

The impact of the large scale voluntary transfer of local authority housing stock on the HA sector

Key points

- **There is a trend for an increasing volume of housing stock to be involved in large-scale voluntary stock transfer (LSVT) each year.**
- **Nearly half of all units transferred are in the South East, South West and London; so far the policy has been least popular in Merseyside, Yorkshire & Humberside and the East Midlands.¹**
- **Metropolitan districts have become more involved in transfer activity in recent years, although these are more likely to be partial transfers of poorer quality stock.**
- **LSVT housing association (HA) stock has a higher proportion of 3-bed homes than non-LSVT HA stock.**
- **The household profile also differs, with LSVT new let households tending to be on average larger, older, less likely to be unemployed and therefore better off.**
- **The lower proportion of BME tenants in LSVT HAs compared with non-LSVT HAs of similar size is a reflection of both the location of many LSVT HAs in areas with minimal BME populations and the success of BME HAs in metropolitan areas in meeting the needs of ethnic minority households.**
- **Partial transfer LSVT HAs have higher vacancy rates than either mixed-funded (non-LSVT) HAs or full transfer LSVT HAs, partly because of the targeting of poorer quality stock. They also have a higher proportion of vacancies awaiting or undergoing repairs.**

Introduction

Traditionally, HAs were relatively small and diverse, serving those not adequately housed by either the market or local authority social housing. Many of the large HAs, with a high proportion of general needs housing, have usually evolved through the development of stock over time, either in their original localities and regions, or by gradually spreading throughout the country. However, the main source of growth in the HA sector during the first half of the 1990s was through stock transfers. The arrival of large LSVT HAs into the sector has inevitably brought some changes. It has increased the number of HAs in the largest size groups, but whereas in the past these have been geographically dispersed, LSVT HAs are large HAs with all their stock located in one district (although some are now acquiring properties in other districts).

This study examines the growth and spread of LSVT HAs, their effect on the HA stock profile at district level and differences between the tenant profiles of LSVT and non-LSVT (mixed-funded) HAs. As one of the reasons for stock transfer was to help tackle the burden of repairs and renovations, the level of vacancies not available for letting is also compared with non-LSVT HAs of equivalent size.

The growth and spread of LSVT HAs ²

The first full LSVT took place in December 1988 in Chiltern district, when 4,400 units were transferred into the newly created Chiltern Hundreds Housing Association. Since then, LSVT has resulted in the creation of 138 new LSVT HAs (116 as part of a full-transfer programme, of which three are non-stock owning parent HAs, and 22 as part of a partial transfer) to take on over half a million local authority homes. All but one of the partial transfer LSVT HAs (Willow Housing Ltd. in Brent) are linked to rehabilitation programmes. Two were formed in conjunction with Housing Action Trusts while the remaining 18 were linked to an Estates Renewal Challenge Fund programme. The partial transfers have all taken place since November 1997.

Although there is a trend for increasing numbers of districts and units to become involved in stock transfer each year, progress has not been steady. Figure 1 shows three peaks of activity in 1990, 1995 and again in 2000. These peaks and troughs of activity can be explained through the challenges arising from the transfer process over the years and the various solutions put forward.

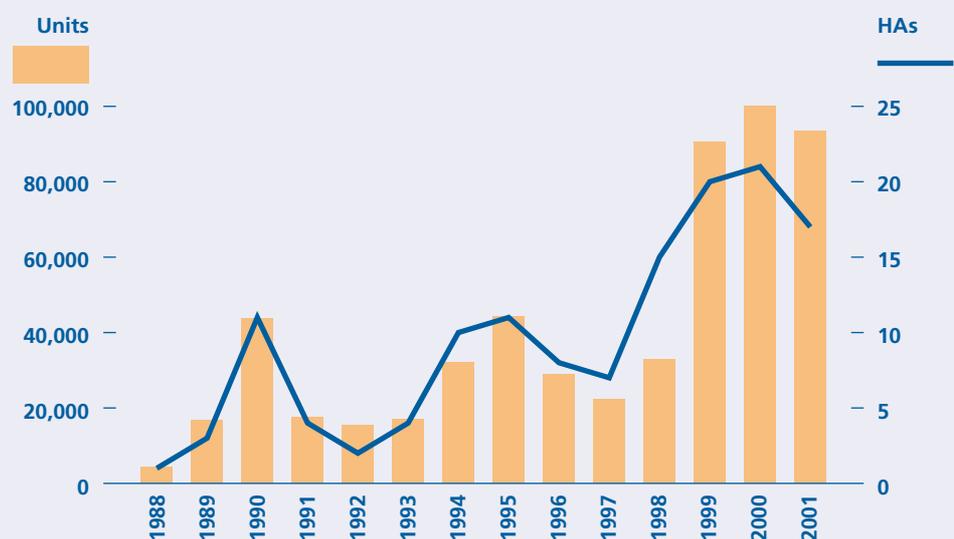
After an initial burst of activity in the first three years, concerns about some aspects of stock transfer began to emerge:

- By 1992 the Department of the Environment was becoming concerned about the administrative problems caused by the increasing volume of transfers.
- A move to the HA sector meant that rent rebates effectively became rent allowances which would lead to a rise in the cost of Housing Benefit.
- There were doubts about how the stock was valued prior to transfer and the potential financial impact of inaccurate stock valuations in later years.

As a result, several measures were taken to mitigate these concerns. A general control was imposed on the number and size of transfers, with individual transfers being limited to no more than 5,000 units to alleviate the administrative burden, and the average size of transfer fell to below 5,000 units after 1992. A 20% levy was imposed on the capital receipts from transfer, to make good the loss on the rent revenue part of the Housing Revenue Account. However, after the General Election of 1992 the government continued a policy of reducing the public expenditure deficit. Net

² Data used for this analysis of LSVT HAs created between December 1988 and 31 March 2002 were compiled by the Housing Corporation. This indicates whether the HA was created in response to a full transfer of all the LA housing stock in a district or a partial transfer. Transfer stock that was absorbed into existing HAs is not included (this accounts for about two fifths of all partial transfer stock in about half of the districts involved).

Figure 1
The number of LSVT HAs and units, 1988 to 2001



Note: Data is shown for a year running from 1 January to 31 December
Source: Housing Corporation

capital expenditure on housing fell by 50% over the next four years and pressures increased on LAs to transfer their stock. This is reflected in the rise in the number of units transferred during these years, although this slowed down again between 1996 and 1997.

Another boost in the level of transfer activity occurred after the election of the new Labour Government in 1997, but with some differences. Most of the early transfers took place in the shire counties, often in Conservative control, where stock values were higher, debt lower and councils were keen to be seen to relinquish state control over housing. By contrast the Labour government aimed to overcome the problems of the negative value of the housing stock faced by many large metropolitan areas. This was tackled by changing the transfer levy so that only councils with positive valued stock would pay the levy, the intention being that richer councils would in effect be helping the poorer ones. Many of these metropolitan councils were also Labour led, and the new Government's enthusiasm for transfer helped in part to overcome previous local government reluctance to participate in what was seen as the privatisation of council housing. As a result, more metropolitan areas are now involved in the transfer process (see below).

1998 also saw the beginning of the influence of the Estates Renewal Challenge Fund (ERCF) on stock transfer activity. This was one of the regeneration programmes,

set up by central government to improve conditions on run-down estates, to which HAs could bid for funds. Eight of the 15 LSVT HAs formed that year were partial transfers, all connected with ERCF programmes. In the following two and a half years up to March 2001, twelve more partial transfer LSVT HAs were created, ten of which were connected with ERCF programmes, one with a Housing Action Trust and one (Willow Housing Ltd. in Brent) was not connected to either scheme.

The average size of LSVT HAs is 4,300 units. The majority are between 2,500 and 10,000 units, while 5 have in excess of 10,000 units (Table 1). The largest LSVT HA created so far that is actually managing stock is Wrekin Housing Trust with 13,000 units³. Only one LSVT HA, Berecroft Community in Harlow, Essex, has less than 250 units. This was set up in 1997 to take a partial transfer of stock.

The rest of this study compares LSVT HAs with other general needs HAs, using data from the 2001 Regulatory and Statistical Return (RSR)⁴. Therefore the LSVT HAs included here are only those created before March 31 2001 (134 in all).

The geographical spread of LSVT districts over time

By March 31 2001, 113 districts (just under one third of all districts in England) had taken part in LSVT. The majority (95) have been involved in the full transfer of all their LA stock. Where full stock transfer has taken place the LSVT HA often holds the

3 Other LSVT HAs, for example Sunderland Housing Company and Whitefriars Services Ltd, had more stock when first registered, but this was subsequently divided between and managed by a number of smaller subsidiary HAs.

4 This analysis is for self-contained general needs units only, excluding bedspaces and bedsits. These include sheltered units but exclude units defined as 'very sheltered with care'. The data originate from the valid returns from Part N of the RSR 2001. Guided by the materiality threshold of 5% recommended by the Housing Corporation, those HAs with less than 95% of general needs stock are excluded from the analysis.

Table 1
The size of LSVT HAs

Size band	No. of LSVT HAs
<1,000 units	11
1,001 to 2,500 units	23
2,501 to 10,000 units	96
>10,000 units	5

Source: Housing Corporation

greatest proportion of a district's total HA stock. This will impact on tenant choice in so far as all social housing stock in the district is owned by HAs and the LA will no longer be a potential social landlord for applicants. However, LSVT can sometimes increase choice, as in the case of Sunderland, where five new local HAs were established, each with different stock profiles. There are 10 full transfer districts where the LSVT stock has been divided between more than one new HA.

Map 1 shows the geographical distribution of districts taking part in LSVT since 1988. Most of the 14 districts transferring in the first two years to the peak in 1990 are located in the shire counties in the south and east of England, the exception being Ryedale in North Yorkshire. No metropolitan districts were involved at this stage.

Between 1991 and 1996 another 34 LAs transferred all their stock. Again most were in the South East but now districts in the West Midlands, Yorkshire & Humberside and the North West were also involved. The first of the metropolitan districts (Bromley in Greater London) transferred in 1992.

Partial transfers began in 1997, and 18 of the 65 districts (28%) involved between 1997 and March 2001 were partial stock transfers. Twenty transfer districts were in metropolitan areas, of which ten were in Greater London. Fourteen of these twenty metropolitan transfers were partial and six involved all the LA stock.

Regional distribution

Districts in all Housing Corporation regions are now involved in LSVT, although in Merseyside there have been no whole district transfers to date. The transfer programme has been more popular in the south of the country (48% of all units transferred were in the South East, South West and London) with the South East alone accounting for a quarter of the total. However transfer is beginning to take off in the north of the country, with the largest stock transfer programme being situated in the north in 2001/02. Only seven out of the 26 submissions for the 2002/03 programme are in the south. The only region where the number of partial transfer districts has exceeded the number of whole transfers is in London, where over twice as many districts had partial transfers (Table 2).

Overall, the same proportion of districts in metropolitan and non-metropolitan areas are involved in LSVT. However, districts in metropolitan areas are more likely to be involved in partial transfers than whole stock transfers (Table 3). To date, South Yorkshire is the only metropolitan area with no transfer involvement. Although Tyne and Wear and West Yorkshire only have one district each involved, both were full transfers.

Analysis by ONS socio-economic classification⁵ clearly shows that it is in the districts of Prosperous England (PE) and Rural Areas (RA) where transfer has been

Table 2

The distribution of LSVT HAs and units by HC investment region

HC invest region	No. of districts per region	No. of met. districts per region	% met. districts	No. of districts involved in LSVT	% of districts involved in LSVT	No. of full transfer districts	No. of partial transfer districts	LSVT units per district	% of total LSVT units
Lond	33	33	100	11	33	3	8	43,763	8
SEast	67	0	0	30	45	30	0	139,936	25
SWest	45	0	0	21	47	21	0	81,486	15
EMids	40	0	0	4	10	4	0	17,471	3
East	48	0	0	12	25	9	3	45,570	8
WMids	34	7	21	15	44	13	2	94,382	17
Y&H	21	9	43	3	14	3	0	20,470	4
NEast	23	5	22	2	9	2	0	39,920	7
NWest	34	10	29	13	38	10	3	65,596	12
Mersey	9	5	56	2	22	0	2	5,517	1
England	354	69	19	113	32	95	18	554,111	100

Source: Housing Corporation, RSR 2001

most successfully taken up. However the Mining, Manufacturing & Industry (MM&I) districts, where regeneration is often likely to be an issue, have transferred the second highest number of units. All the MM&I districts where transfer has taken place are metropolitan districts (Table 4).

The effect of LSVT on the district-level profile of the HA sector

On average, about 30% of local authority housing stock is made up of two bedroom dwellings and about 40% have three

bedrooms. HA housing tends to have a similar proportion of two bedroom dwellings but a lower proportion of three bedroom dwellings (around 20–25%). This suggests that the LA stock is more family oriented so, where stock transfer has taken place, this can alter both the HA stock profile and the HA household profile in a district. Table 5 shows that the proportion of two-bed dwellings in HA stock is very similar in transfer and non-transfer districts although HAs in full transfer districts have around 10% more three-bed dwellings than HAs in non-LSVT districts.

5 This is a classification of local and health authority areas, originally published in 1996 and updated in 1999, that gives a straightforward indication of the socio-economic similarity and difference between areas. It uses a cluster analysis technique on a set of variables drawn from the 1991 Census that groups districts according to similarity. The initial clusters are then arranged into larger groups and again into fewer, larger 'families', each with a short distinctive title. The 'families' referred to in this analysis are 1:Rural Areas (RA), 2:Urban Fringe (UF), 3:Coast & Services (C&S), 4:Prosperous England (PE), 5:Mining, Manufacturing & Industry (MM&I), 6:Education Centres & Outer London (EC&OL), 7:Inner London (IL). Further details can be found in Bailey, S. et al. (1999) 'The ONS classification of local and health authorities of Great Britain: revised for authorities in 1999' London: ONS.

Table 3

The distribution of LSVT by metropolitan area

HC invest region	No. of districts in area	No. of full LSVT districts	No. of partial LSVT districts	Total districts involved in LSVT	% of districts involved in LSVT	LSVT units per district	% LSVT units per met. area district
Greater London	33	3	8	11	33	43,763	29
West Midlands	7	2	1	3	43	24,528	16
South Yorkshire	4	0	0	0	0	0	0
West Yorkshire	5	1	0	1	20	12,900	9
Tyne & Wear	5	1	0	1	20	36,356	24
Greater Manchester	10	1	3	4	40	25,780	17
Merseyside	5	0	2	2	40	5,517	4
Total met. areas	69	8	14	22	32	554,111	100
Total non-met. areas	285	87	4	91	32	405,267	
Total England	355	95	18	113	32	959,378	

Source: Housing Corporation, RSR 2001

Table 4

Distribution of districts and units involved in LSVT by ONS district classification

ONS family	No. of districts	LSVT districts	% districts involved in LSVT	Full LSVT	Partial LSVT	LSVT units per district	% of national total of LSVT units
RA	55	24	44	24	0	107,850	19
UF	86	18	21	15	3	97,586	18
C&S	45	14	31	13	1	42,105	8
PE	82	36	44	35	1	164,618	30
MM&I	57	12	21	7	5	118,972	21
EC&OL	20	6	30	1	5	17,901	3
IL	9	3	33	0	3	5,079	1
England	354	113	32	95	18	554,111	100

Source: Housing Corporation, RSR 2001

Table 5

District profile of HAs in LSVT and non-LSVT districts, 2001

HA stock in non-LSVT districts	HA stock in full LSVT districts	
	2 bed %	3 bed %
34	24	33
		34

Source: Housing Corporation, RSR 2001

The household profile ⁶

Given this difference in stock profile, it is then probable that there will be a similar difference in household type between those tenants in non-LSVT HAs and those in LSVT HAs. A comparison of new-let households ⁷ in general needs units operated by LSVT HAs and non-LSVT HAs of similar size (between 2,500 and 10,000 units) shows several differences. The data shows that the LSVT HA new-let households tend to be larger, slightly older, less likely to be unemployed and better off.

Size of household

While single person households form the biggest proportion of households in both cases, this proportion is slightly less in LSVT HAs than in non-LSVT HAs. Overall, LSVT HA households tend to be larger than non-LSVT HA households and are most likely to be either 2 or 3 person households, while non-LSVT HAs are most likely to be occupied by single person households (Table 6).

Age of head of household

The age profile of the non-LSVT HAs is also slightly younger, with 69% of the heads of household in non-LSVT HAs being under 45 compared to 63% in LSVT HAs (Table 7). Only 13% of non-LSVT heads of households are over 65 compared to 19% in LSVT HAs.

Economic status

LSVT HA tenants appear to have a marginally better economic profile than non-LSVT HA tenants, with a greater percentage of heads of households in work, both full time and part time, and a noticeably lower percentage of unemployed. The greatest difference between LSVT HA and non-LSVT HA tenants occurs in the proportions of unemployed. At the national level there is a noticeable difference between the percentage of unemployed head of households living in LSVT HAs

(12%) and those in non-LSVT HAs (20%). This may reflect the fact that many LSVT districts are located in the more prosperous parts of southern England. Therefore it is also useful to look at the economic status of tenants of LSVT HAs and non-LSVT HAs in the South East for comparison (Table 8).

- The percentage in unemployment is higher in non-LSVT HAs at both the national and SE level, but the gap between the percentage unemployed in LSVT HAs and non-LSVT HAs is less in the South East.
- The higher percentage of LSVT HA tenants who are retired also corresponds with the findings on the older age profile of these tenants and there is no difference between the national proportions and those for the South East.
- There is little difference nationally between the proportions of non-LSVT HA and LSVT HA tenants who are at home and not seeking work (other economically inactive; 26% in both cases), yet in the South East a higher proportion of these are in the non-LSVT HAs.
- There is also a slightly smaller proportion of sick and disabled heads of households in non-LSVT HAs in the South East than nationally.

Income group

Although neither group is particularly well off (the majority in both HA types have an average weekly income of less than £200 per week), households in LSVT HAs are marginally better off. Twenty six percent have incomes above £200 per week, compared to 22% in non-LSVT HAs (Table 9). There is little difference in the income profiles between non-LSVT HA and LSVT HA households in the South East.

Ethnicity of households

At present the proportion of ethnic minorities is significantly lower in LSVT HAs than in non-LSVT HAs. This concurs with the findings of the Transferwatch research on the performance of LSVT landlords ⁸. It is

⁶ This section compares data for LSVT HAs with non-LSVT HAs of similar size (in the 2,500 and above size bands).

⁷ The data for this section comes from CORE, the COntinuous REcording system developed by the National Housing Federation and the Housing Corporation. CORE records information about HA new lets and purchases.

⁸ 'Transferwatch' research launched by ROOF, Shelter's housing magazine, in 2000.

suggested that this could be due to the geographical bias of the early transfers as these were not situated in urban areas where the majority of BME populations are found. If this were the case, one would expect the proportion of BME households in LSVT HAs to have risen in recent years following the partial transfers in metropolitan areas. Before 1995/96, only one metropolitan district (Bromley in

Greater London) was involved in transfer. By 2000/01 a further 21 had participated in stock transfer (around a third of the total number of transfers during that period). Table 10 shows that there has been a slight increase in the percentage of Asian, African and South East Asian households housed by LSVT HAs in the last 5 years, while the percentage housed in the non-LSVT HAs included in this analysis has fallen. However,

Table 6

Average household size	Household size	non-LSVT HAs %	LSVT HAs %
	1	47	43
	2	25	27
	3	15	15
	4	8	9
	5	3	4
	6	1	1
	7	0	0
	8	0	0
	Total	100	100
Source: CORE 2000/1	Total households	43,500	28,000

Table 7

Age of heads of households	Age bands	non-LSVT HAs %	LSVT HAs %
	<24	22	21
	25-44	47	42
	45-64	17	17
	65+	13	19
	Total	100	100
Source: CORE 2000/1	Total households	43,515	27,952

Table 8

Economic status of heads of household	Economic status	National		SEast only	
		non-LSVT %	LSVT %	non-LSVT %	LSVT %
	Other > 16	1	3	1	2
	Working full-time	22	23	24	24
	Working part-time	7	7	7	8
	Govt training/New Deal	1	0	0	0
	Unemployed	19	12	12	9
	Retired	16	21	18	23
	Home/not seeking work	22	21	27	22
	Student	1	1	1	1
	Sick or disabled	12	11	9	11
	Total	100	100	100	100
Source: CORE 2000/1	Total no. of respondents	43,380	27,860	4,318	8,102

Table 9

Percentage of households in each income group	Income group £ per week	National		SEast only	
		non-LSVT %	LSVT %	non-LSVT %	LSVT %
	under £100	39	35	32	32
	£100-£199	39	40	38	38
	£200-£299	16	17	18	18
	£300-£399	4	6	8	7
	£400 +	2	3	4	4
	Total	100	100	100	100
Source: CORE 2000/1	Total households	33,884	19,723	3,469	6,122

most BME HAs, which house a higher proportion of BME households⁹, are excluded from this analysis because they hold fewer than 2,500 units. Following the Housing Corporation's 10-year programme aimed at developing and consolidating BME HAs, over 60 BME HAs are now registered with the Housing Corporation, mostly operating in metropolitan areas. Although legally the strategies had to be directed towards BME-led HAs, rather than BME tenants, these HAs operate in areas with large BME populations and the housing types and services they offer are targeted at BME groups.

Vacancy rates

Part of the rationale for transferring stock was to attract private finance to help with the cost of renovations, so it may be expected that LSVT HAs will have a higher proportion of vacancies not available for letting due to renovations. Table 11 shows that while full LSVT HAs have an average vacancy rate very similar to that of non-LSVT HAs, partial LSVT average vacancy rates are higher. Both full and partial LSVT HAs have on average a higher proportion of vacancies that are undergoing or awaiting repairs.

Conclusion

The creation of large-scale voluntary transfer HAs has inevitably had an impact on the structure of the sector as a whole by adding to the proportion of large HAs. LSVT HAs also differ from non-LSVT HAs of a similar size in that they have most of their stock in one area. Initially favoured by districts with low levels of housing debt and relatively sound stock, policy changes have now encouraged more metropolitan areas to participate in stock transfer. As a result more partial transfers of poorer stock have taken place in recent years. Although these only make up a small proportion of total HA stock these partial transfer LSVT HAs have their own problems, notably their much higher vacancy rates. The recent increase in transfer activity in the north of the country may also present greater regeneration and demand challenges, along with an increase in demand for investment funds.

This analysis also suggests that the stock profile and tenant profile of LSVT HAs differ from those of non-LSVT HAs, with older, larger and better-off households tending to be housed by the LSVT HAs. This is interesting because local authority housing itself is seen as a 'sector of last resort'.

9 See 'Sector Study 4: Black and minority ethnic registered social landlords', 1998.

Table 10

Percentage of households in each ethnic group, HAs over 2,500 units

Ethnic group	1995/6		2000/1	
	non-LSVT %	LSVT %	non-LSVT %	LSVT %
Asian	4.0	0.8	3.3	1.1
Caribbean	5.6	0.5	3.4	0.5
African	3	0.2	2.9	0.6
South East Asian	0.5	0.1	0.3	0.2
British European	80.2	97.0	85.9	95.4
Irish	2.1	0.6	1.3	0.7
Other	2.4	0.4	1.8	0.9
Combination	1.7	0.5	1.0	0.5
Total	100.0	100.0	100.0	100.0
Total households	43,181	21,934	42,903	27,575

Source: CORE

Table 11

Differences in vacancy rates for LSVT and non-LSVT HAs

	Non-LSVT	Full LSVT	Partial LSVT
% vacant stock	2.8	2.2	5.5
% of vacancies awaiting or undergoing repairs	27.7	34.9	38.4

Source: Housing Corporation, RSR 2001

Clearly there are other issues concerning this important division of the HA sector. Further research is already being carried out by the Centre for Urban and Regional Studies at the University of Birmingham, looking at, amongst other things, access to housing for BME communities and homeless people and meeting benchmark performance standards. In addition, issues such as the time taken to relet properties and the impact of large stock improvement programmes on the construction sector are also investigated. Edinburgh College of Art/ Heriot Watt University plans further qualitative research on the managerial structure, aims and objectives and organisational culture of LSVT HAs. The findings from this brief study suggest that further analysis of the household profiles of

those in partial transfer LSVT HAs could also be of interest, to see whether the poorer quality stock associated with these HAs is also housing a higher proportion of poorer and more vulnerable households.

Additional information

This Sector Study was researched and written by Caroline Kiddle, Dataspring, Cambridge Housing and Planning Research, University of Cambridge.

Further information on the Sector Studies series can be obtained from Siobhan McHugh, Sector Analyst, Regulation Division, on 020 7393 2024 or e-mail siobhan.mchugh@housingcorp.gov.uk. A full list of the series is on the back page.

Map 1

The geographical
spread of LSVT
districts,
1997–March 2001

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