did not initially release enough funds to implement them, because of its focus on cost control:

> *"We were slow to provide sufficient resources to enable some of these, and we've addressed that over the last year. We've introduced a Tenant Participation Officer, we're bringing in more housing officers. Previously we've tended to be very lean and very mean – probably too mean and lean – to provide the services we want. The biggest fear during the first few years was 'are we going to make it financially'. We were very much aware that we had a very tight two or three years that we had to get through. Everybody was driven to make sure we didn't overspend."*
> *(Housing Director)*

Comparing management costs and staffing levels of LSVT associations to those of RSLs and district councils can demonstrate the emphasis on cost control. RSLs and district councils spend around £450 per dwelling per annum on management of their stock. In contrast, the LSVT associations spent just £322 per dwelling per annum (see figure 10.11).

Figure 10.11: Management Costs
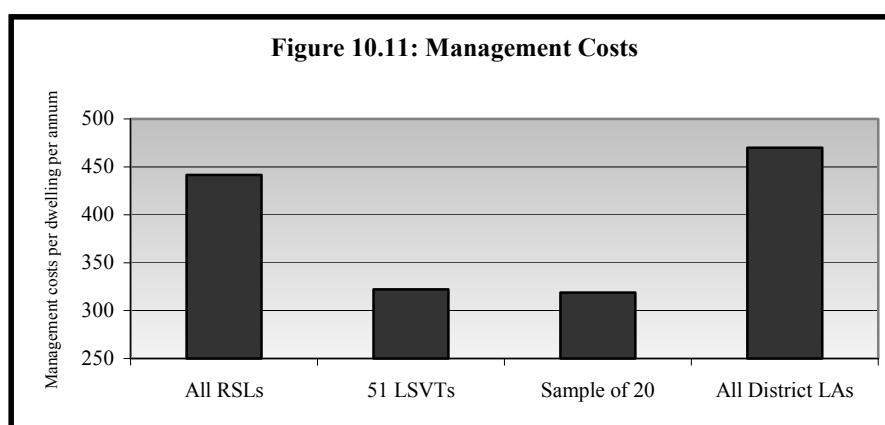
Source: Audit Commission (2000); Housing Corporation (2000)

Higher management costs in district councils can be explained in part by the division of central service costs between departments. Housing departments sometimes bear a higher proportion of the costs of IT and finance than other departments, such proportions often not reflecting their actual usage of those services. The difference

between RSLs and LSVT can be explained by the incentives and pressures faced by LSVTs. RSLs are commonly not heavily indebted and will normally achieve a surplus of income over expenditure. They also grew accustomed to revenue grant support from Central Government, which meant that they were able to devote more resources to management. LSVTs in contrast are heavily indebted, and will often make losses in the early years of their operation. They need to contain costs to keep deficits within levels agreed with their funders, so that they can eventually move into surplus and pay off their debts.

RSLs employ approximately double the number of full-time equivalent staff per 100 dwellings than LSVT associations (see figure 10.12).

Figure 10.12: Average number of FTE staff per 100 dwellings
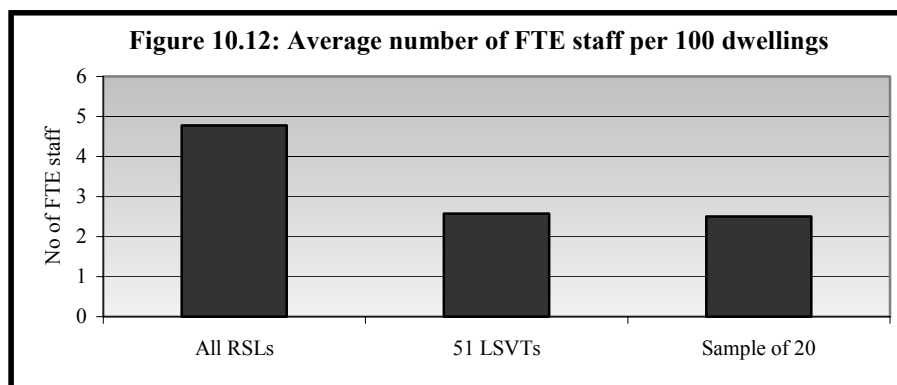
Source: Housing Corporation (2000)

Part of this difference, but by no means all, is accounted for by the low number of care staff employed by the LSVT associations, whose housing stock is almost exclusively for general needs. LSVT associations clearly display their origins as former local authority housing departments, in which constraints on resources place limits on staffing. The smaller number of staff also demonstrates that LSVTs are leaner than RSLs, and strive to provide comparable services at a lower cost. This is driven by the large debts taken on by the LSVT associations at the point of transfer, and the need to meet targets to ensure that loans can be paid off within agreed timescales.

Summary

The shift in responsibility for service delivery to the private sector brings an emphasis on performance and pressure upon staff to meet financial targets. This can sometimes

lead to a perception that the associations focus too much on their 'business aims' at the expense of their 'social aims'. These pressures are exacerbated by the difficulties the associations face when management structures have not grown or adapted to changes in the distribution of housing stock as a result of development. This has an impact on performance, which can create financial difficulties. Both financial pressure and the demands from councillors for more effective service delivery for the 'core' housing stock bring about organisational change.

4. DIVERSIFICATION AWAY FROM SOCIAL HOUSING PROVISION

For LSVT associations in the early stages following their creation, the growth and development aspirations of senior staff can sometimes by frustrated by lack of available resources. Unless they can find new sources of funds for investment, they may not be able to develop until much later, when they have moved into surplus and have started to repay their loans. To generate new sources of funds, LSVT associations have often ventured into new activities, including student accommodation, housing for NHS key workers and market renting. Directors in some LSVT associations argue that market renting *is "a dilution of what we're meant to be about*" (Chief Executive). Although housing for market rent does not meet the core aim of social housing organisations – to provide affordable housing for people in housing need – it does meet a need for good quality housing that might not be met by other providers. At the same time, expansion into this area of housing can generate profits, which can help associations provide additional resources to develop more housing for its core social housing client base:

> *"Its something we could make money at, we could be good at, and help subsidise social housing development, and possibly charge lower rents."*
> *(Finance Director)*

For staff and tenants of a local authority, transfer to an LSVT association offers opportunities and threats. In Chapter seven, we examined the core reasons for the shift in service delivery from the public to the private sector. Transfer enables the former housing departments, constituted as housing associations, to access private finance. Placing the ownership and management of housing at arms length from local authorities gives staff more freedom to develop new areas of business, including development of new homes. This freedom is limited to some extent by the associations' boards and also by funders and limits on resources. Some of the

associations in the sample survey have expanded rapidly across whole regions of the country.

Withdrawal from direct provision, organisational change and greater private sector responsibility for service delivery brings opportunities, risks and constraints, which are illustrated in figure 10.13.

Figure 10.13: Constraints, opportunities and risks
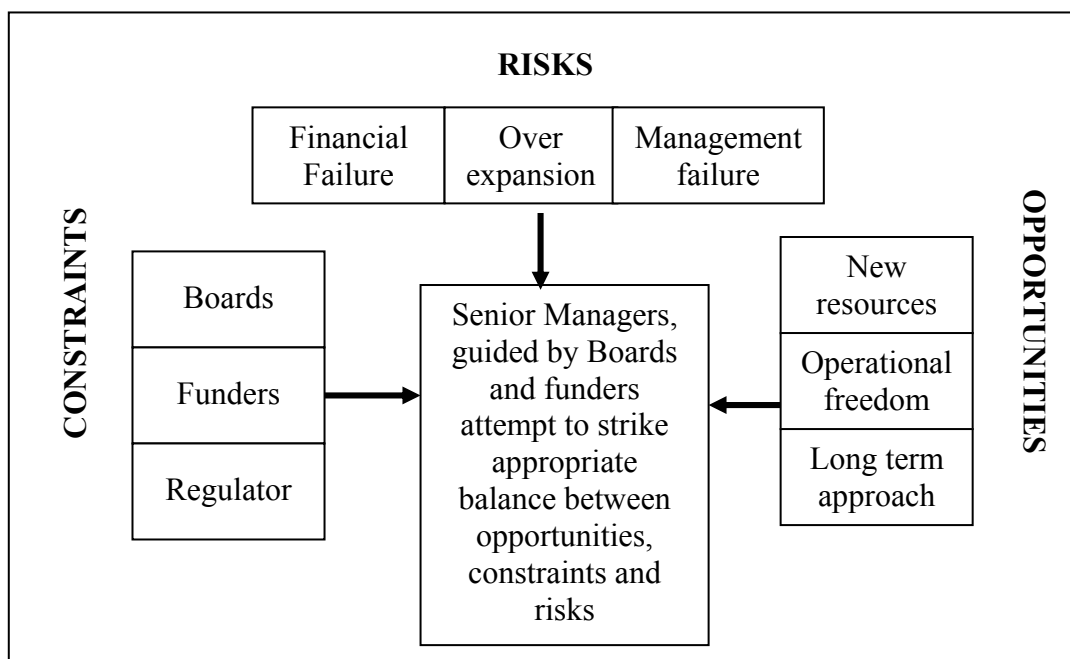
Access to resources comes at the price of a heavy burden of debt upon the organisations, which involves a substantial amount of risk. The associations' freedom to innovate and set up new ventures may become an end in itself, leading to over expansion and management problems. Non-core activities may become more important than service delivery to the "core" stock of units transferred from the sponsoring authority. Diversification becomes important for LSVT associations whose 'core' business is affected by low or changing demand for their stock.

Links to State withdrawal

In chapter two, we explored the risk adversity of public sector organisations. Public sector workers are prevented from innovating or experimenting by the rules-driven structure of the organisations they work in. Managers are wary of allowing staff to experiment for fear of mistakes being made, which could be exploited by politicians.

Withdrawal from direct provision frees housing organisations from the culture of risk adversity in local authorities. LSVT associations are more likely to encourage innovation and experimentation by their staff. They are often more willing to let staff take measured risks and to learn from their mistakes.

Links to the public-private shift in service delivery

Diversification has clear links with the public to private shift in responsibility for service delivery. As private sector organisations, LSVT associations have commercial freedom to engage in a wider range of activities than local authorities, which are legally prevented from engaging in activities outside the range set by central government. LSVT associations also have a strong focus on long term sustainability, and diversification can help them protect their financial viability.

Commercial freedom

The activities of Housing departments within local authorities are strictly controlled by Central Government. In contrast LSVT associations are private sector organisations and have more freedom to invest in new markets and alternative activities, subject to government regulation through the Housing Corporation. LSVT associations can also establish subsidiary organisations to provide services outside the scope of government regulation. These subsidiary organisations could provide housing for NHS key workers or other sub-market and market rented housing.

Focus on sustainability

The shift of housing formerly owned by local authorities to the private sector locks it into a long term programme of investment, financed by borrowing. LSVT associations have to ensure that their housing stock is financially viable for at least the length of the loan taken to finance stock transfer. If an LSVT association finds that demand for its core social housing business is declining, it needs to diversify into other markets to ensure that the organisation can continue to service its loans, and to survive in a different form with alternative businesses.

Summary

Lack of resources for new development leads to a search for other sources of funds for investment. Some LSVT associations have diversified from their core business of providing social housing into other related areas, such as providing housing for

market rent, and accommodation for students or key workers. These activities can produce surpluses, which can be used to fund development of new social housing. There are clear links with State withdrawal from direct provision. Transfer moves landlords from the risk averse public sector to the private sector, which is better placed to innovate and experiment. There are also links to the public to private shift in service delivery. Moving landlords to the private sector gives them commercial freedom and their focus on long term sustainability drives diversification from core business.

SUMMARY AND CONCLUSIONS

In this chapter, I examined four key catalysts for organisational change – the transfer process itself; geographical expansion; the need to change management structures to adapt to changes in the housing stock; and diversification away from the core business of providing social rented housing, in relation to the key explanations of stock transfer.

Changes in service delivery following transfer can be attributed to withdrawal by local authorities from direct provision, access to resources through private finance, which is unavailable to local authorities; the break of links with politicians; changes in incentives; and changes in the input of tenants into the organisations which result from changes in their role during and following the transfer process. Table 10.2 shows the key differences between LSVT associations, traditional housing associations and local authorities emerging from this analysis.

The process of moving staff and housing from the relative security of the local authority environment to independence in the private sector, unleashes a number of opportunities – freedom to borrow, to develop and to expand – and risks – a heavy debt burden, over expansion, and management problems. LSVT associations often feel that expansion is necessary to avoid being merged with another association. Expansion has brought associations problems where they have spread their development activities too widely and thinly, with dispersed stock that is difficult for their existing structures to manage. There is also a risk that development takes priority over the existing stock and service delivery.

Table 10.2: Key differences between LSVT associations, traditional housing associations and local authority housing departments

	LSVT association	Traditional HA	LA Housing Department
Tenant involvement	Transfer forces landlords to get closer to tenants, which can lead to changes in the way services are delivered.	No pressure to engage with tenants, no pressure to change methods of service delivery. Some pressure to change, through competition for social housing grant.	Tenants can get involved through contact with councillors. Councillors have competing interests and attempt to satisfy all or most of their constituents.
Political involvement	Indirect involvement by politicians, through council nominees on boards.	Little or no direct involvement by politicians in management.	Direct control and ownership of stock by councils.
Rent setting	Rents determined through long term business needs, within constraints set by Housing Corporation.	Rents set at sufficient levels to fund services and reinvestment, subject to Housing Corporation constraints.	Rents set within limits determined by Central Government, and with regard to councillors' chances of re-election.
Rent levels	Start at level of local authority rents, but increase towards rent levels of RSLs, subject to Housing Corporation limits on annual increases.	Determined by reinvestment and service delivery needs.	Lower rents, often not sufficient to fund reinvestment in the stock.
Private sector influence	Supervision by funders and involvement of independent members on Board.	RSLs have grown increasingly accustomed to private finance since 1989.	Little or no private sector influence or involvement.
Accountability to service users	Through tenant board representatives and councillor nominees.	Varies between RSLs.	Through councillors.
Expansion	Opportunities to expand in home area and elsewhere, funded through private finance and LA social housing grant, funded by capital receipt from transfer.	Opportunities to expand in home area and elsewhere, funded through private finance and LA social housing grant, funded by capital receipt from transfers.	Few opportunities to expand stock, due to Central Government constraints on capital expenditure.
Ethos	Cost driven, with emphasis on effective delivery of services and good value for money.	Service driven, although focused on costs and value for money.	Driven by aims and objectives of politicians.
Structure	Management structure designed for concentrated stock, but often has to change to manage a more dispersed stock.	Structure designed to manage a dispersed stock.	Structure designed to manage a concentrated stock.
Range of activities	Determined by access to resources, financial strength and drive of staff.	Determined by access to resources, financial strength and drive of staff.	Narrow range of activities, defined by Central Government and statute.

Source: Interviews, 1998 and 1999

In the concluding chapter of this thesis, we draw together the evidence presented, in order to assess how far it advances our understanding of the key issues set out in chapter one – how the State's attempts to transfer can be explained; the organisational changes introduced by LSVT; and how transfer reflects wider changes in the Government's approach to service delivery.

INTRODUCTION

In this concluding chapter, I summarise how the evidence presented in this thesis helps to advance our understanding of the three core issues set out in chapters one and two, as follows:

1. To what extent has LSVT helped the Conservative Government achieve its aims of encouraging local authorities to withdraw from direct provision?

2. How have the new housing organisations developed at ground level, in terms of management, ethos, goals, operation and structure?

3. Has the influence of a shift away from public provision towards a more private sector style of provision affected how the organisations develop and operate?

In the second section of this chapter, I explore ways in which the type of whole stock transfers examined in this thesis might have helped pave the way for inner urban and citywide transfers from 1996 onwards. I start by summarising the evidence presented in the thesis and drawing key conclusions on how LSVT fits within the core theories presented in chapters one and two.

1. EXPLAINING THE STATE'S ATTEMPTS TO WITHDRAW FROM DIRECT PROVISION

In chapters two, three and four, I attempted to set what is a significant structural change at ground level in the context of broader changes driving the new role of local authorities in housing - a contraction in their role as direct providers, as a result of the shift in responsibility for provision to the private sector, driven by reductions in public funds made available for investment; which has resulted in changes in the way social housing is organised and managed.

Central Government's involvement in stock transfer
Although the Labour Government first started the reductions in public housing programmes in 1976, primarily for fiscal and economic reasons (Merrett, 1979; Malpass, 2001), the Conservative Government elected in 1979 introduced far deeper cuts (Cooper, 1985). The Conservative Government believed that the State was too enmeshed in direct provision, and this threatened individual choice and freedom

(Thompson, 1990). The policy response was to shift financial support from public housing to support for owner occupation (Forrest & Murie, 1987; Hamnett, 1987) and selling homes to tenants under the Right to Buy (Forrest & Murie, 1988). From the mid 1980s onwards, the Conservative Government appeared to recognise that not all the remaining tenants would be able to buy their homes under the Right to Buy, and argued that local authority landlords needed to improve service delivery (Waldegrave, 1987; Malpass & Mullins, 2002), which was identified as being problematic in larger urban authorities (DoE, 1981; Henney, 1984; Audit Commission, 1986; Clapham, 1989). Estate Action was introduced in 1985, with an ambition that the incentive of grants for reconfiguration of estates would lead to transfers to private sector landlords (Provan, 1993). Following the Conservative Government's third consecutive general election victory in 1987, ministers proposed transfers of council housing through HATs and Tenants Choice, to further reduce the State's role as a direct provider (Waldegrave, 1987; DoE, 1987; Ridley, 1988), but also arguably to address some of the management problems associated with council housing (Henney, 1984; Power, 1987; Clapham, 1989; Malpass & Mullins, 2002). Stock transfer could change the way public rented housing was managed by, for example, passing it to single purpose bodies with access to private finance, more akin to the European models of social housing (Power, 1993; Kleinman, 1996).

Such a shift to private sector bodies would reduce the State's financial commitment to housing provision, enabling the Conservative Government to achieve its ideological objective of supporting owner occupation and private provision (Forrest & Murie, 1987; Hamnett, 1987). The shift could also arguably enfranchise tenants by giving them more decision making power over the future of their housing (DoE, 1987), although this right was limited and was not available after transfer out of the council sector (Clapham, 1990). Local authorities, once having passed ownership of their housing stock to other bodies, would be left with an enabling role, involving identifying needs and monitoring the performance of providers (Goodlad, 1993; Aldbourne Associates, 1997).

Local authorities, tenants and private sector organisations appeared reluctant to accept the shift in the way Central Government proposed (Mullins, 1991). Tenants were reluctant to change landlords even though services provided by some local authorities

were arguably only barely adequate. Their fears of the private sector and the Government's models of transfer were heightened by the initial refusal of ministers to allow ballots of tenants on HAT proposals (Kemp, 1989; Woodward, 1991). Local authorities were reluctant to use the models developed by central government, arguably because of the perception among tenants and councillors that they might have allowed private landlords and property speculators to take over their estates. Under pressure from the financial regime introduced by the Conservative Government, many local authorities were interested in exploring ways of involving the private sector (Kleinman, 1996), but in a way that offered tenants more protection and opportunities to participate, and that addressed their housing departments' problems in a more structured and holistic way.

The independent sector - in the form of housing associations - resisted the shift from the public sector in the way the Conservative Government had proposed, as they wanted to work in partnership with local authorities (Mullins, 1991). The housing association movement was reluctant to involve itself in anything that would threaten its relationship with local authorities (NHFA, 1987).

Explaining local authorities' approach to stock transfer
The Conservative Government's increasing tightening of the financial regime for council housing encouraged many authorities to consider transfer (Kemp, 1989; Kleinman, 1996), while others with the most acute problems were arguably forced to transfer. In addition to their financial problems, some councils' began to experience management problems by the 1970s and 1980s (DoE, 1981; Audit Commission, 1986; Power, 1987). The perception of council housing held by voters living in other tenures was often negative, even though council tenants were believed to be generally satisfied (Gyford et al, 1989; Maclennan et al, 1989). Some councils responded to the difficulties of owning housing, related to the financial regime for council housing, by withdrawing from direct provision, at least partially (Tym et al, 1988; Mullins et al, 1995; Lee, Power & Tunstall, 1999; Nevin, 1999; Malpass & Mullins, 2002). Other councils who rejected transfer attempted to address their problems by changing housing management, through initiatives including decentralisation (Seabrook, 1984; Mainwaring, 1988). These reforms, while successful in delivering some improvement in management, appeared to do little to help address the local authorities' financial problems, which resulted from the Conservative Government's reductions in the

public housing budget. Reforms were arguably vulnerable to shifting political priorities (Mainwaring, 1988), which appeared to strengthen the case for more fundamental change (Power, 1997). Finally, local authorities were pressured to shift responsibility for the provision of socially rented housing to the private sector to provide access to long term sources of investment (see Glasgow DC, 1986; LB Hackney 1995; LB Tower Hamlets 1995; Wilcox, 1993), and possibly also to bring an alternative vision for managing the stock (see for example Tym et al 1988). The Conservative Government wanted to force local authorities to withdraw from direct provision (DoE, 1987; Waldegrave, 1987), and arguably tightened the financial regime for council housing in order to do so. This appeared to leave local authorities with the most severe stock condition and management problems with little choice but to involve the private sector. However, local authorities appeared to be willing to work with the private sector but on agreed terms (NHFA, 1987; Chumrow, 1995) and, with the help of tenants' campaigns, successfully resisted the Conservative Government's compulsory transfer models.

2. ORGANISATIONAL CHANGES INTRODUCED BY STOCK TRANSFER AND IMPACTS ON SERVICE DELIVERY

The Conservative Government's policies towards council housing can be divided into two phases (Kemp, 1991). During the first phase, between 1979 and 1986, the Government focused on promoting home ownership through the Right to Buy, and in the second, it turned its attention to the stock that remained in council ownership. In the second phase, the Conservatives recognised that there was a need for a significant rented sector to provide for people who could not afford to purchase their homes (Waldegrave, 1987). However, ministers were critical of the services provided by local authorities (ibid; Patten, 1987) and sought to bring about organisational change (Malpass & Mullins, 2002). While outside observers on council housing may also have advocated organisational change (Henney, 1984; Clapham, 1989; Power, 1993), there is little evidence to confirm that local authorities transferred for anything other than as a way of escaping from the financial straightjacket imposed by the Conservative Government. For example, the transfer of whole council housing departments to single, newly created landlords with an element of continuing councillor involvement, can arguably be interpreted as resistance from councils to the break-up of their stocks. This appears to be in direct conflict with the aim of the

Conservative Government to "get rid of these monoliths" (Patten, 1987) as whole stock transfers merely moved near monopoly landlords from the public to the private sector. Research into the motivations of transferring councils may shed further light on the role organisational change plays in building the case for transfer.

Whether or not local authorities transferred as a way of changing the organisation of their housing service, as well as to escape from the financial regime for council housing, evidence presented in this thesis suggests that LSVT has achieved a degree of organisational change. In Chapter two, I discussed Handy's (1993) examination of organisational structures. Public landlords generally adopt the 'role' management style, where workers operate within very tightly defined and demarcated roles. These types of organisations find it difficult to adapt quickly, and can 'collapse' if there are changes to their operating environments. Stock transfer has moved public landlords from the role style to the 'task' style of organisation, where workers are able to operate more flexibly and focus more on outcomes, rather than the procedures required to achieve those outcomes. Evidence from the survey of twenty LSVT associations suggests that they are more likely to focus on service delivery and less likely to be concerned about rules, job descriptions and procedures.

How significant is management change?

By applying Peters and Waterman's (1982) eight attributes for excellence to management by local authorities and LSVT associations, we can see that differences emerge. Generally, as a result of the way they are structured, local authorities do not appear to possess any of the eight attributes for excellence, as shown in table 11.1, whereas LSVT associations appear to be *capable* of achieving all eight.

Table 11.1: Applying key attributes for excellence: Management change as a result of stock transfer

Attribute	Management by local authority	Management by LSVT association
1. Bias for action	Political process prevents speedy reactions. LA arguably slow to respond to customer needs (Stewart, 1988).	Structures are set up and structured to change and avoid stultification.
2. Close to customers	Service providers have divided loyalties between tenants and politicians (Leach, Stewart & Walsh, 1989; Clapham, 1989).	Focus on customer – survival arguably depends upon it. Systems in place to seek customer feedback and involvement, including Tenant Board members.
3. Autonomy and entrepreneurship	LA structure largely prevents entrepreneurship. Culture of avoidance of risk and blame (Stoker, 1991). Organisation avoids making mistakes and does not learn (Stewart, 1988).	Staff given autonomy and encouraged to innovate. Capable of learning from mistakes with little risk of blame from politicians.
4. Productivity through people	A strong 'them and us' culture between staff and politicians (Gyford, 1984)	Management close to staff and relationships and communications are generally informal.
5. Hands on – values driven	Constantly changing values as power changes hands between parties. Local authority structures are complex and senior staff are often remote from frontline staff (Power, 1987).	Simple structure brings managers closer to the frontline and to customers. Tenants on board help to ensure that senior staff hear customer viewpoint.
6. Stick to the knitting	Local authorities are multi-purpose organisations. Politicians determine policy and strategy, yet are rarely experienced in housing management (Wilson et al 1998). Politicians' time and attention is divided across a range of local authority activities (Stoker, 1991).	Focus on one core business of providing housing.
7. Simple focus – lean staff	Housing is part of a complex bureaucratic organisation. High staff to tenant ratios, but very few at ground level (Power, 1987).	Very few layers of management between chief executives and frontline staff.
8. Simultaneous loose-tight properties	High level of centralisation of decision making, as staff avoid making responsibility to avoid risk and blame (Stewart, 1988). Values are owned by councillors.	Autonomy pushed down to lowest possible levels. Staff afforded decision making power within limits set at centre.

Source: Peters & Waterman (1982), references cited in the table and Interviews, 1998 and 1999

Are there fundamental organisational changes?

A key theme running throughout this analysis is the role of politicians and the political process. The very nature of the political process arguably prevents autonomy being delegated to staff (Leach, Stewart & Walsh, 1994). Where councils attempt to delegate responsibility to staff, individual officers are likely to be reluctant to accept it for fear of being blamed by politicians who might seek to make political capital from

highlighting mistakes (Stoker, 1991). The political process arguably prevents service providers from getting close to their customers, as their first priority is to satisfy politicians (Clapham, 1989:33) and politicians see it as their role to provide accountability to voters, who in the case of council housing are also customers (Power, 1997). The tensions in this role arguably create difficulties for public landlords, including, for example, rent setting determined by political considerations, leading to a lack of resources for reinvestment in the stock (Emms, 1990). A clear message emerges – ownership and management of housing by bodies outside local authorities is likely to be a prerequisite for achieving excellence in the provision of services to tenants.

LSVT can be seen as a break from the traditional method of managing public housing. The new single-purpose landlords operate at arms length from politicians and bring in private and voluntary sector skills and resources (Power, 1997). The survey evidence suggests that LSVT associations are better placed than local authorities to focus on customers, provide innovative services, have a single purpose, all of which help to deliver organisational change.

Whole stock transfers to date have generally led to the creation of standalone organisations, each with their own chief executives, finance directors, IT and finance departments. Evidence from the survey seems to suggest that this was the only way that councils and tenants could be satisfied that there would be local ownership of policy and decision making in the acquiring landlords. Perceptions of respondents in the survey, for example, indicate that councillors were reluctant to accept split transfers, where proposed, and were also thought to be opposed to any organisational change, including mergers, which changed the structure of the 'original' LSVT association.

Consequently, LSVT has not created much diversity of ownership of socially rented housing at ground level. Up to 1996, the dominant model was whole stock transfer to a single, specially created housing association. Ownership was not broken up into smaller and more diverse bodies, due in part to the size of the housing stocks involved, many of which were relatively small. Dividing all these housing stocks might not have been feasible, as the organisations created might have been too small to be financially sustainable on a standalone basis (DETR, 1998).

How transfers are evolving beyond the whole stock model

The pattern of transfers is changing, and transfers of estates and partial transfers in the late 1990s appear to have created more diversity (Nevin, 1999; London Housing Federation, 1999). In future, large city transfers appear to have the *potential* to create greater diversity of ownership, depending on the structures adopted, and the autonomy afforded to the local subsidiaries of city-wide trusts (Malpass & Mullins, 2002). They also have the potential to replicate the former local authority departments if control is not passed on to local housing organisations.

Although the whole stock single transfer model of stock transfer was dominant between 1988 and 1996, more authorities began to consider transfer as a possible option for parts of their stock in the second half of the 1990s. They included inner urban authorities, whose stock often contained estates in very poor condition (see for example LB Hackney, 1995; LB Tower Hamlets, 1995). Whole stock LSVTs appeared to demonstrate to urban authorities that stock transfer could help address their housing problems, but this type of transfer was not a viable option for them, as any receipt would not have been large enough to cover outstanding debts, due to the need to undertake substantial catch up repairs (Wilcox, 1993).

The Conservative government was keen to continue to encourage and facilitate urban transfers, and introduced the Estates Renewal Challenge Fund in 1996, which provided dowries for new landlords receiving partial transfers of negatively valued stock (DoE, 1995c). Debts associated with the transferred housing stock were retained in the authorities' HRAs and serviced by income from the retained stock and Central Government HRA subsidy.

The Labour Government did not continue the ERCF scheme after the third bidding round. It has instead signalled major changes to regulations on local authorities' outstanding housing debts, which make large city-wide whole stock transfers possible (DETR, 1999b). The Government's *New Deal for Communities* funds may also be used to facilitate stock transfer as part of a wider regeneration package in very poor communities, creating more diversity of ownership and tying the private sector into inner city regeneration (DETR, 1999c). These initiatives have made partial transfers possible in inner urban authorities, following on from the success of shire district councils in transferring their stock.

Evidence from the survey also points to a move away from the independent, standalone model of LSVT through the formation of group structures with other RSLs, which respondents in the survey argue can enable individual members to retain local autonomy over large areas of policy. This move towards group structures arguably helps to reduce the duplication of senior staff and central services, including IT and finance.

What were the impacts of organisational change on housing services?

Having transferred their housing stocks, housing departments were released from the local authority structure to become single purpose bodies with a focus on housing. They were freed from direct political control and were arguably able to take a long term approach to their activities, focusing more effectively on the needs of their customers. Evidence from the survey suggests that this long term approach is driven partly by the organisations' funding arrangements, which requires a sustainable income stream to service loans taken out to purchase and invest in the stock.

The survey of twenty LSVT associations shows that the process of breaking away from the sponsoring authorities is not always straightforward and that the process of negotiating a transfer is said to leave feelings of resentment between former colleagues. Other difficulties are reported to arise when councillors and officers misunderstand or misinterpret the nature of the relationship between the council and the association.

The LSVT associations in the survey have used the opportunity of transfer and the establishment of a new organisation to reconfigure services in an effort to focus more clearly on the needs of customers. Respondents reported that this was a process that some staff found difficult, but most staff were believed to have welcomed the new ways of working, and their morale was said to have improved as their efforts produced results. New methods of service delivery have gone hand in hand with efforts to encourage tenants to provide feedback on the quality of services provided, and how services could be better tailored to meet their needs and aspirations. Respondents claimed that tenants were generally not willing to get involved in tenant participation activities unless they felt that services were failing to deliver. Further research into the reasons for tenants' limited participation may reveal a different perspective, or that they may simply be content with the service they receive. For

example, tenants may be sceptical about their landlord's willingness to change, or may have tried to participate before, with no perceptible results.

LSVT association boards were generally perceived by respondents interviewed in the survey as effective at governing their organisations and managing risk, although the contribution of independent members was regarded as more effective than the contribution of tenant and local authority board members. In terms of formal accountability, respondents reported that LSVT associations offer places on their boards to tenant representatives; they are subjected to a level of local media scrutiny that is high in relation to other private sector organisations; the sponsoring authority, as a stakeholder, pays close attention to LSVT associations' activities; and they are subject to public regulation through the Housing Corporation, as well as supervision by their funders. However, there is a danger that LSVT boards – as self selecting groups – may tend to be unaccountable to users and closed to learning from outside influences (Nolan, 1996).

While LSVT associations cannot escape from the problems associated with being a landlord, the survey suggests that they are well equipped to address them, as they have access to resources, more freedom to change the way they operate and a long term perspective. For example, LSVT associations in the sample survey had relatively minor problems with low demand for their stock, but had the resources and the ability to formulate solutions, including re-development, re-configuration, change of use, disposal and relaxation of allocations policies. The associations were reported to be aware of the problems of concentrations of vulnerable and difficult to manage tenants in parts of their stock, and some had adopted local lettings policies in an attempt to bring more balance to communities. Since transfer, the associations were said to be housing more people on lower incomes and more vulnerable tenants, and they consequently faced the prospect of becoming landlords of last resort. In response, some associations had sought to diversify into areas such as provision of sub-market housing for key workers and market renting, which meets a different kind of housing need, and provides subsidy for social housing development.

Three key organisational changes flow from stock transfer. Firstly, LSVT associations use their freedom outside the constraints of public sector control and public finances to expand in the original local authority area or over wider areas.

Expansion is often followed by changes to management structures, as LSVT associations inherit a system designed to manage a relatively concentrated stock, and later discover a need to change those systems to provide effective services to the new, dispersed units. Secondly, moving housing to the independent sector provides long term stability and is reported to encourage diversification and innovation. This long term focus enables landlords to plan for long term investment in their housing stocks. Thirdly, transfer create single purpose organisations, with a focus on providing housing. Removing housing from politics arguably enables managers and staff to focus directly on the needs of customers, bypassing the "overburdened channels of accountability and control" in local authorities (Clapham, 1989:33).

3. PRIVATE SECTOR INVOLVEMENT IN COUNCIL HOUSING

LSVT can also be interpreted as part of a wider shift in the balance between the public and private sectors in the provision of public services. During the 1980s and 1990s, the Conservative Government attempted to reduce its direct role, through outright privatisations – such as the Right to Buy or flotations of nationalised industries such as BT and British Rail – and by breaking up multi-purpose bodies into smaller entities, and the splitting of commissioning of services from provision (Glennerster, 2000). In local authorities, schools were given opportunities to manage themselves; many direct labour organisations faced competition, often resulting in the contracting out of services; and some authorities have transferred the ownership and management of housing through LSVT. In other public services, such as the National Health Service, providers of services have been given limited autonomy as NHS trusts, while strategic health authorities are responsible for identifying needs and commissioning services to meet those needs (Ham, 1991).

There are clear ideological undertones to the shift towards private provision, but there are arguably strong links with a desire on the part of the Conservative Government to change the way services are delivered (Veljanovski, 1987; Kemp, 1991; Malpass & Mullins, 2002). Conservative Government housing policy after the 1987 General Election can be interpreted as an attempt to introduce market disciplines into public housing by encouraging consumerism; giving tenants a right of collective exit; and creating independent landlords which operate at arms length from local authorities. Although local authorities responded to the financial pressure placed upon them by

the Conservative Government, there is little evidence to suggest that there was also an explicit aim of changing the way council housing was managed.

The private and voluntary housing sectors were initially cautious about getting involved in owning or managing council housing stock (NFHA, 1987; Mullins, 1991). They quickly recognised, however, that stock transfer was an opportunity to expand their housing role and play a leading part in regenerating and reforming council housing. The survey evidence suggests that private funders, too, were thought to be initially cautious, but quickly recognised the LSVT association model as being robust and having the potential to offer long term and stable rewards.

By shifting the balance of responsibility for service delivery to the private sector, the State sought to share risk – the risk of changes in future demand; the risk of future repair and maintenance liabilities being higher than originally anticipated; and the risk of being able to manage the stock. Transfer of risk is a common theme in the shift of service delivery to the private sector, including for example, long term maintenance and repair of the London Underground network and construction of new schools and hospitals through the Private Finance Initiative (DETR, 2000). In practice, the State effectively underwrites the borrowing required for the whole transfer programme, although the borrowing is off the public balance sheet. Central Government could arguably never allow an LSVT association to collapse, as this might result in tenants losing their homes. There is believed to be an implicit Government guarantee to private sector funders, through the Housing Corporation, that LSVT associations would be placed under supervision and possibly later merged with stronger RSLs or given other forms of assistance, rather than being allowed to become insolvent (Housing Corporation, 2002). Central government appears to be prepared to make this implicit guarantee, as the risk of an LSVT association collapsing is seen as low. Critics of the public to private shift have argued that the private sector is not taking a fair share of the risks in return for the returns made by the companies involved (see, for example Pollock, 2001; IPPR, 2002). The Labour Government's decision to place Railtrack in administration also arguably demonstrates that the public sector ultimately has to provide public money to fill the gaps left by the private sector in public service areas.

The public to private shift and organisational changes

Many of the organisational changes resulting from transfer can be attributed to the shift of responsibility to the private sector. Evidence from the survey suggests that the process of moving staff and housing from the relative security of the local authority environment to independence in the private sector, unleashes a number of opportunities – freedom to borrow, to develop and to expand – and risks – a heavy debt burden, commitments to tenants that may be difficult to fulfil, and management problems, although Housing Corporation regulation helps to limit the risks LSVT associations may take on. LSVT associations in the survey reported that there is a perception that expansion is necessary to avoid being merged with other associations. Expansion has brought problems where associations have spread their development activities too widely and thinly, with dispersed stock that is difficult for their existing structures to manage. There is also a risk that development takes priority over the existing stock and service delivery, possibly leading to lower tenant satisfaction.

Private sector funding for LSVT associations

The LSVT model quickly established itself as a secure and low risk form of lending for banks, as shown by the survey LSVT associations, which generally outperformed their business plan predictions, while a only minority had underperfomed, due primarily to the collapse in the private housing market in the early 1990s; imposition of rent controls by the Housing Corporation; inaccurate stock condition data; higher spending on repairs; and under-estimates of staffing requirements prior to transfer. Early LSVT associations in the survey found the process of arranging funding for their transfers difficult, but this reportedly became easier as lenders grew more familiar with funding housing associations. All these associations were able to weather their short term financial difficulties without any significant impact upon services to tenants or catch up repairs programmes. Funders were also said to be attracted by Housing Corporation regulation of LSVT associations, and the implicit guarantee that it would prevent any housing associations in financial difficulties from becoming insolvent (Housing Corporation, 2002). Steady income streams and regulation by the Housing Corporation arguably made lending to LSVT associations a low risk activity for private funders.

Private sector involvement in whole stock transfers

Up to 1996, whole stock shire district transfers were undertaken with little or no involvement of existing housing associations. Housing associations are regarded as quasi-private bodies, which receive some public funding, but are controlled by independent boards (Malpass, 1997). LSVT associations were somewhere between housing associations and public bodies, as they took control of a major public asset, with a continuing element of public sector control through councillor membership of boards, but their debts are not included in the public accounts. In 1988, housing associations were very different from the LSVT associations that were being created (Malpass and Murie, 1994). Housing associations were largely unfamiliar with private finance, but LSVT associations were entirely debt funded. Housing associations have become increasingly familiar with private finance (ibid), and in this respect have moved forward alongside the LSVT associations. This closeness has arguably opened up opportunities for more alliances and partnerships between existing RSLs and LSVT associations (London Housing Federation, 1999; Lee, Power & Tunstall, 1999; Nevin, 1999). These alliances provide potential to move LSVT associations away from the model where they were closely associated with a single local authority area. The private finance regime has encouraged existing RSLs to seek out new opportunities and to expand, including developing partnerships with local authorities. Many local authorities recognised the cross-over between housing associations and LSVT associations, and have invited existing RSLs to take on parts of their stock through partial transfers.

By shifting responsibility for the delivery of public services, the State has given up direct control in favour of regulation of independent providers. The shift appears to bring about three key changes. The shift moves the risk of changing demand and future costs, to the private sector landlords taking over the stock, reducing the public sector's future financing obligations. Secondly, the shift helps to create the impetus for a number of organisational changes, including pressure to expand. Thirdly, by pushing responsibility for providing housing to the private sector, central government sought to make services more responsive and accountable to users (DoE, 1987; Waldegrave, 1987). Central government shifted power from local authorities to tenants, in an apparent attempt to empower them to make decisions about the future of their homes and to demand changes in service delivery following transfer.

OVERVIEW

In the preceding sections, I explored key drivers for change brought about through withdrawal of the State from direct provision; management and organisational development; and the shift of responsibility for service delivery from the public to the private sector. In these sections, I attempted to show how transfers can be seen as a combination of processes that are interlinked. Figure 11.1 summarises the process of LSVT and key changes.

Figure 11.1: Elements in LSVT development that bring about key changes in the three areas considered

Withdrawal Conservative Government seeks to 'roll back the state' – RTB and tightening of finances for LA housing.	**Withdrawal** LAs could not meet own goal of improving quality to respond to a new climate of consumerism in 1980s and 1990s.	**Withdrawal** Emerging problems of LA housing exacerbated by tightening of financial regime
Organisational change LSVT creates single purpose, arms length organisations, with a focus on housing and customers.	**Public to private shift** Central government sought to make services more responsive and accountable to users by pushing responsibility to the private sector.	**Public to private shift** Private sector takes share of risk of future financing, and of changing demand.
Organisational change LSVTs can use their drives further organisational change.	**Public to private shift** The shift helps to create the impetus for organisational changes, including pressure to expand.	**Organisational change** LSVT provides long term stability and encourages diversification and innovation.

The first LSVTs were undertaken by district councils with housing stock that was generally in good condition with good management. At these early stages, transfer did not address problems of the majority of council housing, located in urban and inner urban areas, which required significant reinvestment (Wilcox, 1993) and arguably a change in management style to make the stock viable (Tym et al, 1988). The continuation of a role for council housing did not form part of the Conservative Government's vision for service delivery (DoE, 1987; Waldegrave, 1987), leading to attempts to sell the stock to sitting tenants under the Right to Buy (Forrest & Murie,

1988) and through a tightening of the financial regime to encourage local authorities to transfer (Kleinman, 1993). Central government reductions in funding for council housing and controls on rents meant that district councils recognised that their ability to continue to provide high quality services, and to respond to new demands from tenants in a new climate of consumerism, were limited (Kleinman, 1993; Cole & Furbey, 1994: 223). These authorities arguably withdrew proactively, primarily to release their housing departments from the Conservative Government's financial constraints, but also possibly to a lesser extent to bring about organisational change and to bring in private sector skills and finance to help staff to meet the needs and aspirations of tenants.

By withdrawing from direct provision, local authorities have escaped from the tight financial regime by placing housing at arms length, thus shifting responsibility by sharing risk with the private sector. Housing associations are willing to take on the risk of running former public housing as they can expand their core business of providing social housing, while private funders can make a steady return with relatively low risk.

In the mid 1980s, the Conservative Government also recognised that there would be a continuing need for a rented sector to provide for those who could not access owner occupation, or preferred to rent (Waldegrave, 1987). The Conservative Government perceived a need for change in the management and organisation of council housing. Withdrawal helped to change council housing by passing day-to-day management to single purpose, arms length organisations, arguably with a focus on housing and customers.

While there is little evidence to confirm the view that local authorities transferred for any reason other than to escape from the financial 'straighjacket' put in place by the Conservative Government, it also helped councils escape from some of the perceived problems of public landlordism (see, for example, DoE, 1981; Audit Commission, 1986). For example, politicians saw it as their role to provide accountability to voters, who in the case of council housing are also customers. This confusion of roles and accountability arguably led to breakdown, as politicians were said to be too close to tenants to undertake an effective landlord role (Emms, 1990). The process of transfer, involving balloting tenants, arguably helped to make services more responsive and

accountable to users by placing the management of housing at arms length from politicians. This shift helped create the impetus for organisational change, and LSVT associations have responded by expanding and developing new management structures to reflect the changes in their stock profiles.

HOW EARLY TRANSFERS PAVED THE WAY FOR INNER URBAN AND LARGE CITY-WIDE TRANSFERS

Whole stock transfers by predominantly shire district councils in the late 1980s and the first half of the 1990s arguably helped pave the way for partial and estate transfers by inner urban authorities in a number of ways, as shown in Figure 11.2.

Firstly, LSVT demonstrated that it was possible for a local authority to transfer responsibility for a key public service to the private sector with the agreement of tenants. To achieve tenants' support, local authorities argued that LSVT was a pragmatic solution to solve their financial problems, and pointed towards the status of the new landlords as quasi-public bodies, which traded not for profit. This approach to finding new methods of service delivery arguably helped inner-urban, predominantly Labour-led authorities to recommend stock transfer to some of their tenants as a solution to stock condition and management problems that beset some of their estates. Transfer proposals in urban areas have, however, met stiffer resistance from some tenants, trades unions and Defend Council Housing, and political support has not always guaranteed a successful outcome in ballots (Malpass & Mullins, 2002).

Secondly, early LSVTs demonstrated that it was possible for local authorities to shift services to the private sector while ensuring that tenants' existing rights were protected, as well as ensuring public access to social housing in perpetuity, through local authority nominations. Inner urban authorities recognised that they could transfer some of their worst estates, without affecting the rights of their existing tenants and with no loss of access for their waiting list applicants.

Thirdly, early LSVTs demonstrated that the complex operation of housing management could be moved to single purpose organisations, with access to resources for long term reinvestment. Inner urban authorities struggled to find the resources they needed to maintain their stock (Glasgow DC, 1985; Wilcox, 1993; LB Tower Hamlets, 1995; LB Hackney, 1995) and the idea of passing responsibility for

management of difficult stock and funding reinvestment was increasingly attractive as problems grew worse (Tym et al, 1988; Malpass & Mullins, 2002).

Figure 11.2: How early LSVTs helped shape inner-urban and large city transfers

WHOLE STOCK SHIRE DISTRICT TRANSFERS
Demonstrated that responsibility for public services could be transferred to the private sector with the agreement of tenants.
Provided a holistic solution to a local authority's housing repair burdens.
Shifted responsibility for service delivery and funding to the independent sector, while protecting access for people in housing need.
Moved housing to single purpose bodies with access to resources for long term reinvestment.
Developed a new style of landlord organisation, which bridges the public-private divide.
Retained local authority representation and a limited degree of control over the new landlords

INNER URBAN PARTIAL AND ESTATE TRANSFERS
Broke the ideological logjam against private sector financial involvement in public housing in urban areas.
Demonstrated that urban transfers could work and arguably led to changes to central government rules on outstanding debt.
Created new types of organisation with higher proportions of tenant and local authority Board representation.
Involvement of existing RSLs brought in expertise and track record, helping to reassure funders and tie private sector funding in to urban renewal.

LARGE CITY-WIDE STOCK TRANSFERS
Combined the comprehensive approach of whole stock LSVT with an element of break up of landlords achieved through partial transfers.
A risk that the new landlords will replicate the large municipal landlords they replace, and that the new organisations may not attract funding from the private sector.
Difficulties in securing a positive ballot result at Birmingham and continuing difficulties in Glasgow indicate that these early transfers did not provide a clear model for large city-wide transfers.

In 1996 a number of authorities had already been encouraged to consider transfer by the success of the LSVT programme (London Housing Federation, 1999). The

Estates Renewal Challenge Fund provided added impetus by facilitating partial transfers of negative value stock to existing or newly created RSLs. Local authorities seized upon the opportunity to form partnerships with existing RSLs in a way that had never been seen before (Lee, Power & Tunstall, 1999). Many councils had worked with housing associations since the 1970s, but appeared reluctant to cede their landlord role to them. By working together, urban local authorities and RSLs discovered that they had complementary aims and objectives - councils wanted to find ways of providing resources to repair and improve their estates, while RSLs had strong asset bases and were seeking to expand and utilise their skills and experience (ibid).

Towards the end of the 1990s, city councils including Birmingham and Glasgow considered whole stock transfer as an option for their housing stock. They were arguably encouraged by the success of small scale, partial inner-urban transfers, but also appeared to be attracted by the holistic solution offered by the whole stock transfer model. They argued that the only way to fund reinvestment in the worst stock was to transfer the best stock as well to provide adequate security for private funders (Glasgow Housing Partnership Steering Group, 2000). Inner-urban transfers can be seen as having helped pave the way for fledgling city transfers in four ways.

Firstly, inner-urban transfers arguably broke the political logjam against private sector involvement in public housing in urban areas. Strong objection to private involvement in shire districts had largely dissolved eight years before the first inner-urban transfer, and in 1995, all 12 LSVT ballots held were successful. Although a very small number of inner-urban authorities had transferred their stock much earlier (Tym et al, 1988; Clapham, Kintrea & Whitefield, 1991; Clapham & Kintrea, 1994), these transfers appeared to do little to break through the wider ideological barrier.

Secondly, inner-urban partial transfers served to demonstrate that urban transfers could be financially viable, despite very difficult management conditions and large repairs backlogs (Wilcox, 1993; HACAS, 1999). This success has arguably encouraged Central Government to change the rules on overhanging debt, to enable authorities with low or negative capital receipts to transfer their entire stocks by providing one-off grants to redeem outstanding debts and to help meet the cost of early redemption penalties (DETR, 1999b).

Thirdly, inner-urban authorities worked creatively, sometimes with existing RSLs, to establish new landlord structures that provided greater accountability to users. Local housing companies were promoted by councils as being more democratic than the traditional whole stock LSVT model, as they enabled greater councillor and tenant involvement at board level (Zitron, 1995).

Fourthly, many inner urban transfers involved existing RSLs with strong track records and financial backing (Lee, Power & Tunstall, 1999; Nevin, 1999; London Housing Federation, 1999). Their involvement arguably helped to reassure private funders that investment in inner cities was a secure form of lending. Funders' involvement on a smaller scale in partial transfers appears to have helped to stimulate interest in city wide transfers, which require a commitment from funders on a scale never seen before (Nevin, 1999).

Stock transfers have evolved from the early LSVT model, which enabled local authorities to withdraw from direct provision by establishing a new private sector monopoly landlord, which took on responsibility for service delivery and funding reinvestment in the stock it acquired. Some councillors in inner urban areas were attracted by the notion of involving housing associations to provide new resources, but could not arguably cede their landlord role in the same way that district councils had through whole stock LSVT as housing was perceived as more politically important, housing a larger proportion of urban than suburban and rural populations. The partial transfer model arguably helped to reduce the scale of public landlords, while at the same time enabling councillors to retain control of the stock. For large city councils with multiple problems, both models were problematic. Council housing is an important issue for councillors in large cities, making the decision to recommend transfer to their tenants highly sensitive. Partial transfers could not address the problems of these authorities in a comprehensive way. City-wide transfers are effectively a hybrid of the two models, providing a solution which encompassed an entire City's housing stock, while enabling councillors to maintain a relatively high level of involvement, and the possibility of breaking up management into smaller and more local entities. Conversely, there is a danger that the new landlords may simply replicate the large municipal landlords that they replace. There is a risk that control will never be handed down to the local subsidiaries (Malpass &

Mullins, 2002), or worse, that they are never established once the stock has been transferred to the city-wide groups.

CONCLUSION: MOVING ON FROM COUNCIL HOUSING

In this thesis I examine explanations of the State's attempts to withdraw from direct housing provision; the organisational changes LSVT has brought about and the impacts on service delivery; and how LSVT fits within the State's changing approach to the delivery of public services. Outside former communist countries, the scale of state provision of housing is something unique to Britain. Provision by local authorities has played a vital role in expanding the nation's housing stock, but the election of a radical Conservative Government in 1979 signalled the end of the post 1945 consensus around the role of the state. At around the same time as introducing the Right to Buy in 1980, the Conservative Government shifted financial support towards owner occupation, thus engineering an environment for council housing that encouraged, or arguably forced, local authorities to consider whether they could continue as direct providers of housing.

The evolution of transfers from small scale community transfers by Glasgow Council in the mid 1980s, through to LSVTs by district councils, to a third phase of partial and city-wide transfers under a Labour government supports the three core theories outlined in chapter two. Transfers have evolved from a monopolistic withdrawal model, in the form of whole stock LSVTs by district councils, through to a break-up model in the form of inner-urban partial and estate transfers, through to the hybrid model of city-wide transfers, with the potential for local control and influence through subsidiary organisations. This evolution confirms the view that the financial regime put in place by the Conservative Government encouraged or pressurised local authorities to withdraw from direct provision of housing; that this development led to a change in the way housing is managed and organised, through the creation of new style, business orientated social landlords, although whether this was a deliberate aim of the policy is questionable; and that transfer has provided a method of involving the private sector in the running and financing of housing, while at the same time maintaining a strong role for the State as regulator.

Appendix 1:
Checklist of issues for interviews

GENERAL QUESTIONS
How long in post?
With council before transfer?

LSVT SURVEY – CHIEF EXECUTIVE

Accountability and relations with local authority
Accountability and governance
- Who is on the Board?
- How are members selected?
- Public meetings – how many tenants and residents attend?
- What is the councillors' role and involvement
- Tenants' role on board / in area committees etc.

Relations with local authority and other local housing providers
- How would you describe relations between the HA and the LA? How have these changed over time?
- Does the association have its own offices or shares with council?
- Is the Association the most favoured in the area or all in area treated equally?
- How much does HA identify with LA?
- Has the HA carved it's own identity – what brought this about – what helped – what hampered this?
- Is the association a monopoly provider in the area? Who are the other providers and how many units do they own? Relations with other HAs in the area
- How has LA used its capital receipt from the transfer?
- How has enabling role developed?
- Is HA operating in other areas – purchasing / building / managing?

Special initiatives
- Housing Plus type initiatives
- Social facilities / community halls / playgroups / youth clubs / OAPs
- Establishment of foyer schemes etc.
- Employment and training schemes and initiatives; resident employment
- Provision of management services to other organisations (e.g. HAMA)
- Expansion of provision outside local authority area.
- Market renting / commercial activity
- Racial or other social issues or initiatives
- Partnerships

Transfer and ballot
- Why did the council transfer when it did?
- What factors explain the positive result?
- How would you rate the performance of the LA as a landlord?
- What would have happened to rents and stock condition if the LA had retained its stock?
- Was it a pragmatic decision – driven by stock condition/financial problems – or political/ideological decision?

Changes from local authority past

- How important was housing – as an activity – to the LA before transfer? And now?
- The effect of release from public sector financial constraints – on repairs and new build – on the organisation itself
- The process of building a new organisation free of political constraints
- The move from control by local authorities to remote political influence.
- Business planning and long term approach to running housing
- New influences e.g. banks, community representatives etc.
- How well have local authority staff adapted to the organisation and culture?
- Other activities the association is able to engage in that local authorities cannot.
- Feeling for the benefits and costs of an LSVT – to tenants, to Local authority and Central Government.

New development

- Is the HA attempting to expand its stock – through new build and/or acquisitions?
- What has been achieved already? Are there plans for the future?
- Where does funding for development come from?
- Is the association working with any partners? How well does this work?

LSVT SURVEY – FINANCE DIRECTOR

Finances
- The influence of the aims and values of the association on the Business Plan
- What assumptions underlie the Business Plan
- What has been the actual performance against business plan? What factors have influenced performance? What was different?
- What influence do funders have? What covenants and conditions did they attach to their loan? What ratios do they look at? How often do they require information?
- How sensitive is the Business Plan to changing circumstances? How much confidence does the association have that it's Business Plan can be kept on track?
- What practical influence does the Board have over the Business Plan?
- How easy/difficult was it to arrange funding for the association? Have there been any repayment problems?
- Details of current funding structure: interest rate – fixed or variable; how many different lenders involved; any re-financing since original loan package?
- Major investment
- What are the levels of RTB and what is their impact on finances?

Rents
- Level of rent guarantee (RPI plus x%)
- What has been the level of rent increases since expiry of guarantee?
- How different are rents for transferring tenants and new tenants/new properties?
- Are rent levels above or below the average social rents in the area?
- Have arrears increased, decreased or stayed the same since transfer? Any special factors to explain this?
- What is the association's policy on rent arrears?

New development
- Is the HA attempting to expand its stock – through new build and/or acquisitions?
- What has been achieved already? Are there plans for the future?
- Where does funding for development come from?
- Is the association working with any partners? How well does this work?

Changes from local authority past
- How important was housing – as an activity – to the LA before transfer? And now?
- The effect of release from public sector financial constraints – on repairs and new build – on the organisation itself
- The process of building a new organisation free of political constraints
- The move from control by local authorities to remote political influence.
- Business planning and long term approach to running housing
- New influences e.g. banks, community representatives etc.
- How well have local authority staff adapted to the organisation and culture?
- Other activities the association is able to engage in that local authorities cannot.
- Feeling for the benefits and costs of an LSVT – to tenants, to Local authority and Central Government.

LSVT SURVEY – HOUSING SERVICES DIRECTOR

Housing management
- How would you describe the Association's ethos and style?
- Please describe the Management structure – hierarchical or flat?
- How is the housing stock organised? In estates? Any large estates? How are these managed?
- Lines of communication
- How are budgets carved up? How are decisions made?
- Procedural style
- How many staff are there at the frontline – ratios? HM staff to dwgs
- Innovations in HM
- What Guidelines are followed

Staff
- How staff are divided into teams?
- How would you rate morale?
- How flexible are the roles of staff? Narrow focus or more open approach?
- Decision making – which staff make decisions – how much autonomy do staff have?
- Do staff have control over budgets?
- Are staff given freedom to innovate?
- How is staff performance appraised?
- What training is provided to staff?

Services to tenants
- Has the Association developed a customer service "ethos"? How was this achieved? What was difficult about this process?
- What are the association's repairs targets?
- How would you rate performance of repairs services?
- Have you undertaken any surveys of tenants? What were the results?
- How are complaints dealt with?
- Does the association provide caretaking / security / handymen etc?

Tenants' role and involvement
- What are the methods used to communicate with tenants? How effective are these?
- Are any events organised for tenants?
- In what ways are tenants able to participate in the running of the association? In what ways are they represented? Are there any tenant board members? How are they selected?
- Do tenants' play a role in putting pressure on the association to improve performance?
- Are there any opportunities for tenants to participate in training programmes?
- Does the Association have any budgets for promoting TP or supporting TAs?
- Does the association make any facilities available for tenants?
- Do tenants have control over any discretionary budgets (e.g. for small improvements)?
- Does the Association employ any Community workers or support workers?

Allocations
- Which groups of people have priority for re-housing?
- How many homeless applicants?
- Who manages waiting list – council or Association?
- Does the allocations system take account of family links?
- How would you describe the level of demand for the Association's stock? Is this the same for all stock?
- Turnover of tenants
- Does the Association use any marketing techniques for less popular housing?
- Is it the Association's aim to create balanced communities? If so, how is the Association doing this?
- Does the Association have an income mix in it's housing?
- Does the Association have any housing available for market renting? Is this under consideration? How important will this become?
- Furnished lets?

Stock condition
- What types of work have been undertaken since transfer – catch up repairs – progress on repairs?
- Was there any "problematic stock" which the Association took over from the LA? How was this dealt with?
- Has the Association undertaken any major refurbishment works?
- What are the Association's long term plans for investing in it's stock?
- Has the Association demolished and/or replaced any stock?

Maintenance
- Cyclical and planned maintenance
- How is maintenance service administered? Is there an appointments system? Is there any compensation for missed appointments?
- Who provides service? In house or contractor? How well does this arrangement work?
- How are emergency repairs dealt with?
- Measures of quality and conditions
- Feed-back mechanisms

Caretakers
- How many and where?
- JDs, functions
- Skills and training
- Innovations?
- Handyman / welfare role / viewings / youth etc.

New development
- Is the HA attempting to expand its stock – through new build and/or acquisitions?
- What has been achieved already? Are there plans for the future?
- Where does funding for development come from?
- Is the association working with any partners? How well does this work?

LSVT SURVEY - TENANT PARTICIPATION OFFICER

Services to tenants
- Has the Association developed a customer service "ethos"? How was this achieved? What was difficult about this process?
- What are the association's repairs targets?
- How would you rate performance of repairs services?
- Have you undertaken any surveys of tenants? What were the results?
- How are complaints dealt with?
- Does the association provide caretaking / security / handymen etc?

Tenants' role and involvement
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- What factors explain the positive result?
- How would you rate the performance of the LA as a landlord?
- What would have happened to rents and stock condition if the LA had retained its stock?
- Was it a pragmatic decision – driven by stock condition/financial problems – or political/ideological decision?

Changes from local authority past
- How important was housing – as an activity – to the LA before transfer? And now?
- The effect of release from public sector financial constraints – on repairs and new build – on the organisation itself
- The process of building a new organisation free of political constraints
- The move from control by local authorities to remote political influence.
- Business planning and long term approach to running housing
- New influences e.g. banks, community representatives etc.
- How well have local authority staff adapted to the organisation and culture?
- Other activities the association is able to engage in that local authorities cannot.
- Feeling for the benefits and costs of an LSVT – to tenants, to Local authority and Central Government.

Accountability and relations with local authority

Accountability and governance

- Who is on the Board?
- How are members selected?
- Public meetings – how many tenants and residents attend?
- What is the councillors' role and involvement
- Tenants' role on board / in area committees etc.

Appendix 2:
LSVT Survey – Pro-forma for analysis of interviews

Association name: …………………………………………
Interviewees: ………………………………………… Date(s) of interviews: ………………

Transfer

1. An employee of LA before transfer?	Yes		No	

2. Employment status during transfer	None		Seconded to HA	Remained with LA
Role during transfer	Tenant Consultation	Set up HA	Arranging loan etc	Other

3. Most senior staff from LA?	Yes		No	
4. A problem in developing an independent identity?	Yes	Somewhat	No	
5. Reason for transfer	Stock condition	Development	Rents/ financial constraint	Political

6. Campaign against?	No	Yes- councillors	Yes- tenants	Yes- others
7. Performance of LA as landlord	Good	Satisfactory	poor	other
Condition of stock pre-transfer?	Good	Satisfactory	poor	other

8. Culture of LA	Paternalistic	Customer focused	Not interested in housing

9. Conditions now if LA had retained stock?	Same as now	Higher rents	Worse disrepair	Higher rents and disrepair

10. Why did tenants vote in favour?	Rent guarantee	Catch-up repairs and improvements	New Development	Poor LA performance

10. Pragmatic decision	Yes - driven by stock condition / rents / development	No - driven by ideology

Accountability and Governance

1. Membership of HA	Open to all	Open to tenants	Board members only
2. Who selects Board members	Self selection by Board			Election of all board by members
3. How frequently do board members have to stand for re-election	Less than every 3 years	Every 3 years	More than every 3 years
4. Board structure	Tenants:	Councillors:	Independents:
5. Effectiveness of Board	Very challenging	Somewhat challenging	Rubber stamp
6. Tenants' role?	Same as any other Board member	Board members bringing specific knowledge of being a tenant	As delegates of tenants
Able to detach themselves from personal interests?			
Using board for complaints?			
Tenants' priorities	Development	Repairs/ improvements	Lower rents	Other
Councillors role?	Same as any other Board member	Delegates of Council	
Ever use position to further political objectives	On occasion	Never	

Relations with Local Authority

1. How were relations while breaking free from the local authority?	Good	Poor - organisational level	Poor - personal level
What factors affected the break from the LA?			
What were difficulties focused around?			
2. How are relations with LA now?	Good	Difficult at an organisational level	Difficult at a personal level

3. Is the HA the most favoured HA in the District	Yes	Initially, but now one of LA's approved partners	No
4. Monopoly provider?	Yes	Yes, but some other HAs own stock	No
5. Use of capital receipt	Yes - re-investment in development - LSVT HA	Yes - re-investment in housing - LSVT and other HAs	No - other purposes
6. Enabling Role	Well developed - clear aims and objectives	Developing	No real attempts to develop
7. Is HA operating in other areas?	Yes - developing in other LA areas	No - concentrating on own area only	
LA views on out of area development	Support	Ambivalent	Do not support

Changes from Local Authority past

1. How important was housing to LA as an activity	Very important	Somewhat important	Not important - thorn in side
2. Resources:			
3. Investment:			
4. Freedom:			

New Activities

1. New Activities undertaken	Social facilities	
	Foyer schemes	
	Employment/training schemes	
	Provision of management services to other organisations	
	Multi-agency working	
	Market renting/ commercial activity	
2. Group structures		
3. Establishing subsidiaries: Function		
4. Working collaboratively with other agencies		

Housing Management

1. Ethos and management style	Paternalistic, driven by organisational needs	Somewhat paternalistic, striving towards more of a customer focus	Customer focused
2. Structure	Hierarchical	Getting flatter, but still too hierarchical	Flat
3. Budgets	Strong central control	Central control, attempting to push more control to staff	Devolved to area staff
4. HM staff to dwellings	[HC data]		

Staff

1. Structure	Centrally based		Area teams	
	Non-generic teams		Generic teams	
2. Morale	Good	Fair	Poor	
3. Staff roles and JDs	Rigid, jobsworth	Becoming more flexible	Flexible	
4. Budgets	Full staff control over all budgets for area	Some staff control	No significant control or influence	
5. Innovation	Staff freedom to innovate and systems in place to communicate ideas	Staff encouraged to think innovatively	No time/ not encouraged to innovate	
6. Appraisal	Full staff appraisal system	Some degree of staff appraisal	No staff appraisal	
7. Training	All staff receive training linked to appraisal	Some staff receive training	No organised training programme. Only ad-hoc	
8. Expectations of staff performance	HA expects increasingly better performance from staff		Expectations no higher than with LA	

Services to tenants

1. Customer Service ethos	Well developed throughout organisation	Developing through all levels of the organisation	Aspiration at top-level only, staff not on-board
2. Repairs targets	[HC data]		
3. Surveys undertaken	Frequently	Sometimes	Never
4. Survey results - customers' perception of performance	HA is responsive to needs and performing well	Adequate performance, somewhat responsive	Poor and not responsive
5. Provision of caretakers / handymen / security	Yes	No	Considering for some areas

Tenants' role

1. Are there effective methods to communicate HA's message to tenants	Wide range of methods to engage with tenants	A few methods which appear to be effective	Ineffective communications
2. Public events / meetings	Regular public events with good attendance	Yes, but not well attended	None
3. Tenants' Associations	Well developed, effective and representative	A fair number of reasonably representative and effective TAs	Few TAs and tend to be only issue based
4. Are tenants pushing for better customer service?	Push for better customer service coming from tenants		Senior staff pushing for better customer service
5. Is there a tenants' training programme?	Training for TAs and board members	Training for Board members only	No training offered or arranged by HA
6. Any small discretionary budgets which tenants control?	Yes	No	No, but planning to introduce

7. Does the Association provide TAs or tenants representative body with any facilities	IT equipment	Office space	Meeting facilities	Support staff	Grants

8. Is there a TP officer / Community Development officer	Yes	No	No, but planning to appoint

Allocations

1. Priority determined by			
2. Homelessness			
3. Waiting list	Managed by LA		Managed by HA under contract
4. Do allocations take account of family links	Yes	No	No, but we acknowledge the need
5. Level of demand for social housing	Strong in all areas	Generally strong demand, some areas with mild unpopularity	Difficult to let stock in some areas, generally enough demand in other areas
6. Turnover			
7. Marketing techniques used for less popular stock?	No	Yes	No, but planning to use
8. Social mix	Association aims to create a social mix through allocations	Association would like to create social mix, but so far unsuccessful	Not an aim
9. Income mix in stock?	Yes	No	Housing increasingly poorer people
10. Market Renting	HA has built/is developing schemes for market renting	HA is considering market renting	Not considering market renting
11. Furnished lettings	HA has furnished lettings	HA is considering furnished lets	Not considering furnished lets

Stock condition

1. Types of work undertaken since transfer?				
2. Any problematic stock	PRC units			
3. Major refurbishment works	New PVC windows	New kitchens	New bathrooms	
5. Any stock demolished?	Yes	No		No, but some demolition planned

4. Long term plans for stock re-investment	Stock condition survey undertaken, and fully costed long term programme developed	Stock condition survey due	No long term plans beyond 5 years

Maintenance

1. Is maintenance service structured to reflect needs of customer?	Appointments system?	Compensation for missed appointments	Repairs reporting by telephone available?
2. Who provides maintenance service	Local Authority DLO	In-house team	Contractor(s)
3. How are emergency repairs dealt with?			
4. How is quality assured?	Reply cards	Call-back sample of tenants ordering repairs	No methods
5. Do you employ caretakers	Yes	No	No, but considering
6. What is their role?	Cleaning/ supervision only	Cleaning / supervision plus handyman / welfare role	Supercaretaker

New Development

1. Is HA expanding through development	Yes	No	No, but development is planned
2. How many units have been built?			
3. Sources of funding for development	Hsg Corp	LA SHG	Loan facility
4. Working with partners?	No	Other HAs	LA

Finances

1. Assumptions underlying Business Plan			
2. Actual performance against business plan	Better than predicted	As predicted	Worse than predicted
3. Factors explaining performance			
4. Influence of funders	"Heavy handed" supervision	Somewhat heavy handed supervision	Hands off supervision
	Regular visits	Expect to receive regular progress reports	Strict enforcement of covenants?

5. Covenants				
6. Ratios				
7. Sensitivity to wider changes?	Interest rates	Demand for stock	RTB	Other

8. Influence of Board over business plan	Board fully reviews performance against BP on a regular basis, and has a role in changing it.	Board review of performance against BP	No involvement
9. Ease of arranging funding?	No significant problems	Somewhat difficult	Difficult
Factors explaining this			
10. Has the Association re-financed its loan package since transfer?	Yes	No	
11. RTB impacts on Business Plan	RTB levels as predicted	RTB levels somewhat lower than predicted	RTB levels significantly lower than predicted

Rents

1. Level of Rent guarantee	RPI plus %
2. Rent level since expiry of guarantee	RPI plus %
3. How different are re-let rents to transfer rents	
4. Convergence Policy	
5. Are rents below or above average RSL rents in area?	

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