Briefing Paper 2

What is Large Scale Voluntary Transfer?

Large Scale Voluntary Transfer involves the Local Authority transferring the ownership of its stock with the agreement of the tenants. The key features of a Large Scale Voluntary Transfer are:

- Transferring tenants are offered benefits such as rent guarantees, stock investment programmes and rights as 'assured tenants'.
- Transfer price is determined by 'Tenanted Market Value' (see below).
- The new landlord must be a Registered Social Landlord if funding is to be secured.
- Transfers are funded entirely by the private sector.

The government is keen to see such transfers take place because it enables investment to be made in improving the housing stock without calling on public sector housing budgets or putting pressure on the public sector borrowing requirement.

What is a Registered Social Landlord (or Housing Association)?

To be accepted as a Registered Social Landlord, organisations must satisfy a number of conditions including:

- Any surpluses are retained by the organisation to be applied to social housing purposes.
- High standards of housing, business and financial management.
- Board membership must be voluntary, and non-executive Directors must not be remunerated.
- Independence from other organisations, including a limit of 20% on council ownership or representation on Boards of Management.
- A right for the Housing Corporation to replace Board members or transfer functions where it appears that management is unsatisfactory.

How does a Large Scale Voluntary Transfer work?

The government controls and regulates the process through an annual programme and the housing transfer guidelines. The reason for this is to ensure that transfers are well conceived and meet government priorities, and to control the long-term resource implications.

To make a Large Scale Voluntary Transfer, the following process must be followed:

- Applications are invited from councils every autumn/winter.
- The Council selects a transfer landlord and calculates the transfer price.
- The Council gets a place on the government's transfer programme.
- Tenants are balloted on a specific offer.
- The new landlord secures funding and registers as a Registered Social Landlord with the Housing Corporation.
- The Secretary of State consents to transfer.

What are the advantages and disadvantages of a Large Scale Voluntary Transfer?

The principal benefits of a Large Scale Voluntary Transfer are considered to be:

- Social Housing: Affordable rents, Good quality service provision, Secure budgets for ongoing repair and maintenance and Provision for the homeless and other housing needs.
- Investment: Completion of major repairs, Provision for modernisation and Investment in new housing including achievement of the decent homes standard
- Tenants: Protection of existing rights and overall security, Rent guarantee and board representation.

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The principal disadvantages of a Large Scale Voluntary Transfer are considered to be:

- The council retains its strategic and enabling functions, but loses the landlord role.
- The controlling body of the new landlord is not democratically elected.
- New tenants after the transfer often do not have the 'Right to Buy'.

What are the financial implications for the council?

The basis for valuation for a Large Scale Voluntary Transfer is Tenanted Market Value. This values the stock as social housing, assuming affordable rents and good standards of maintenance. It does not reflect either the value of the 'bricks and mortar' or the market value, and is usually less than either of these values. Tenanted Market Value is calculated by forecasting income and expenditure over a thirty year period, and using the forecast surplus for the period as a basis for calculating the capital value.

The council is paid the tenanted market value for the housing stock by the registered social landlord, and usually uses the proceeds to repay debt. If the 'tenanted market value' is more than enough to repay housing debt, the council may spend the rest on investing in other services such as leisure or economic development. Sometimes the tenanted market value is lower than the level of debt that the council has outstanding from building and improving the housing stock. This situation is called ‚overhanging debt' and in these instances the council must ask the government to fund the difference.

What would be the effect on the tenants?

A large scale voluntary transfer cannot proceed without a tenants' ballot. Tenants usually have concerns about rent levels and standards of service. This is addressed by the Local Authority and the new landlord agreeing a formal transfer consultation document that includes legally enforceable commitments on tenancy rights, rent guarantees, investment in the stock, representation on the Board of Management and proposed housing policies.

Social rent restructuring now means that all social rents will converge on formula rents by 2012. There will therefore be little difference in rents whether a council opts to continue to provide a traditional council housing service or opts for a large scale voluntary transfer.

What would be the effect on the council?

After a large-scale voluntary transfer the council is no longer a landlord, but it retains significant housing responsibilities. It is still the strategic housing council. They must also monitor and co-ordinate services delivered by many different organisations so that they are seamless to tenants and other service users.

What did the Communities Plan say?

On 5th February 2003 the Office of the Deputy Prime Minister issued the 'Communities Plan'. With regard to stock transfer, it stated that:

"We will remove any unnecessary barriers to stock transfer…We will consult by April 2003 on additional models for funding future housing stock transfers that both secure the extra investment needed and improve the service to tenants."

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July 2004.

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