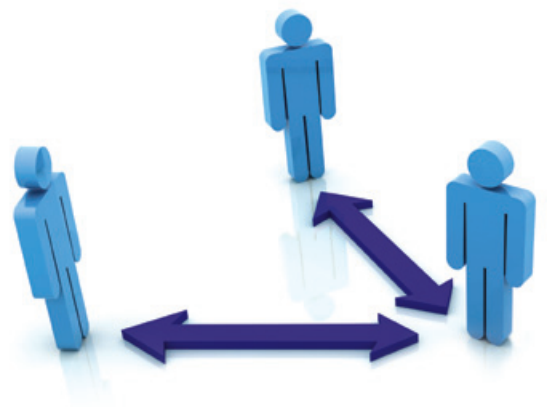




# Welsh Stock Transfer

## Case Studies

### Comparative Analysis



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Constructing Excellence in Wales

# Welsh Stock Transfer Case Studies

Comparative Analysis

This report takes into account the particular instructions and requirements of our client.

It is not intended for and should not be relied upon by any third party and no responsibility is undertaken to any third party.

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# 1 Executive Summary

Arup was commissioned by Constructing Excellence in Wales to undertake case studies of three Welsh 'large-scale voluntary transfer' (LSVT) housing associations, where council housing stock had been transferred to specially-formed Registered Social Landlords (RSL). These case studies would then be subject to a comparative analysis, which is the purpose of this report. It examines some of the things that LSVTs have discovered through the transfer process and in the early months and years of the organisation's independence from the local authority, and which factors may have contributed to whether experiences were positive or negative. The analysis looks at transfer, people who work for the organisation, tenant participation, governance, meeting the Welsh Housing Quality Standard (WHQS) – including procurement of the works required, performance, relationships that the LSVT has with other bodies, regeneration, and public relations.

The three organisations studied have been anonymised as far as possible for the purpose of this analysis. One of the three organisations has opted for a community mutual model association. Mutuals are community based and owned and involve tenants in decision-making regarding regeneration and the development of their area. The mutual has a constitutional obligation to develop a tenant empowerment strategy. It has the largest stock size of the three. The other two organisations have followed a traditional RSL model.

The key areas of interest, explored in more detail in the main report, are set out below. These result in the conclusions summarised on page 6.

## 1.1 *Transfer*

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- Transfer took place much faster in two of the organisations than in the third, which took over a year after the positive ballot. This was due to protracted negotiations with the local authority. In the two speedier transfers there was so much to do in a short space of time that some tasks were inevitably rushed. While there was plenty of time to do everything in the delayed transfer, the negotiations with the local authority lacked focus, something that is perhaps ensured by tighter deadlines.
- All three organisations had problems with the poor quality of information on households passed on by the local authority.
- The three LSVTs had comments to make about the use of consultants. While buying in specialist expertise is a necessity, there are some areas in which consultants seem prone to applying a 'one-size-fits-all' approach.

## 1.2 *People*

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- One of the key messages from LSVTs is that culture change is possible.
- There is a need to develop managers into leaders in the Welsh social housing sector. This can be done through training, secondments outside housing and recruitment from other industries.
- The discourse of 'change' is an important one in stock transfer, and how leaders choose to interpret what 'change' means will have a significant impact on how it feels to work for the LSVT.
- Time needs to be taken to listen to front-line staff in this transitional period (and in the future), particularly as every LSVT is reliant on these individuals communicating the key messages of the organisation to tenants.

- 
- The most challenging group of staff in terms of communicating the values of the organisation and engaging them in a new way of working tends to be the repairs and maintenance section.
  - Opportunities for staff to comment on the way the LSVT is run have been prioritised in the three organisations studied.
  - All three LSVTs focus on their role as a landlord first and foremost, but also explore in their vision and values what being a good landlord really means. Tenant participation and consultation, sustainability, a businesslike approach, strategic planning and cooperation are part of that definition.
  - The trials of change management within an LSVT mean that the organisation learns together and emerges as a more cohesive, better communicating one.

### **1.3 Participation**

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- All three LSVTs recognise the business benefit of listening to and encouraging participation from tenants.
- Tenant participation structures do not necessarily encourage a broad range of tenants to become involved. For example, the time of meetings or the amount of time that panel membership requires can deter those in employment from taking part.
- Single topic discussions are thought to be more popular than the broader opportunities for involvement (i.e. discussing improvements on your estate as opposed to sitting on an area-wide procurement panel).
- Innovative methods are required to reach younger tenants. Communications need to be targeted and designed to elicit a response (rather than just one-way communication).
- There is a need to develop a range of ways for tenants to communicate, so that the channel is always open and they can let the LSVT know what they think without having to wait for the next questionnaire, which in any case tends to ask specific and closed questions.
- Tenant participation is understood to be 'a good thing' by the social housing sector across the UK. Happier tenants are more likely to pay their rent and stay in their homes, supporting the financial stability of the housing association. In terms of being a good landlord, the LSVTs are concerned to be supportive without being paternalistic or patronising. The extent of useful participation may well have limits, the LSVTs acknowledge, but most organisations are nowhere near that limit yet.

### **1.4 Governance**

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- The LSVTs have not struggled to fill their tenant board places, demonstrating effective engagement with tenants.
- The LSVTs described how 'lucky' they had been with their tenant board members, indicating good board capacity and harmony.
- Changes in local councillors following local government elections can mean a lack of continuity in council representatives on the LSVT's board.

## 1.5 WHQS

- The LSVTs' approach to procuring their main improvement programmes have all sought to maximise benefits to local economies and contribute to broader socio-economic regeneration. There is a need for LSVTs to take responsibility for procurement as intelligent clients, understanding the effects of its purchases.
- One of the organisations has joined a local consortium for its contracting. There is not a great deal of experience of working with frameworks in Wales, meaning that everyone involved learns as they go along.
- Future LSVTs should consider procurement as early as possible, expecting to sign contracts a couple of months after transfer to ensure contractors can get on site as soon as possible. A skilled procurement resource may need to be brought in before transfer.
- Involving tenants in the procurement process means that they are more likely to act as advocates for the organisation, the way it operates and the decisions it makes.
- All three LSVTs have found there to be a mixture of tenant reactions to WHQS works on their homes. Some can hardly believe how good it is, while others find the amount of disruption hard to bear.
- A common challenge in LSVTs is getting to know the condition of the estate because of the limited amount of data collected in pre-transfer stock condition surveys. This is not a criticism of the surveyors, and is rather the reality of any situation in which a sample of an entire portfolio is tested. There can never be enough detail to fully inform a major works programme, and surveying all properties extensively would be prohibitively expensive.
- LSVTs quite often form the vanguard of new procurement or contracting methods in the public sector, so making sure that partners in these innovations are well-informed is the only way of making them work.
- There is a very strong relationship between residence in social housing and multiple forms of deprivation.<sup>1</sup> One of the ways LSVTs might start to tackle this is by targeting those most in need of training (those who have never worked, for example, who come from an area with low expectations of employment, or those who have little ambition relating to employment) for its trainee schemes. These candidates are likely to need greater investment than their peers with higher academic achievement, whose parents have worked, or who have greater ambition. One LSVT wants to seek out those applicants who have the most potential. It has voiced frustration that much of the government funding for apprentices is tied into helping the long-term unemployed back to work or focusing on 16-19 year-olds, and such applicants are not necessarily those most likely to stay in employment.
- There is currently a gap between the skills needed by tradespeople and the training provided, and there is a feeling that colleges concentrate on where they can get the most funding, rather than on industry demand.
- The most important issues relating to small to medium-sized enterprises (SMEs) who could potentially work on WHQS programmes are:
  - work packaging for the benefit of smaller firms;
  - knowing the local SME market;
  - the role and responsibility of the LSVT as a client; and
  - the capacity of SMEs to complete WHQS work.

As with any contractor, honest communication is very important.

<sup>1</sup> See Feinstein et al, *The Public Value of Social Housing: A Longitudinal Analysis of the Relationship Between Housing and Life Chances* (Smith Institute, 2008).

- All three LSVTs highlighted the need to build time to plan procurement properly into the programme and, perhaps most importantly, making this planning stage part of the transfer process rather than something that is thought about afterwards. Getting the right contractors (whether they are small and local or national firms who will subcontract), with whom one can have open and honest working relationships, is important to the early life of the LSVT and its success as an organisation.
- There is a need to take a pragmatic approach to WHQS. Many changes (to the layout of a kitchen, for example, or the addition of a WC) would not be difficult in a new-build property. However, life is more complicated when trying to bring existing housing stock up to the standard, particularly if that stock is aging or in blocks of flats.

## 1.6 Performance

- A high-level and visible commitment to data collection for the purposes of performance management makes it easier for staff to see that this is part of the day job, not an annoying distraction from it.
- Housemark, a performance improvement service jointly owned by the Chartered Institute of Housing (CIH) and the National Housing Federation (NHF), is used by LSVTs for benchmarking. It is felt to be more relevant once Housing breaks away from the local authority, because the costs and impacts of various services can be more easily disaggregated.
- A focus on performance management serves to professionalise housing, with staff at various levels of the organisation understanding the links between data gathering and improving services for tenants. Part of this understanding can be attributed to staff witnessing positive changes that are informed by management information.

## 1.7 Relationships

- One of the key pieces of vocabulary used when people talk about stock transfer is 'inheritance'. It can be all too easy to blame the council from which housing transferred for difficult situations, particularly if there are difficult negotiations at the point of transfer, but an amicable relationship must be maintained in most situations because some services continue to be shared, and because the LSVT and the local authority will be key strategic partners in housing in the area.
- There have been disagreements between LSVTs and Communities First in some areas. These may be about the interpretation of statistics, ringfencing LSVT vacancies for people from the Communities First area and, more generally, approaches to regeneration. All the LSVTs recognise, however, the importance of working effectively with Communities First, so are keen to improve relationships.
- It was suggested that WAG should have a greater presence as transfer is being negotiated to ensure that it happens in a timely fashion and that sufficient expertise is bought in to expedite the process (legal and procurement expertise, for example).
- As housing associations diversify their activities beyond the traditional landlord role, there is a clear need to be able to demonstrate the business case for these activities to the satisfaction of the lenders.
- As well as informal networks amongst LSVTs in Wales, the organisations involved in this study were all keen to collaborate with Community Housing Cymru (CHC) and the Chartered Institute of Housing (CIH). An example of this is work on a community development finance initiative, competing with doorstep lenders to provide more affordable finance.

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## 1.8 Regeneration

- 'Regeneration' means the ways in which the LSVT gains added value from its procurement, accesses funding or facilitates joint working to improve the social, economic and environmental context in which tenants live. This can be by empowering community groups, renting buildings to charities, making use of derelict areas, or providing jobs or work experience.
- Local socio-economic conditions can provoke innovation in regeneration because of the urgency of some of the problems. An LSVT, as a locally well-connected body, can work as the pivot on which a number of regeneration activities can turn.
- Financial inclusion (FI) is high up the regeneration agenda for all three organisations, with FI strategies in place and specialised FI officers or Welfare Benefits Advisors putting the strategies into action.
- One of the key questions emanating from housing-led regeneration is who should, and who does, benefit from the wider activities of a housing association. If an area as a whole is considered a good place to live, then this is beneficial for tenants and for the housing association. On the other hand, does the LSVT have a responsibility to focus its activities more keenly on the people whose rents fund its existence? Working for tenants and ensuring gains for the wider community need not be mutually exclusive activities.

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## 1.9 Public relations

- One of the largest variations from organisation to organisation was in their approaches to public relations. While one LSVT is keen to shout its achievements from the rooftops, in part to enable tenants and stakeholders to see how hard and effectively it is working, another LSVT is equally keen to keep a lower profile until it is clear on what it wants its priorities and key messages outside the organisation to be.
- No PR strategy will be as effective, however, as tenants and staff acting as advocates for the organisation and its methods.

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## 1.10 Conclusions

The key conclusions reached about the similarities and differences between three LSVTs in south Wales are summarised below. Lengthier discussions can be found at the end of the main document.

- The differences between the organisations could not overwhelmingly be attributed to whether they followed a community mutual model or not. A constitutional commitment to tenant participation, for example, is not necessarily why it is successful. Instead, mutualism allows the aims of the organisation to be communicated coherently because the model structures a narrative about the organisation as well as its governance, and attracts staff to the organisation who share its aims and are willing to work hard to achieve them.
- If nothing looks like it will change following transfer, tenants will wonder what the point was. If everything changes at once, both staff and tenants may feel unsettled. Resolving this tension is a question of finding balance and clearly communicating the reasons for changes that take place.
- The LSVT, as an organisation that focuses purely on Housing (rather than a local authority with myriad responsibilities), has more control over its performance.
- It is difficult to establish whether various regeneration activities actually improve people's lives. There is no immediate answer to this quandry; LSVTs continue to take a leap of faith about what they can achieve

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for tenants beyond the bricks and mortar aspect of being a landlord. In the meantime, they can support work to understand social indicators, listen to what tenants are telling them, and collect data for future longitudinal analyses of their work.

- It is hard to know whether the people feeling the benefit of various initiatives are just tenants, or the wider community of which tenants are a part. If LSVTs are concerned who their activities benefit, they should develop a way of recording who feels the impact of its regeneration work.
- European funding is extremely complicated, and there has, in the past, been some anxiety that LSVTs could be missing out on potential financial support for regeneration because of a lack of understanding. The housing sector in Wales can work together on finding a way through this quagmire, improving skills and sharing knowledge. Recent strides have been made in this area, through consultancy support funded by Community Housing Cymru, which supports a pan-Wales bid for EU convergence funding.
- SMEs need consistent support if they are to be part of the market that supplies LSVTs. They need help understanding the standards they are expected to meet and the priorities of the organisation to which they are contracted. SMEs need to develop a degree of honesty about how much work they can practically take on. LSVTs themselves need to be intelligent and responsible clients. This includes knowing who the SMEs are locally and explaining to them why working with LSVTs makes good business sense. SMEs can be encouraged to work more successfully together for their (and the LSVT's) mutual benefit.
- LSVTs should develop a variety of methods for listening to tenants (including active participation such as board or group membership) so that the channel of communication is always open. Housing professionals can learn to listen more and perhaps give out less questionnaires. Having listened, services should be demonstrably adapted so that they improve and so that tenants can see that their views are taken seriously. This is exemplified in the 'you said, we did' model of communication adopted by many public sector organisations.
- There is a perceived gap in managerial and leadership skills in the Welsh Housing sector. Not only does this problem need to be addressed in order to make RSLs effective in the short-term, there is also a need for succession planning to ensure the strength and dynamism of the sector in the future.
- Housing must attract committed and talented people in the first place. At the moment, it is not considered to be a particularly appealing career, and work can be done to improve its image.
- While there is a need for transfer to take place in a timely manner to reduce uncertainty for staff and tenants, the period between a positive ballot and actual transfer can be uniquely challenging because of so many competing priorities. Key priorities need to be decided very early, and expertise bought in where necessary. The scale of the challenge can not be underestimated.
- Despite differences in stock and tenant demographic, the key issues of transfer itself are the same across the organisations. The nuances will be unique, but the headline challenges are very similar. This means that it is entirely worthwhile for existing and proposed LSVTs to share as much of their experiences as possible as there will always be lessons they can learn from each other.
- Further research focusing on the transferrable lessons from social housing procurement and local regeneration might be considered.

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## 2 Introduction

### 2.1 *Background to the research*

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Arup was commissioned by Constructing Excellence in Wales to undertake case studies of three Welsh 'large-scale voluntary transfer' (LSVT) housing associations in Wales, where council housing stock had been transferred to specially-formed RSL. These case studies would then be subject to a comparative analysis, which is the purpose of this report.

In 2001, the National Assembly for Wales approved the national housing strategy, Better Homes for People in Wales, setting out the Assembly's long term vision. Central to that vision is the expectation that all households have the opportunity to live in good quality homes. To achieve this, the physical standard and condition of existing housing must be maintained and improved to the Welsh Housing Quality Standard (WHQS). Social housing stock is expected to meet the standard by 2012. As Dr Bob Smith of Cardiff University notes, 'in some parts of Wales, stock transfer is being used as the key to achieving WHQS, and promoting local regeneration<sup>2</sup>.

Following a formal tenant ballot on the issue, ownership of council housing transfers to an RSL. Transfer is a one way process - it cannot be reversed. The new landlord can be an existing housing association or a new organisation created by the council for the transfer. Council housing staff also transfer to the new organisation under Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

In Wales, stock transfer has been completed in Bridgend, RCT, Torfaen, Monmouthshire, Conwy and Newport. Transfer is underway in Merthyr, Ceredigion and Gwynedd have gained positive ballots, and there is a proposed ballot in Blaenau Gwent. Retention has been proposed as an option in Cardiff, Vale of Glamorgan, Powys, Pembrokeshire, Carmarthenshire, Denbighshire, and Ynys Môn. Five authorities are reviewing their options: Caerphilly, Flintshire, Neath Port Talbot, Swansea and Wrexham.

### 2.2 *Community housing mutual*

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Some of these newly-formed LSVTs have chosen to adopt a community housing mutual model.

This model was developed by Cobbetts for the Welsh Assembly Government in 2002. It follows the Model Rules for an industrial and provident society (IPS) registered with the Financial Services Agency (FSA), as does the traditional LSVT model. Community housing mutuals are community based and owned and involve tenants in decision-making regarding regeneration and the development of their area. The mutual has a constitutional obligation to develop a tenant empowerment strategy.

Housing assets are held collectively (in trust) by the tenants for the benefit of the community, with all tenants offered a share. Tenants are the only stakeholders in the association and the community mutual cannot be demutualised. The mutual is designed to evolve and adapt to meet the changing needs of the community it serves so that people in a particular neighbourhood can deal in a structured way with issues affecting them. The organisation has specific powers to establish a community fund for investment in community businesses, projects and activities.

<sup>2</sup> Dr Bob Smith, 'Rome Wasn't Built in a Day: Housing Policy in Wales Post-devolution' in Nothing Ventured...Nothing Gained: CIH Cymru Tai 2009 Conference Companion (2009), p. 11.

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## 2.3 Purpose and structure of this report

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As an increasing number of local authorities in Wales opt to ballot their tenants on housing stock transfer, conversations between housing professionals at meetings and seminars have highlighted the huge pace of change in the new stock transfer organisations. What had once been a council department took on new staff, reorganised and became... something else. As one Director of an LSVT noted, a great deal of learning takes place during the transfer process and in the period immediately after transfer. The lessons that executives, managers and staff at all levels have had to learn in stock transfer RSLs, about housing and regeneration, about their tenants, about business, and about themselves, might be being learnt so fast that there was a danger of them being forgotten once the new ways of working became established practice. The purpose of this comparative analysis is to draw out areas of common experience and differences between the three LSVTs, so that a concise 'lessons learnt' guide for other LSVTs might be developed. The report examines what the LSVTs have discovered through the transfer process and in the early months and years of the organisation's independence from the local authority, and which factors may have contributed to whether experiences were positive or negative.

The analysis covers:

- Transfer;
- People;
- Participation;
- Governance;
- WHQS;
- Performance;
- Relationships
- Regeneration; and
- Public relations.

Conclusions of the analysis are detailed at the end. Lessons drawn from the three LSVTs studied are not attributed to an individual organisation. While maintaining anonymity in such a small sector is almost impossible, the political nature of housing makes it more sensible to distance a particular LSVT from certain experiences (such as relationships with other agencies, the Welsh Assembly Government, or consultants) in this document.

Experiences of stock transfer in Wales are also compared at key points in the report with those of organisations in the rest of the UK. Joseph Rowntree Foundation-funded research, led by Hal Pawson at Herriot-Watt University and Bob Smith at Cardiff University, is used to make this comparison. Their research looks at the impact of stock transfers undertaken after 1997 in urban areas of Britain, what they term 'second generation' transfers.

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## 2.4 The LSVTs

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Three organisations based in south Wales were studied as part of the current stock transfer research. They have been anonymised as much as possible for the purpose of this analysis. Only one of the three organisations opted for a community mutual model, but tenant membership and participation is still encouraged in the other two housing associations, which have followed a traditional RSL model. The mutual association has the largest stock size of the three. Another has a small portfolio of rurally dispersed stock, and the majority of the third organisation's housing is located on large estates.

## 3 Transfer

The transfer experience of each organisation is, naturally, unique. Two of the organisations transferred in the same national political context, with stock transfer supported by the Welsh Assembly Government (WAG), but one transfer took much longer to execute than the other. They also face very different challenges in their areas of operation. One local authority area is rural and perceived to be wealthy with high house prices, while the other has higher levels of deprivation. The third LSVT came into being much earlier, when stock transfer was less well understood in Wales. Stock size, relationships with the local authority, the number of staff transferring, the organisational model adopted, and the priorities selected all have an impact on the transfer story in each case.

As intimated above, transfer took over a year after the positive ballot in one of the organisations because of protracted negotiations with the local authority. The executive officers of this organisation have been vociferous about the need to limit the time taken for transfer to go through. Tenants and staff alike have to face a period of uncertainty, and the campaign begins to lose credibility. They have called for WAG to use its influence on local authorities to speed up transfers. Staff in the other two LSVTs spoke frequently about the exciting period after the ballot, when there is so much to achieve to set up a new organisation but also high levels of motivation. In the LSVT where transfer took a long time, there was a real sense of staff having been ground down by the waiting period, not able to tell tenants anything substantial and having to wrangle over minute details with the local authority. Having said this, a common complaint in the two speedier transfers was that there was so much to do in a short space of time that some tasks were rushed. While there was plenty of time to do everything in the delayed transfer, the negotiations lacked focus, something that is perhaps forced if there are tighter deadlines.

Another factor that can slow the transfer process, or make the period after a positive ballot even more hectic, is having a management team made up of individuals from different organisations (and even different sectors). In some LSVTs in Britain, the management team transfers almost complete from the council, or is at least well-established, so there can be detailed planning straight after ballot. One of the three studied LSVTs emphasised that it was not in that position, and its focus had to be on making transfer happen rather than planning the minutiae of what would take place later. For example, WAG was slow to confirm that it had the powers to offer gap funding to the satisfaction of the lenders, which took months to resolve.

One of the three organisations was determined to demonstrate its ability to deliver improvements for tenants as soon as possible, and made this extremely visible by installing the first set of new windows the day after transfer. It is also this organisation where perhaps the highest levels of adrenalin can be seen driving activity over a year after transfer. A note of caution is sounded here by Pawson, Smith et al's study of post-1997 transfers in Britain. High levels of morale can be '*undermined by the uncertainties around the end of the promises period when organisations often face the possibility of major restructuring.*'<sup>3</sup> As 2012 (the deadline for bringing homes up to WHQS) approaches, there is a need to manage the transition into the next phase of the LSVT's life. Similar issues are discussed in more detail in the next section on 'People'.

In terms of opposition to transfer, the lobby group Defend Council Housing was particularly active in two of the local authority areas scrutinised. Despite these campaigns, a positive ballot was achieved. Staff within the organisation attribute this, in part, to the emphasis in council communications on the *local* benefits of stock transfer.

One of the three LSVTs felt that it learnt lessons about acquiring liabilities from the local authority the hard

<sup>3</sup> Hal Pawson, Robert Smith et al, *The Impacts of Housing Stock Transfer in Urban Britain*, Chartered Institute of Housing/Joseph Rowntree Foundation (2009), p. 4.

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way, acquiring everything within estate boundaries including open spaces, derelict play areas, and culverts. Anything other than residential property becomes very resource-intensive to maintain, and it is particularly difficult if these liabilities come as something of a surprise. On the other hand, public realm liabilities can become assets in the long term, particularly if areas of land are developable or there is the potential to see a rental return on well-used shops. This organisation recommends that future LSVTs procure good Geographic Information System (GIS) mapping software to be able to show accurately what it owns and to be able to overlay demographic and other information. Another LSVT whose transfer came later than this one took notice of what had happened and negotiated fewer liabilities as part of its transfer deal.

Some features of transfer were common to all three organisations examined. All have complained about the poor quality of information on households passed on by the local authority. If this had been identified earlier, more time would have been spent by the LSVTs gathering and collating data on the stock, the households and the local area.

In addition, all three had comments to make about the use of consultants. While buying in specialist expertise is a necessity, there are some areas in which consultants seem prone to applying a 'one-size-fits-all' approach, such as in recommending management structures. As stock transfer becomes more common, CEOs of LSVTs in Wales can feel more confident about explaining what is going to work for them as an individual organisation. Before there was much experience to draw on, consultants tended to impose models from elsewhere in the UK. There did not seem to be a great deal of recognition that local authorities are extremely diverse in Wales, and that this would (or should) influence what the new LSVT looks like.

## 4 People

**This section examines the management and staffing of the organisations, organisational culture, internal communications, and how working for and with these LSVTs differs from working for the correspondent local authorities.**

### 4.1 Refreshing the organisation

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A workshop with representatives from the three LSVTs, WAG and CEW, organised to discuss some of the issues raised by the case studies, revealed that recruitment into the LSVT can refresh what was once the council's housing department. New staff with different career backgrounds bring diverse experience, enthusiasm, and have already demonstrated an affinity with the new organisation by applying to join it.

As Pawson, Smith et al note in their study of LSVTs across Britain:

*For a number of case study landlords, an important contributor to cultural change [...] had been through recruitment to vacant posts, where greater emphasis had been placed on applicants' commercial experience than had been normal under local authority landlordship. (p. 63)*

There is increasing recognition, our three Welsh case studies tell us, of the value of assessment centres for recruitment in order to understand what candidates from different sectors could bring to the LSVT.

One of the three LSVTs described how it looks for people with a profound commitment to customer service. In other words, it seeks individuals whose personal values match those of the organisation. The community mutual LSVT closely involves tenants in the recruitment and selection process. Including a tenant on the interview panel for outward-facing roles is thought to lend the process additional credibility amongst the

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very tenants with whom the candidate could be working. The tenants who take part are usually selected through connections with the Tenant Empowerment Team.

There has been some difficulty, two of the three organisations noted, in recruiting housing executives and senior staff. Organisations have looked to England and outside the housing sector to meet this need. At the workshop, this necessity was described in negative terms, but there was no discussion of what the implicit value might be of Welsh self-sufficiency in senior housing staff. It implies a training and mentoring deficiency in the sector, and in tertiary education, but once these are identified and measures taken to resolve them, the national border need not hinder the flow of excellent candidates between England and Wales, as long as the outward flow is not all eastwards. Technical skills in Welsh housing are not a particular issue, but there is a real need to develop managers into leaders at the highest level. This can be done through training, secondments outside housing and recruitment from other industries. Part of the leadership and development training for one LSVT focuses not just on technical or practical matters, but also on empathy skills. Across the sector, there is still work to do on improving 'soft' skills. Two additional areas where the sector can work together to improve capacity are 'harder' regeneration skills (such as finance) and accessing funding.

Excellent candidates can be attracted by the fact that salaries are reasonable, that the private sector is becoming less attractive as an employment sector, and that individuals can do something for the social good. However, the image of housing as a career could be improved. Anecdotally, one LSVT has spoken to other housing associations who pay higher salaries, and this does not necessarily attract a higher calibre of candidate. In order to retain good staff, LSVTs have explained how jobs must be interesting and fulfilling.

One CEO suggested that there needs to be succession planning – not just within single organisations, but so that the sector has people ready to lead in key posts in Wales. Sustainability of management and staffing must be a consideration.

A further recruitment challenge is that staff turnover is traditionally very low in the Welsh social housing sector, particularly in outward-facing roles, so the opportunities to bring in 'new blood' are infrequent.

## 4.2 Integration

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The new staff, whose recruitment is discussed above, join an organisation that is usually made up of a majority of staff who had previously worked for the local authority. Local authority staff are used to almost unparalleled job security, and may also have chosen to work in the public sector for ideological reasons. There can be a degree of nervousness, therefore, about the sort of organisation they will be joining. At transfer, these two groups must move forward and work together as one, cohesive organisation. This, understandably, takes some adjustment on the part of all involved. Stock transfer is a unique situation in respect of this integration. However, there are similarities between stock transfer and acquisitions and mergers in the financial services industry. In fact, it is from this background that one of the LSVTs' Head of Organisational Development comes. As Pawson, Smith et al note:

*Transforming organisational culture has tended to be a high priority for [LSVTs] and this aspiration has been widely realised; e.g. in the emergence of a less hierarchical, more inclusive and more customer-focused corporate ethos'. (p. 1)*

One organisation studied, for example, expressed a desire to move towards a planned, structured service, rather than a purely responsive one, with tenants involved in setting service standards.

There are a variety of ways in which a sense of a shared culture can be fostered. At the workshop described above, one of the key messages from LSVT CEOs was that culture change is possible. Two of the three organisations described staff conferences. Bringing all staff together in an off-site location can have a

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transformative effect in itself. Involving staff in, and consulting them on, the development of the organisation has also been described as promoting staff affinity with the LSVT. Not only will recruited staff receive an induction once the LSVT is formed, transferred staff will be 'reinducted'. All three LSVTs found that, for some ex-council staff, this was the first formal induction they had received, despite working at the council for years. All staff, then, receive a 'welcome' and an introduction to what the organisation hopes to achieve and how it will go about it. In addition, staff who felt neglected by the senior management of their previous employer immediately received the message that working for an LSVT will be different. This enlightened managerial attitude is reflected in LSVTs across the UK:

*Post-1997 'urban transfer' landlords typically recognised the overhaul of organisational culture as a high priority objective right from the start. Key aspirations here tended to include securing widespread staff commitment to agency goals, developing a more responsible, motivated workforce, and promoting a more business-savvy, customer focused ethos'. (Pawson, Smith et al, p. 3)*

For one of the LSVTs, the move to newly-built offices had a big impact on staff. There is now a lot more face-to-face contact between people and, therefore, different relationships between departments, more informal learning, and a greater sense of the organisation's identity. There is, however, a need to be mindful of those staff who are still in other satellite locations. The risk of those staff feeling slightly isolated can never be fully eliminated, but efforts can be made to minimise it, such as parity of terms and conditions and inclusion in less formal activities (such as Comic Relief). Another of the LSVTs is still waiting to move into new headquarters, meaning that operational and front-line staff are physically separated from senior management.

Integration is not straightforward, and no LSVT should expect it to be. Despite the best efforts of organisational development professionals, 'silo' working (i.e. separate departments working in isolation with little communication between them) was described as a risk because teams are so busy with the tasks in which they are engaged after transfer.

While the changes and benefits associated with stock transfer must be clearly communicated to staff, the 'hype' can also lead to a sense of anti-climax within the organisation after transfer has taken place. Tenants can see the physical works undertaken as a result of transfer, while staff not directly associated with the main improvement programme may find it harder to discern where positive changes have been made. The discourse of 'change' is an important one in stock transfer, and how leaders choose to interpret what 'change' means will have a significant impact on how it feels to work for the LSVT. For example, an enforced change in one's workplace can often be seen as a threat. Change is also an opportunity for improvement, however. Not only is this the motivation for housing stock transfer, it is used as a rallying cry in national and international politics, so this is a message with which staff might already be familiar. In other words, political rhetoric can be used to communicate the aims of the organisation. Part of the challenge for leaders of LSVTs is to help staff see beyond their possible annoyances or discomforts about having to move buildings, change routine and learn new ways of working, to the higher-level benefits of a change of structure.

Some transferred staff may have been very resistant to the move. In one local authority, however, housing staff were made aware of the amount of work WHQS would mean, and the budgetary constraints they would have in trying to complete that work if transfer did not take place. Part of the housing options appraisal at the council involved work with staff to help them understand the model of service delivery they would have to work to with limited council resources. This was described, retrospectively, as 'bleak' and transfer looked a much more attractive prospect.

Post-transfer, one LSVT found that the departments where the majority of staff were transferred (rather than recruited) tended to have quite low morale, whereas the newly-created departments such as Corporate Services had morale that was described as 'sky-high'. Not only are this latter group close to the heart of the stock transfer project, they have new and interesting tasks to complete. Time needs to be taken to listen to

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front-line staff in this transitional period (and in the future), particularly as the organisation is reliant on these individuals communicating the key messages of the LSVT to tenants.

A manager in one LSVT suggested that one of the dangers for an organisation in bringing two groups of employees together is in stereotyping how these groups behave and how they feel about the organisation. There are bound to be differences between those who have been obliged to change employer and those who have chosen to, but this does not mean that the former group want the organisation to succeed any less than new staff. Understanding what motivates all staff members as individuals is a key consideration.

Few LSVTs avoid reorganisation following transfer. One of the LSVTs studied has found that going through periods of transition as an organisation, making mistakes along the way, has been a valuable part of the personal development of staff. The experience of resolving problems means that individuals and teams are now better-placed to deal with issues that come up in the future. There is no area of the business that has gone untouched by change in this LSVT, but this means that people have had ample opportunity to influence the company for which they work.

All three LSVTs transferred a Direct Labour Organisation, Direct Services Organisation or Housing Maintenance Unit. These teams have different names in each organisation, but tend to be the tradespeople who undertake responsive repairs to homes. In some LSVTs they are also contracted to undertake a portion of the programmed WHQS improvement work. For consistency's sake, they will all be referred to as 'DSOs' in this report. All three DSOs were the most challenging group of staff in terms of communicating the values of the organisation and engaging them in the new way of working that transfer represented. There are a number of possible reasons for this. Because of the nature of the job, involving vans and the storage of materials, DSOs are usually located on a different site to other staff. There is, therefore, a physical barrier to communication and something of an 'outlaw' mentality as they are divorced from centralised power. DSOs are also generally characterised by having older staff who have worked for the council (often in several manifestations as local government has been reorganised) for most of their working lives. One might expect a certain degree of cynicism if these staff have seen 'change' come and go without any material impact. To reinforce this cynicism about the new start, the work of the DSO will continue, to begin with, largely as it always did, with the same people seeing the same tenants in the same properties. Finally, messages communicated by email or via an intranet are less likely to reach these staff, as most of them will not have daily access to a computer.

Having said this, in stock transfer organisations elsewhere in Britain, *'job satisfaction had been improved, partly due to greater resources making it possible to respond positively to tenants' requests'* (Pawson, Smith et al, p. 107). Staff at various levels of one of the organisations studied, including in the DSO, echoed this point. In their words, they could 'say "yes" to tenants more often'.

Staff in the organisation who are involved with finance and administration notice an immediate change in their way of working. For example, in one local authority, rent accounts were reconciled once a year, while the LSVT does it to the penny once a month. In addition, the timing of housing benefit payments differs between local authorities and housing associations, another change that staff have to get used to.

### 4.3 Managerial Visibility

The Pawson, Smith et al report details how:

*Senior managers are typically more visible, accessible and approachable in [LSVTs] than was the case in corresponding pre-transfer housing departments. Most of the new organisations have strived for a more inclusive, bottom-up, culture where workforce consultation is prioritised and creativity on the part of individual staff members is encouraged. Inspiring managerial leadership tends to play a much more significant role in transfer HAs than in local authority housing departments' (p. 4).*

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One of the LSVTs has demonstrated its commitment to visible management and openness within the organisation by ensuring that all the offices and meeting rooms in its headquarters have glass walls. Everyone's activities are literally visible, so staff cannot feel that decisions are being taken behind closed doors.

The small size of another of the organisations, a deliberately lean structure, meant that finding the resources to deal with the additional work that transfer brings was, at times, difficult. However, it also meant that senior managers could make themselves visible and available to front-line staff. Staff here commented that without the leadership of senior people in the organisation, who led by example as well as by word, the increased workload would have been much harder to bear.

In all three organisations, opportunities to comment on the way the LSVT is run have been prioritised, and staff have been involved in shaping the organisation of which they are a part.

#### 4.4 Values and vision

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As noted above, one of the key challenges of the change management involved in housing stock transfer lies in instilling the vision and values of the organisation in staff.

One organisation's vision is articulated as being about employing professional staff and using a respectful and management style. The LSVT also expects to have effective benchmarked performance monitoring procedures. Ambitiously, it wants to be the housing of first and not last choice in its area of operation. Neither of the other two organisations explicitly articulates this aspiration, though it may be implicit in all of their other goals. The LSVT which did hope for this also hopes to respond quickly to circumstances, minimise risk and grasp opportunities. It wants never to be complacent or waste time and effort. Perhaps most interestingly, for a traditional model housing association, the organisation hopes to be trusted and respected by tenants who are at the *heart of decision making*.

The central objective of another of the organisations is to provide high-quality homes and services, but it also aims to develop effective partnerships, demonstrate accountability, and invest in community regeneration. Similarly, the organisation's corporate values, developed with staff consultation, are organised under the themes of quality, accountability, partnership and respect. Unsurprisingly, all three LSVTs focus on their role as a landlord first and foremost, but also explore in their vision and values what being a good landlord really means. In fact, the CEO of one of the LSVTs hopes that in ten years' time the organisation will be seen as an effective regeneration agency that also happens to be a good landlord. Across the three organisations, a picture of tenant participation and consultation, sustainability, a businesslike approach, strategic planning and cooperation lend colour to that definition.

In one organisation, there is a Business Improvement Manager as part of the senior management team. The transition of this particular post from Policy Research Manager to Projects Manager to the current role goes some way to demonstrate the maturation and evolution of the organisation. It began as one trying to locate itself and decide on a direction, and is now a business with a well-planned trajectory to be managed, though this is by no means the end of its expected development.

#### 4.5 Internal communication

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The Pawson, Smith et al report notes that '*case study landlords typically placed a [higher] priority on internal communications [than] their pre-transfer counterparts*' (p. 67). This observation is borne out by the three Welsh case study LSVTs. The fact that LSVTs are focused on housing and housing-led regeneration, rather than the diverse activities of a local authority, does make the job of communicating with staff somewhat easier. Rather than the danger of bombarding staff with too much information, most of the organisation's

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activities will be relevant to all staff. However, the fact that an LSVT inherits most of its people from the local authority brings its own obstacles.

Understanding the pre-transfer, local authority culture was described as a challenge in one of the LSVTs for managers who were new to the organisation and did not have previous experience of local authorities. Transferred staff commented in surveys and informally that there had been little effective communication at the council, and scarce opportunity to take ownership of projects.

In one organisation, the positive differences between the council and the new LSVT were emphasised from the point of transfer, in order to support the promise that housing would be delivered in a more tenant-centred way. However, this led to unexpected challenges in internal communications. Some staff who transferred perceived the explicit distancing from the council as criticism of their previous employer and, implicitly, of them. This example demonstrates how the idea of a 'fresh start' can be misinterpreted and is not the straightforward message to convey that managers might expect.

One LSVT assumed that the lead-in to transfer would have left staff at the council inundated with information about what the new organisation would stand for and how it hoped to work. At transfer, however, there came the realisation that there had been little in the way of internal communication up to that point.

Only one of the three LSVTs has a staff intranet. Another has been hindered in developing one because, at the time of the case study, it continued to share an IT system with the local authority. The third has not seen this as an immediate priority, citing the move to a new headquarters as a more urgent way of bringing staff together for face-to-face communication.

## 4.6 Summary

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During interviews at all three LSVTs, officers would use the words 'If we had had a blank canvas, we could have...'. Stock transfer is anything but a blank canvas, however. It is a new start, but not on an unblemished surface. In some ways, it represents a restoration project, particularly if one considers the improvements to homes. When it comes to people, an LSVT is something of a collage. Diverse materials with different properties are brought together to produce a vibrant whole. This does not happen without effort, and some pieces have to be rearranged. To depart from metaphor, despite the differences between the three LSVTs, they have learnt common lessons. There is a clear need to improve leadership capacity in the Welsh public housing sector, and practical steps are being taken to address this. The sector also has work to do on improving its image so that it is seen as a place where excellent candidates can carve out fulfilling and socially responsible careers. The trials and tribulations of change management within an LSVT can, however, mean that the organisation learns together and emerges as a more cohesive, better communicating one. None of the work of upgrading tenants' homes can be done without a correspondent investment in the workforce, and all three LSVTs recognise this. Where they differ is in the involvement of tenants in recruitment, the priority they have placed on having as many staff as possible in one building, and the aspirations they choose to make explicit in their values and vision.

# 5 Participation

This section examines some of the pros and cons of participation, drawing on work outside this study and comparing it with the experience of the three LSVTs. It is not the only place in this report that participation is discussed, because it has become integral to most of the activities of the LSVT.

At the project workshop, one participant commented that communities offer a sense of belonging; offering a common opportunity to belong to, or be involved with, an organisation like an LSVT can help to strengthen communities. *The Pawson, Smith et al report notes that 'second generation transfers have stimulated tenant involvement in organisational decision-making, both at a collective and at an individual level'* (p.1). The counter to this, however, is that *'broader evidence from tenant satisfaction surveys [demonstrated] that the proportion of tenants "satisfied with opportunities for participation" made available by second generation transfer HAs does no more than match the all-landlord norm* (p. 53). In addition, some tenants want only minimal contact with their landlord and do not seek participation. Demonstrating a positive outcome from tenant participation is, therefore, a mantle that Welsh LSVTs can take up.

The workshop recognised that tenant participation structures do not necessarily encourage a broad range of tenants to become involved. For example, the time of meetings or the amount of time that panel membership requires can deter those in employment from taking part, while people who are retired are more likely to want to and be able to get involved. While this means that the people taking part are not representative of the tenant demographic, it is a fact of social life that certain groups (particularly age-groups) are both more inclined and more able to participate in organisations such as housing associations and charities. This could be described as 'the age of volunteering' in life following on from 'the age of work'.

In none of the three LSVTs was there an obvious commitment to recording how tenants who get involved are recruited and by what criteria. While participation should avoid being excessively bureaucratic, when an organisation asks people to make decisions about their neighbours homes, it would do well to record why that person has been selected for this task and to make the process traceable. This commentary comes from outside the LSVTs and was not commented on by anyone employed by an LSVT, and at the project workshop there was no great concern about the need to assess the fairness or democratic nature of tenant participation.

A report from a Scottish focus group for senior public sector executives raised some key questions about tenant involvement in housing associations. Being on a management panel of any kind is, the report points out, a complex and time-consuming task, and housing associations are multi-million pound organisations operating in a tough environment. The report asks whether tenants have the skills or confidence to undertake such a task, and whether they are always sufficiently open-minded. It also asks why tenants should even want to take on this level of responsibility.<sup>4</sup>

In terms of encouraging wider participation, single topic discussions are thought to work better than the broader opportunities for involvement (e.g. sitting on various operational groups). For example, tenants are more likely to engage with WHQS work happening on their estate than something from which their lives are more divorced.

Innovative methods are required to reach younger tenants. Communications need to be targeted and designed to elicit a response (rather than just one-way communication). The tenant demographic is changing towards a younger age-group and LSVTs are not clear about whether they know what this group wants from its landlord and from a place to live.

All three LSVTs recognise the business benefit of listening to and encouraging participation from tenants.

5 Civica, Social Housing In Scotland: *Tenant Participation and Community Cohesion* (2006)

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Services can be adapted for the better, and there is a danger of the businesses stagnating without this input.

Outcomes of participation should be recorded and measured. As a sector, the LSVTs acknowledge, housing is good at collecting data, but not so good at translating that into management information. 'Participation' is assumed to be the orthodox route to being a good landlord in modern social housing, but it remains very difficult to prove what tangible effect participation has on the success of the organisation. Anecdotally, officers in the LSVTs can discern its benefits and report favourable reactions from tenants. It is also difficult to measure objectives in relation to improving tenant participation, as the extent to which tenants feel able to contribute to the operation of the organisation is subjective. This feeling can be influenced by personal circumstances or by ambivalence towards being involved in how the landlord operates. All three LSVTs recognise that they need to make it as easy as possible for those who want to participate to do so.

What the Welsh Audit Office has noticed is a correlation between well-performing housing associations in Wales and:

*A genuine, high-level commitment to resident involvement through hands-on involvement by board members and senior staff, for example, in site inspections. Resident involvement was seen as everyone's responsibility and this approach was supported through training, support and monitoring of involvement targets. [...] The individual involvement preferences of tenants were recorded, activity was tailored to meet those expressed preferences and effective participation was supported through training, accessible information, independent advice and mentoring and rewards, usually 'in kind', for getting involved.<sup>5</sup>*

Achieving tenant involvement is not straightforward, even when agreement has been reached that it is a good idea. One LSVT suggested that starting to deliver the message of tenant participation before transfer may have meant a faster adoption of these values within the organisation once it had been set up. And even if everyone in the organisation subscribes to the idea, it does not mean that tenants will want to participate.

The LSVT pursuing a mutual model has a dedicated tenant empowerment team. Staff in this team have commented that following the mutual model demands that the organisation be flexible in its engagement of tenants. Rather than have one, straightforward strategy for participation, it is integrated into all the organisation's activities. Tenants have, apparently, understood the challenges and been a real part of decision-making. They have seen, first-hand, the amount of work that goes in to setting up an LSVT. Participation, according to people in the organisation, makes delivery more efficient: officers do not have to second-guess what tenants and stakeholders think because they are present in the room with them, making the decisions alongside them. Having said this, the two LSVTs that have not pursued a mutual model used the same arguments to recommend tenant participation.

Communicating with tenants is a key part of participation. At the project workshop, it was suggested that there is a need to develop a range of ways for tenants to communicate, so that the channel is always open and they can let the LSVT know what they think without having to wait for the next questionnaire, which in any case tends to ask specific and largely closed questions.

Presently, in one LSVT, the council One-Stop-Shops are the public's main points of access to the organisation. One of the confusing things for tenants about this arrangement is that if tenants telephone the shops, council staff answer. This does little to reinforce the difference between the two organisations in the minds of tenants.

This report has already discussed the positive effect on staff of moving to one office. However, at one LSVT there had been some anxiety about the centralisation of the offices because staff had seen other RSLs lose their area presence when they moved out of area offices. The counter-argument to this from managers is that officers

<sup>5</sup> Wales Audit Office, *Lessons from Inspection: Housing Association Inspection 2005-2008*.

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will still be present on the patch, just not based in offices. Having an office in an area and actually visiting tenants' homes in that area are two different things, with the office being no guarantee that visits are made.

One LSVT has conducted research into literacy levels amongst tenants, and found them to be much lower than the Welsh average. It is therefore keen to move away from communicating solely through leaflets and ensure tradespeople and Tenant Liaison Officers (TLO) visiting tenants' homes are aware of key messages that need to be communicated. The value of face-to-face contact was emphasised, echoing the WAO findings, and this is a driver for bringing TLO and WHQS-surveyor roles in-house (see below for further discussion on this point). Knowledge can be acquired by these officers, retained by the organisation, and used to provide a better service to tenants. Less than 4% of this particular LSVT's tenants have access to the internet. Few tenants would use the internet as a source of housing information, with those who do have access tending to use it primarily for shopping. The organisation's website would therefore be for a corporate audience rather than for tenants and so developing it has not been a priority.

One of the LSVTs is well-known in its area of operation, largely because of its fleet of white vans, which have helped to create a brand identity for the organisation. Its estates are still often seen as 'council' (though this is inevitable and housing estates across Britain are seen as 'council' when they have been privately owned for decades). Tenant understanding of the change from council to LSVT is expected by this organisation to happen incrementally.

The community mutual LSVT has launched a tenant membership drive. The questionnaire asking people why they want to join has offered an insight into how tenants talk about the area. In the hundreds of responses, nobody talked about 'communities': they talk about neighbourhoods or their estates. It reveals that 'community' is a rather jargonistic term and it is easy for LSVTs to forget that when it is persistently used in government and sector literature. In addition, tenants do not tend to say that they want to become a member because they want a vote, but because they want a voice, or their opinions to be heard. The LSVT has learnt not just about its tenants, but about the value of asking open-ended questions so that official terminology is not imposed on the way that tenants want to talk about their experiences and aspirations.

## Summary

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Tenant participation is understood to be 'a good thing' by the social housing sector across the UK. The business case for involving tenants is that services can be tailored to their needs. Happier tenants are more likely to pay their rent and stay in their homes, supporting the financial stability of the housing association. In terms of being a good landlord, the LSVTs are concerned to be supportive without being paternalistic or patronising. Understanding exactly what it is that needs changing about housing and the landlord which manages it, rather than assuming that the housing professionals know best, is part of that role. The extent of useful participation does have limits, the LSVTs acknowledge, but most organisations are nowhere near that limit yet. If decisions are made that suit tenants in the short-term but are detrimental to the business plan, the limit may have been surpassed.

## 6 Governance

The Essex Report commented that *'more must be done to increase the financial and business competencies of boards and to enhance their challenge function to their executives'*.<sup>6</sup> The capacity of boards to function in this way seems to be something of an anxiety in the sector, though none of the LSVTs involved in this study displayed any nervousness regarding their own boards to function adequately. A Community Housing Cymru report into the governance of housing associations made a list of recommendations in 2008.<sup>7</sup> These were also noted by the Essex Report. Those that are general and relevant to this study are summarised and commented on below:

- *Boards of associations should include 1/3 of their membership from tenants, recognising that this will only be achieved on a platform of extensive and effective tenant engagement.* The three LSVTs involved in this study have a board constituted by 1/3 tenants, 1/3 council members and 1/3 'independents', usually selected for their experience in a relevant field. Pawson, Smith et al found that, in post-1997 stock transfer housing associations, constitutional changes (to the board or other areas of governance) often took place after the initial 'promises period' of the organisation when it was looking to diversify its activities (pp. 41-3). In Wales, this would be some time after 2012, when WHQS has been met. The LSVTs involved in this study have not struggled to fill their tenant board places, demonstrating effective engagement with tenants.
- *All tenants of housing associations should be invited to take a shareholding in their association.* While the community housing mutual LSVT involved in this study demonstrated the greatest commitment to encouraging tenant membership of the organisation, shareholding is an option for tenants of the other LSVTs as well. In one organisation, a shadow Members' Forum sits underneath the board in the governance hierarchy, and will become a full Members' Forum once elections are held. This has been slightly delayed in order to ensure that the forum is made up of a representative sample of households. Membership of the forum is currently open to all, but will soon be closed to anyone other than tenants who have opted to become members of the organisation.
- *Board members should be recommended for appointment on the basis of open advertisement and interview; boards should plan for membership succession; boards should put in place procedures for the appraisal and development of all their own members.* In terms of tenant board members across Britain, in the early days following transfer these *'tended to be recruited through 'open' electoral processes – i.e. where there has been little or no restriction on the eligibility of sitting tenants to stand as candidates.'* As time went on, however, LSVTs did more 'filtering' of candidates to *assess capabilities, motivation and commitment'* (Pawson, Smith et al, p. 50). For the most part, the LSVTs involved in this Welsh study described how 'lucky' they had been with their tenant board members, indicating good board capacity and harmony. It remains to be seen whether further filtering will take place in later years, particularly as LSVTs now face the additional challenge of a difficult economic climate; turbulent times for businesses require a steady and capable board.
- *Local authorities should be invited to nominate board members for associations who make a significant contribution in their area.* The Pawson, Smith et al report notes that *'councils' selection criteria were often politically influenced (or driven) and did not necessarily take any account of nominee capabilities or commitment and that there was a 'lack of continuity liable to result from changes in political control or rotation of council representation on external bodies* (p. 49). This echoes the Welsh experience. Changes in

6 Affordable Housing Task and Finish Group, *Report to the Deputy Minister for Housing*, 'The Essex Report', National Assembly for Wales (June 2008), p. 45.

7 Paul Griffiths, *Report on the Governance of Housing Associations in Wales*, Community Housing Cymru (2008).

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the makeup of the board make it difficult to ensure consistency and continuity. Attendance levels of council board members can also be poor. A working party in one LSVT is reviewing the possibility of introducing appraisals to educate board members and increase effectiveness. Other LSVTs in the UK have introduced codes of conduct, sometimes as part of remedial action after poor board member performance (Pawson, Smith et al, p. 52).

One LSVT began life with the chair of the board as a councillor, but around the time of council elections the local authority decided that its cabinet members should not be on the board of the LSVT. In the early period after transfer it can be helpful to have experienced cabinet members on the board, but a conflict of interest may develop as time goes on and the council decided that it needed a more distant relationship.

- *It is recommended that there is a minimum standard to the reporting of key performance information to Boards which includes benchmarked information and a clear expectation that boards are expected to use performance information to inform actions and achieve progress.* More discussion of performance management information is given in the section on 'Performance'.

## Summary

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The three LSVTs spoke very positively about their tenant board members and expressed few, if any, concerns about the capacity of their boards to make the right decisions and ask the right questions for the good of other tenants and the organisation. Some training may, initially, be required to encourage all board members to think strategically rather than become embroiled in operational issues. It is important that councillors are as committed as other board members, but local democracy cycles means that there will be inevitable changes to the individuals nominated by the council, which can be distracting and unhelpful in fostering board cohesiveness. Elsewhere in Britain, some LSVTs have moved to a board structure without council nominees.

## 7 WHQS

WHQS defines good quality homes as those which:

- Are in a good state of repair;
- Are safe and secure;
- Are adequately heated, fuel efficient and well insulated;
- Contain up-to-date kitchens and bathrooms;
- Are well-managed (for rented housing);
- Are located in attractive and safe environments;
- As far as possible suit the specific requirements of the household (e.g. specific disabilities).

All three LSVTs had a considerable amount of work to do to ensure that they properties they own and manage meet this standard by 2012.

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## 7.1 Procurement

The LSVTs' approach to procuring their main improvement programmes have all sought to maximise benefits to local economies and contribute to broader socio-economic regeneration. For some, this means building local labour commitments into the contracts, while for one of the others a timed response is a condition of the contract (meaning the contractor must be located within a sensible distance of the housing stock). It might also involve committing contractors to spending a percentage of the value of the contract on community projects, or doing work in kind. There is a need for LSVTs to take responsibility for procurement as intelligent clients, understanding the effects of its purchases.

One of the organisations has joined a local consortium for its contracting, currently using six of fourteen contractors from the framework. The process has revealed that there is not a great deal of experience of working with frameworks in Wales, meaning that everyone learns as they go along. The organisation also had to spend considerable time and effort reissuing its OJEU notices to allow other organisations in the consortium to benefit from the contracts it negotiates in relation to the WHQS improvement programme. This severely delayed the start of the improvement programme. Nevertheless, this organisation is now convinced of the usefulness of the OJEU process; it is clear and transparent and takes only slightly longer than more traditional methods of procurement.

A consortium academy will soon be set up, meaning that apprentices can move between different contracting organisations, giving them a more rounded training experience.

By contrast, another LSVT asserts that a balance should be found between getting volume discounts as part of a consortium, group or purchasing club, and the relationship that can be developed just between the LSVT and small, local firms. Sometimes, a better deal can be found by just picking up the phone and asking someone local what value they can add to a contract. There is a belief that, with the big groups, it can be harder to gain social inclusion benefits. This is not, however, backed by detailed figures, and 'harder' may just mean more negotiation rather than these benefits being impossible to achieve.

One of the three organisation's advice to future LSVTs is to consider procurement as early as possible. They should expect to sign contracts a couple of months after transfer to ensure contractors can get on site as soon as possible. To make this happen, a skilled procurement resource should be brought in (if not already in place at the local authority) before transfer. This means that the promises to tenants made in the offer document can be met much earlier.

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## 7.2 Tenant involvement in Procurement and WHQS

In the community mutual organisation, tenants were enlisted to take part in Pre-Qualification Questionnaire (PQQ) development. The outline of a PQQ was provided and tenants suggested questions that should be added. A workshop discussed what mattered most to the tenants, for example high-quality works and a 'right first time' approach. Social inclusion was considered at the PQQ stage but potential contractors were not marked on this element. The result of the consultative process was a PQQ developed on traditional standards but with enhancements specific to the requirements of the LSVT. Tenants contributed to the preparation of the scoring mechanism for tenders, including determining the split between cost and quality for weighing assessments, and also went on visits across the country to conduct 'reality checks' of the contractors' work elsewhere. They were able to speak to tenants who had first-hand experience of the contractors' work, which was thought to yield valuable information about what it really meant to employ a contractor to the major improvements programme, such as how complaints are dealt with, to whom the contractors reported, and how well the works were planned. 'Social Inclusion' makes up a portion of the quality element of contractor assessments. Tenants tended to be strict about how they assessed contractors on these kinds of criteria, as

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they have an interest in seeing their neighbourhoods benefit from the large financial contracts private firms win as part of the WHQS programme.

Another organisation has a 'Better Build Group' consisting of tenants and officers. A steering group for the wider group consists of three tenant members and three officer members. Of the tenants, one has significant procurement experience, one used to have a contracting firm and the other has been very active in tenant participation in the past. One of the areas of discussion has been the criteria used to decide which properties, estates or streets should have WHQS work done first. Pawson, Smith et al found that the programme at Glasgow Housing Association (GHA) was:

*strongly influenced by an in-depth appraisal of popularity and long-term sustainability. Hence, investment was being focused on 'core stock' rather than being subject to the 'worst first' principle which influenced former housing department decision-making. (p. 26)*

The Welsh organisation with the Better Build group opted for the 'worst first' principle in programming work, but its stock is in a much better condition than GHA's, so there was no need to differentiate between core stock and that which might be sold off or demolished. Importantly, the decision by this LSVT to deal with properties most in need of improvement first was made with tenant involvement.

The tenant members of the steering group of the Better Build Group visited one of the estates where there are ongoing whole-house upgrades. They saw properties where work had not yet started, one where the work had just started and one where it was nearly finished. They also looked at different property types. This was in order for them to understand exactly what the work entails, and for them to use that knowledge in the decisions that they make in future. Informed tenant involvement in the WHQS improvement planning allows rigorous, inclusive and accountable decision-making.

The community mutual organisation has also implemented tenant-led inspections of WHQS improvement works on its properties. Four Continuous Improvement Assessors have been trained, with initial inspections undertaken on properties where work has been completed and signed off. The inspections look at items such as electrical sockets, rough edges on work surfaces and tiles, and overflows in bathrooms. These inspections will be, inevitably, time-consuming, particularly as there is an aspiration for the programme to extend to works in progress. The key challenge will be encouraging enough tenants to train as assessors in order to carry out additional tenant-led inspections.

When the programme for one of the three organisations' WHQS work reaches a particular estate, there is a tenant evening, where tenants can see for themselves the type of materials that will be used and the process is explained. All tenants due to have work carried out are invited to become a 'Liaison Tenant'. This is an informal opportunity to act as a contact between the community and the LSVT. The thinking behind this scheme is that some tenants will not want to formally report comments to the landlord or join a tenants' group. In this organisation, Tenant Liaison Officers are employed by the contractor (see below).

Involving tenants in the procurement process means that they are more likely to act as advocates for the organisation, the way it operates and the decisions it makes. Tenants have been found to be realistic, understanding why there might be financial reasons for a recommendation, for example.

### **7.3 TLOs**

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Whether TLOs should be employed by the RSL or by the contractor is an area of some discussion in the sector. For one of the LSVTs where TLOs are retained by the contractor, there are both benefits and disbenefits to not having them in-house. On a small project (smaller than the major works programme) it would be difficult for the organisation to justify the cost of employing them. If contractors are partnered

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properly, there should be enough trust for the current system to work well. One potential problem with the TLO working for the contractors is that the LSVT has no control over staff turnover, so there could potentially be inconsistency in the people going in to tenants' homes. While senior managers seem fairly happy with contractor TLOs, other members of staff in the organisation would prefer them to be brought in-house.

The community mutual LSVT decided to bring TLOs in-house rather than having them employed by the contractor, a route it would recommend to other LSVTs. The TLO is the tenant's point of contact before, during and after the works, explains the process, goes through any choices (e.g. colour schemes) that the tenant has, and ensures that the property and the people who live there are treated with respect. The TLO also returns after the work has been completed in order to fill out tenant satisfaction surveys. These include questions about how well-informed the tenant was kept, whether operatives arrived on the correct day, politeness, helpfulness, cleanliness and safety. The challenges associated with this way of working come largely from the fact that contractors are used to having their own TLOs, so a change in the relationship is demanded.

#### **7.4 Tenant reaction to WHQS**

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All three LSVTs have found there to be a mixture of tenant reactions to the works. Some can hardly believe how good it is, while others find the amount of disruption hard to bear. One LSVT commented on how it tries to get all the internal works (electrical work, the kitchen, the bathroom and heating) completed in one session of around two weeks. External works can be done over a longer period because they are less disruptive. The longer contractors are in someone's home, the more problems with access they are likely to get.

One LSVT made every effort to keep residents in their homes during repairs, but where the works were very disruptive, they would 'decant' them to vacant properties. This was easier in the early post-transfer period because there were more vacant properties. As one target is met (reducing the number of void properties), meeting another becomes more complicated (carrying out the repairs programme). Moving tenants is not so easy for other LSVTs who have fewer vacant properties.

#### **7.5 Stock condition surveys**

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A common challenge in LSVTs is getting to know the condition of the estate because of the limited amount of data collected in pre-transfer stock condition surveys. This is not a criticism of the surveyors, and is rather the reality of any situation in which a sample of an entire portfolio is tested. There can never be enough detail to fully inform a major works programme, and surveying all properties extensively would be prohibitively expensive. One LSVT's business plan was flawed in relation to empty properties as a result of the stock condition survey. Empty-property improvements were projected using the survey, not recognising that the costs to bring empty properties up to re-let standard were much higher than the average property improvement. Four times as much was spent in this area than was set out in the business plan. This overspend was mitigated by a deal worked out with the council for the LSVT to keep all Right to Buy receipts, of which more were sold than anticipated because of favourable market conditions. In addition, many were sold unimproved, reducing the LSVT's outlay.

In one LSVT, a proportion of the stock was surveyed several years before transfer. Just prior to transfer, another, smaller proportion was surveyed to validate the earlier figures. Not only does surveying more properties cost more money, it takes more time. The more time that passes, the less accurate the data collected first becomes. Immediately after transfer, in this case, it became apparent that the earliest work was now out of date, so several hundred more properties were surveyed. This was the most extensive stock condition survey carried out across the three LSVTs.

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The CEO of an LSVT recently formed in North Wales (and not included in the case study research) commented in a seminar at the 2009 CIH conference that his organisation had undertaken a 100% scoping survey of the stock, to supplement the stock valuation survey undertaken prior to transfer.

The main implication of a limited survey is that work programmes become inaccurate. Some areas of work require more time than anticipated (such as when plaster comes away from the walls when an old kitchen is taken out) while some take less time than anticipated (such as improving non-traditional builds for one LSVT in this study). Inaccuracies in programming have a knock-on effect on the accuracy of the business plan. This mirrors the situation in the rest of the UK, as Pawson, Smith et al note: *'half the associations concerned found that the extent of catch-up repairs was greater than expected (at least in some cases due to defective pre-transfer stock condition surveys)'. In addition, 'only a minority of the income and expenditure components in urban transfer HAs' original business plan projections proved correct'* (p. 35).

One LSVT has also had to meet challenges associated with some of the works that tenants have undertaken on properties themselves. Some of these can devalue the property rather than improve it. Not only is there a need to be sensitive about these improvements if the same tenant is still in the property, if a new tenant has moved in, he or she is likely to expect the landlord to undo the changes made by the previous tenant.

## **7.6 Working with contractors**

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There are a number of common challenges for LSVTs associated with working with contractors, which are detailed below. The differences between those relationships tend not to be to do with the size of the works programme being procured, or the location of the LSVT, but with the more general ethos of the organisation. One LSVT with a strong commitment to social regeneration and associated activities found the relationship to be hard work to start with because of the radically different priorities of a social enterprise (the LSVT) and profit-driven contractors. Contractors will also want to do things their way. These different perspectives came to light during the process of working together, and meant that the LSVT has had to carefully monitor whether social inclusion targets are being met to its satisfaction. Local labour and community projects can be peripheral concerns for contractors. Monitoring whether a percentage of the value of the contract is really benefiting tenants is, therefore, as important as building it into the contract in the first place. Another LSVT has a similarly strong commitment to gaining added value for the communities it serves, but some senior staff have in-depth experience of working with construction-industry contractors, so were under no illusions about how strict it would need to be to ensure contractors understood, and are able to echo, its values. The third LSVT found less disjunction between its own aims and that of its contractors, partly because of the private sector experience of staff and partly because its contracts are more traditional and therefore less challenging to what the larger contractors are used to delivering. In building the relationship between the organisation and the contractors, managers in one LSVT suggested that a pre-preparation stage to clarify what the organisation wants and what the tenants need would have been very useful.

Communicating with potential and then engaged contractors throughout the procurement and planning processes is vital. LSVTs quite often form the vanguard of new procurement or contracting methods in the public sector, so making sure that partners in these innovations are well-informed is the only way of making them work.

One LSVT found that, once the planned works programme commenced, there were some snags on WHQS work, but that this is continually improving. In practice, quality was less of an issue than the amount of time the first few properties took to improve. The longer contractors are in a property, the more problems with access they are likely to get as people's patience diminishes.

## 7.7 Local employment and training

'Targeted Recruitment and Training' (TR&T) is one way of tackling economic inactivity through WHQS investment. The emphasis is on ensuring that 'new entrant' training and employment opportunities are provided as a requirement of contracts, meaning that those most in need benefit from the work of the RSL. RSLs have the legal power to make this a requirement of their contracts. According to a Savills/i2i report, Community Mutual RSLs are particularly well-suited to delivering TR&T and wider social inclusion as their model rules state that ownership of the RSL rests with tenants, and tenants are empowered to become involved in the regeneration and development of their communities.<sup>8</sup> However, the activities of one of the other LSVTs in this study demonstrate that community mutuals are not the only RSLs to garner local employment benefits through their procurement practices.

Local labour targets were set in procuring the main improvements programme and these have been successful, but making sure that the unemployed are getting back into work (rather than people moving from one job to another) is more difficult, particularly when there are generations of families in the area who have been without work. This particular LSVT has taken on board experiences from Scotland of including community benefits such as TR&T in procurement. Along with the local authority and WAG, the LSVT is one of the main partners (and chairs the steering group) in a Construction Training Centre. Contractors have agreed to host placements for trainees from the centre, but the LSVT is concerned that these not just be 'tasters'. To avoid this, other RSLs are being encouraged to participate in a scheme where trainees can move from one project to another. As noted earlier in this report, another LSVT is working on a consortium-wide trainee scheme to give apprentices the widest possible experience. These schemes are most challenging if the candidates the LSVT want to target for such placements are those most in need of training and time invested in them because they have been out of work a long time and have low levels of academic achievement.

In contrast to this approach, another LSVT wants to seek out those applicants who have the most potential. It has voiced frustration that much of the government funding for apprentices is tied into helping the long-term unemployed back to work, considering that such applicants are not necessarily those most likely to stay in work. The organisation is willing to engage with the intermediate labour market, but expects such applicants to join the company as labourers; funding is not available for this. The differences between this organisation and the other one detailed above are not just related to approaches to training; who the LSVT chooses to employ and train is also an indicator of ideological differences between organisations, which could crudely be seen as lying somewhere on a scale between 'socialist' and 'corporate'.

In terms of challenges relating to training up and employing tradespeople, there has been a historical reluctance in the trade to work on retrofitting projects. It is messier work, with problems such as black mortar walls and having to work in older properties. This is further complicated by the presence of tenants – furniture must be moved, there is always the possibility that something will be damaged, access may be more difficult and the workers must consider the needs of the residents, rather than just how the job can most easily be completed.

There have been mixed experiences of the helpfulness of tertiary education providers. One LSVT found that approaching colleges a few years ago to try and get certain training courses or partnerships set up was unlikely to get any results. Now, the sixth form colleges are running courses linked to the LSVT's work streams. The training opportunities were not previously in place to support the aspirations of the organisation, but these have now emerged. However, another organisation has found that colleges find it difficult to make selections when there are a limited number of apprenticeships or jobs and a large number of applicants. They are also thought to be inflexible about the scoring mechanisms they use to assess applicants, pigeonholing people into certain trades because of the scores they achieve during assessment.

<sup>8</sup> Savills and i2i, *WHQS Plus: Maximising Benefits Across Wales* (November 2008).

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There is currently a gap between the skills needed and the training provided, and there is a feeling that colleges concentrate on where they can get the most funding, rather than on industry demand. There is a danger that they just produce better-skilled unemployed people, rather than equipping people to find work.

## 7.8 *Small to Medium-sized Enterprises (SMEs)*

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The creativity with which LSVTs have responded to the challenge of procuring WHQS improvement works, and the value of contracts to a particular geographical area, mean that the sort of firms being selected for these contracts is of great interest both inside and outside the sector. The work being done on social inclusion and local labour clauses in contracts is good news in a difficult economic climate, and has the potential to mitigate some of the gloom surrounding redundancies and recession. However, there have been misunderstandings leading to negative press in some parts of Wales, and SMEs have not been able to rise to the challenge of bidding for WHQS work as much as had been hoped.

Working with SMEs was a key theme of the project workshop, and some of the key points raised were that:

- It is important to recognise who the SMEs in the LSVT's area are. SMEs make up the vast majority of the Welsh construction sector. Procurers need to know where these firms are, how much work they could take on, and what support they need. This information is unlikely to come in a useful form from the local authority. With the amount of work an LSVT procures, there can be a danger of overloading a particular SME so that the LSVT becomes its only client. LSVTs can decide whether or not they want to open SMEs up to this risk, or can package work so this does not happen.
- There is an opportunity to learn from the business development sector in terms of offering business support, and which businesses to target for this support. Democratising access to any support that agencies can offer to SMEs is not necessarily a good thing, as some will respond much better than others and become a good contractor, while others will struggle (or may not want) to reach the level the LSVT expects.
- There is some doubt about whether SMEs understand social inclusion, but also whether they need to. Most importantly, they need to understand the needs of their clients, whether that is an LSVT or different kind of organisation. Large contractors are not necessarily any better at tailoring their offer to an LSVT than smaller ones, in the experience of one of the LSVTs involved in the project.
- SMEs should start working more collectively rather than purely competitively. They could set up a co-operative, or at the very least work in partnership to meet the needs of social housing clients. Shared apprentice schemes may be a starting point for this.
- The nature of the main contractor that the LSVT selects needs to be considered. For example, some contractors are direct deliverers, while others manage a supply chain. These will have different relationships with local SMEs, which means that the LSVT's WHQS improvement programme could have a greater or lesser impact on the local economy depending on what sort of main contractor they select.
- Capacity can be a problem for SMEs. Fostering honesty about the amount of work one firm can take on is something with which the LSVT can help SMEs, as well as communicating with neighbouring LSVTs about what they will be procuring and when, to provide a series of contracts and longevity of work, rather than one glut of contracts with which the smaller firms fail to cope.
- To encourage SMEs to bid for work, it must be packaged in a way that enables them to be competitive. The way in which the Pre-Qualification Questionnaire is written will also affect how well SMEs respond to it.
- Planning for procurement in the transition phase from local authority to LSVT is a necessity. Straight after transfer there are pressures on delivery and tenant expectations to manage.

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The most important issues under this heading, according to the three LSVTs involved in the project, are work packaging for the benefit of SMEs, knowing the local SME market, the role and responsibility of the LSVT as a client and the capacity of SMEs to complete WHQS work. As with any contractor, honest communication is very important.

The community mutual organisation aimed to organise its procurement to the benefit of the local economy (but not to the detriment of European-wide competitiveness) by removing traditional obstacles to smaller companies, such as turnover tests, and by allowing contractors to bid for work according to the size of the company rather than the overall volume of work required, i.e. potentially splitting large workstreams into smaller, manageable work packages. Main contractors have been tied into using locally-based suppliers, generating more local job and training opportunities. A programme of 'mobilisation' of the local supply-chain was undertaken including awareness events to 'ready' contractors and introduce them to support agencies, introductions to the main contractors, and training on open book accounting. While the other two LSVTs are just as keen to retain the WHQS pound locally, they have not focused their attentions on the capacity of SMEs and the local supply chain to quite this extent.

## 7.9 Meeting WHQS

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All three LSVTs highlighted the need to build time to plan procurement properly into the programme and, perhaps most importantly, making this planning stage part of the transfer process rather than something that is thought about afterwards. Getting the right contractors (whether they are small and local or national firms who will subcontract), with whom one can have open and honest working relationships, is important to the early life of the LSVT and its success as an organisation. One LSVT felt it useful for both the contractor and the LSVT to be able to challenge everything: the contracts, the methods, the supply chain, the relationship itself. This is in order for a rigorous approach to be taken to getting the right result for tenants.

In the rest of Britain, Pawson, Smith et al found that for '*a small number of pre-2001 transfers, part of the problem [with programming works] was having specified modernisation works in advance of the publication of the Decent Homes Standard*' (p. 36). One LSVT involved in the current study experienced the same problem with WHQS. The other two, while working to a more defined standard, still considered potential WAG changes to the standard to be a significant risk to business.

All three LSVTs have found that there is a need to take a pragmatic approach to WHQS. Many changes (to the layout of a kitchen, for example, or the addition of a WC) would not be difficult in a new-build property. However, in a similar way to the challenges that come with organisational structures and staff already in place at the point of transfer, life is more complicated when trying to bring existing housing stock up to the standard, particularly if that stock is aging or in blocks of flats. The environmental changes required around houses and flats are also expensive. In some cases, whole estates need redesigning to properly meet the standard, but this is not feasible. LSVTs have found WAG to be generally sympathetic to the need to adapt WHQS to the context in which it is being used.

## 8 Performance

Staff in all three organisations had noticed a significant change in attitudes to performance management since transfer. For example, the three LSVTs have undertaken STATUS surveys, the industry-standard questionnaire, even though these are not yet a requirement in Wales. Relating business planning to tenant satisfaction results is thought to be a great step forward. In particular, a high-level and visible commitment to data collection for the purposes of performance management makes it easier for staff to see that this is part of the day job, not an annoying distraction from it. Performance management can have, the project workshop revealed, both positive and negative outcomes. On the negative side, it helps to identify staff who are not performing to the standard expected of the LSVT and these staff may not be part of the future of the organisation. On the positive side, performance management offers clarity for the future. Housemark is a well-used and appreciated tool for benchmarking by LSVTs, particularly its improvement club meetings. Something like Housemark is felt to be more relevant once Housing breaks away from the local authority, because the costs and impacts of various services can be more easily disaggregated.

The Welsh Audit Office found that some housing associations *'had robust performance management arrangements which were driving service improvement, but some others did not have comprehensive or effective systems that ensured improvement in performance'* (p. 24). The three LSVTs involved in the current study consider performance management to be an internal priority, vital for understanding how the organisation can improve. For example, one LSVT aims to go beyond the headlines of KPI reporting to enable managers to ask the right questions about improvement: rather than just reporting the number of days a void property takes to be improved, it records how many of those days included people working on site to see how efficient the process is.

Despite this prioritising, collecting performance information can be something of a challenge for organisations where this has not been a long-established practice. One organisation expressed a belief that it has begun to develop an understanding of business intelligence in different service areas, partly because managers cannot rely on centralised data collection (as was the case at the council) so must take ownership of performance. Fostering a culture of good performance management has been aided, all three LSVTs explained, by the Personal Development Review (PDR) process for staff appraisals. When staff are involved in setting targets for themselves, they can more easily see the relevance of doing this across the organisation, reducing fears associated with target setting. 360° appraisals are useful, but training is required to make this work. These can be linked to tenant satisfaction results.

A further complication for new organisations embarking on performance monitoring is that initial benchmarking figures are usually poor for the first eighteen months because of a lack of data and because of differences in performance measures between organisations. One LSVT has rejected the health and safety recording system where the onus is on contractors to report health and safety incidents because this can lead to under-reporting on the part of the contractor. It has been replaced by a system where the LSVT's own inspectors go out on site and record anything unsafe. The recorded performance of contractors is much poorer than they are used to seeing, because of this change in data collection. Rather than just the reporting of incidents, health and safety is considered in a preventative sense, such as clearing up electrical leads trailing down the stairs. Benchmarking against organisations doing traditional reporting in both England and Wales becomes a challenge, because the contractors will always look as if they are performing badly, because more incidents are reported.

One of the messages that managers of one LSVT have taken from its Audit Office inspection report is that sufficient information is being collected but it is not yet being fully exploited. As staff become increasingly IT

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literate and become familiar with the software, this situation should improve. Making the most of the technology available, such as GIS, is something on which the organisation hopes to focus in the future.

Life has been made difficult for one LSVT by the absence of a joint database with the council following transfer. The information held by the local authority was copied to the LSVT but now both parties have to update the database independently and rely on each other to make the other organisation aware of changes. In this authority area, the council maintains sole control of the housing waiting list. One practical way in which this is a problem is that the LSVT does not know who on the waiting list could afford shared ownership of a property, meaning that decisions about taking such a scheme forward are less well-informed than they might be.

This focus on performance management serves to professionalise housing, with staff at various levels of the organisation understanding the links between data gathering and improving services for tenants. Part of this understanding can be attributed to staff witnessing positive changes that are made because of management information.

## 9 Relationships

### 9.1 'Home' local authority

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One of the key pieces of vocabulary used when people talk about stock transfer is 'inheritance'. The LSVT inherits staff, policies and attitudes as well as stock from the local authority. It can be all too easy to blame the council for difficult situations, particularly if there are difficult negotiations at the point of transfer, but an amicable relationship must be maintained in most situations because some services continue to be shared, and because the LSVT and the local authority will be key strategic partners in housing in the area. The *Welsh Audit Office noted that all housing associations inspected by them 'sought to respond positively to local authority partners and a number had developed effective solutions to meet complex needs'* (p. 13).

Initially, one of the LSVTs involved in the study bought many services back from the council, but is gradually withdrawing from these. In another, staff who transferred from the council felt that the relationships between Housing and other departments of the council pre-transfer were already difficult, but that since transfer the importance of a continued relationship with the LSVT has led to more cooperation from the council.

One LSVT has improved relationships with its 'home' authority via a community caretaker initiative. Three caretakers spend one day a week on each of the estates. There had been disagreements over who had responsibility for flytipping, but communication between the council, the caretakers and the tenants has improved matters.

Managing councillor perceptions about the transition from council service to LSVT can be one of the many challenges of stock transfer. At the point of transfer in one area, an elected members inquiry system was set up. All enquiries from councillors, AMs and MPs have to go through the LSVT's corporate services, and there is a dedicated complaints and enquiries officer. Initially, councillors seemed to be against the idea because they preferred being able to ring up and speak to specific officers. Now, they have a system where they generally get a written, substantive response within 10 days. Councillors are also able to show evidence to their constituents of having taken the complaint and making sure that it is followed up.

## 9.2 Communities First

Communities First is a WAG initiative, aimed at regenerating Wales' most deprived communities, enabling them to pursue sustainable development and tackle social disadvantage themselves, through local partnerships. Some Communities First areas are administered as part of the council (the recipient body for grants) and they supply the staff. The regeneration work undertaken, therefore, remains council-driven. There have been disagreements between LSVTs and Communities First in some areas. These may be about the interpretation of statistics, ringfencing LSVT vacancies for people from the Communities First area and, more generally, approaches to regeneration. An additional complication, one of the LSVTs suspects, is that stock transfer organisations have enviable resources for their regeneration activities, compared to Communities First's more limited budget. All the LSVTs recognise, however, the importance of working effectively with Communities First, so are keen to improve relationships.

One of the LSVTs hopes to collaborate with Communities First on a 'community hub' approach, where Communities First and other stakeholders are able to share premises on estates to maximise opportunities for accessible joint service delivery. In England, such schemes have been promoted by the Housing Associations' Charitable Trust and see HAs as community anchors. This LSVT subscribes to the idea that it is better to take the service to the community, with a central cluster of providers.

## 9.3 Welsh Assembly Government and National Assembly for Wales

The Essex Review noted that WAG's reviews of the regulatory framework have all concentrated on developing less detailed regulation, more strategic regulation, more self assessment, and greater use of performance indicators and benchmarks: 'all driven towards making for a more efficient and effective sector capable of continuously improving' (p. 43).

However:

*The Welsh Assembly Government has not been able to deliver the regime it has aspired to, despite the best efforts of all involved. Partly this is due to other policy priorities, but also because the regime has become immersed in detail. (p. 43)*

The Essex Review makes comprehensive recommendations for regulatory change, and these would have significant impacts on resources within WAG. As the review itself notes, none of these changes 'will happen without proper resources' (p. 49). A common complaint amongst the LSVTs involved in this study is that Housing in WAG is already under-resourced. It seems that LSVTs have not felt sufficiently supported by WAG throughout the transfer process, particularly when decisions about gap funding have taken a long time to be made. One LSVT felt that WAG should have a greater presence as transfer is being negotiated to ensure that it happens in a timely fashion and that sufficient expertise is bought in to expedite the process (legal and procurement expertise, for example).

One of the organisations has made explicit how important it is for Welsh Assembly Members to see where the LSVT is delivering on government policies and objectives. The organisation actively looks for the synergies between what AMs are talking about and what the LSVT does. The LSVT and the council have made a promise to the AMs' constituents; AMs need to know that they are delivering on those promises, that they can have confidence in the pace of delivery and that tenants have continuing involvement in decision-making.

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## **9.4 Lenders**

One of the key relationships an LSVT has is with its lenders. All three LSVTs involved in this study transferred in an economic climate where it was not difficult to negotiate favourable rates on loans. Loans being negotiated towards the end of 2008 and into 2009 are likely to be more complicated. Lenders are, naturally, interested in levels of housing demand in the area and the cost of repairs/retrofitting, but also in the organisation and its senior management. Banks and building societies need to know whether the business will be well-managed. One LSVT found that lenders tend to be more nervous of high rise properties and non-traditional builds. A potential lender for another nascent LSVT rejected its proposition because it was concerned that there was a gap between the business plan and the regeneration aims of the organisation; it was not immediately clear how the regeneration activities would be paid for. As housing associations diversify their activities beyond the traditional landlord role, there is a clear need to be able to demonstrate the business case for these activities to the satisfaction of the lenders.

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## **9.5 Utilities companies**

One of the LSVTs is developing a partnership with a water supplier, with the LSVT collecting water rates on behalf of the supplier. This is a scheme promoted by the regulator, Ofwat. It helps the supplier get closer to tenants and can help with the affordability of rates: increased collection for the provider means cost savings, and these savings are passed on to tenants. While the scheme to collect water rates on behalf of the supplier was ostensibly a trial, it was a major change to the way in which tenants were used to paying their bills. The other two LSVTs involved in this study have not, so far, engaged in this way with utilities companies.

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## **9.6 The social housing sector**

As well as informal networks amongst LSVTs in Wales, the organisations involved in this study were all keen to collaborate with Community Housing Cymru (CHC) and the Chartered Institute of Housing (CIH). There is a recognition that speaking with one voice and applying for funding to be paid into one collective pot can be more powerful than working in isolation. However, these collaborations also allow scope for debate between organisations, because working together does not by any means imply that the LSVTs are striving for uniformity; they must each respond creatively and effectively to the social, environmental and economic challenges of the areas in which they operate. The fact that the three LSVTs involved in this study were not only happy to be involved in the research but open and committed throughout demonstrates how keen they are to achieve improvements across the sector, whilst maintaining some healthy competition between organisations.

# 10 Regeneration

## 10.1 What is regeneration?

In this context, 'regeneration' means the ways in which the LSVT gains added value from its procurement, accesses funding or facilitates joint working to improve the social, economic and environmental context in which tenants live. This can be by empowering community groups, renting buildings to charities, making use of derelict areas, or providing jobs or work experience. The Pawson, Smith et al report found that '*a critical unanticipated development of second generation transfer HAs is the extent of their involvement in community regeneration*' (p. 5). In Wales, because stock transfer has happened at a slower rate than in England, this development of what a housing association does and what it looks like was somewhat more expected. This means, then, that expectations (among housing associations, politicians and policy makers if not specifically amongst tenants) were higher. Certainly in one LSVT involved in this project there was anticipation amongst staff that there would be a great deal of social inclusion and regeneration activities from day one after transfer. These expectations had to be managed in order for the LSVT to take stock and strategise how best to devote resources. It seems that the realisation came sooner in the evolution of each individual organisation in Wales that housing-led regeneration could really improve not just bricks and mortar, but the life chances of tenants. According to a CHC report, in 2007/08, in the course of maintenance and repair work, housing association in Wales spent approximately £1.7m on training and a further £2.6m on other expenditure including community regeneration projects.<sup>9</sup> The CHC report covers all housing associations in Wales, not just LSVTs. As more authorities transfer housing stock in Wales these figures increase, partly because the sheer size of LSVTs means that they have greater purchasing power and are keen to use that power to generate the greatest benefits possible for local communities.

While two of the LSVTs involved in the project have to contend with social problems associated with urban areas, any social inclusion issues in the third LSVT's area are exacerbated by problems with transport in a rural area. Having said this, any such issues are much less acute than the levels of unemployment, poor health and deprivation for the other two LSVTs.

One of the LSVTs has formed a fruitful partnership with a local youth charity. The most at-risk youths on estates are targeted for diversionary activities, which will also provide them with a skill to be used to develop a career. The charity already had a presence in three of the most deprived estates in the area when transfer took place, and the LSVT wanted to be able to exploit and put resources behind the knowledge and skills that had been built up. For example, the local authority owned a derelict play area, which the charity occupied for summer play schemes and the like. Unexpectedly, capital became available to buy portakabins for the charity to run managed social activities. The local authority took a peppercorn rent for the site from the LSVT, who then allowed the charity to occupy it. One of the LSVT's contractors on the WHQS improvement programme prepared the site (part of the community benefits of the WHQS contracts). Without both the technical expertise and project management skills of the contractor, the charity would not have had anywhere to put their portakabins, from which they run activities and a crèche operates. This project has also been helped with lottery money, and the Sports Council for Wales funded almost half the cost of a multi-use games area on the site, demonstrating stock transfer organisations' ability to attract funding for facilities. It is a good example of how a housing organisation can bring various parties together (in this case, a contractor, a charity and the local authority) to initiate a scheme that directly benefits tenants.

<sup>9</sup> Community Housing Cymru and the Welsh Economy Research Unit, *The Housing Associations of Wales: Measuring the Impact*, Executive Summary (2008).

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This sort of joining up of agencies and packaging projects is common to the two LSVTs whose tenants suffer the highest levels of deprivation. Local socio-economic conditions can, then, breed innovation because of the urgency of some of the problems. An LSVT, as a locally well-connected body, can work as the pivot on which a number of regeneration activities can turn.

## **10.2 Funding regeneration**

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One LSVT has set up a Community Support Fund to support local community regeneration initiatives. The fund provides small grants and aims to reflect the needs of local communities. Money for this fund comes from a quarterly donation from the LSVT, proceeds from the sale of some assets, and grant aid from charitable and public sources.

Another LSVT has set up a charitable subsidiary, which focuses solely on the organisation's regeneration aims. This was initially helped by a charitable donation from the organisation's main lender. Through the major works procurement, there are a number of agreements with suppliers to add to this fund. The main focus for the LSVT has to be housing. This may be organised in a way that adds value for tenants and communities, but regeneration cannot be the main activity of an RSL, as noted in the section on lenders, above. The charitable subsidiary allows this organisation to do a good job as a landlord whilst ensuring that its wider goals for the communities it serves can be met, partly through the value of the contracts involved in bringing homes up to WHQS. This arm of the business is not regulated by WAG, which means that the organisation feels it can be bolder in its regeneration activities because it will be subject to less bureaucracy and regulation.

## **10.3 Financial inclusion**

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Financial inclusion (FI) is high up the regeneration agenda for all three organisations, with FI strategies in place and specialised FI officers or Welfare Benefits Advisors putting the strategies into action. In one of the organisations, the FI service had previously been contracted out to Shelter, but a service better coordinated with the LSVT's other activities was achieved by bringing it in-house. In another of the LSVTs, the Finance Manager has been leading on the development of the FI strategy, demonstrating that finance is not seen purely as a back-office function. Each strand of research in that strategy has been developed by a member of staff whose area of expertise it covers. For example, affordable warmth has been undertaken by someone in asset management, and understanding tenants' needs by someone in tenant empowerment.

LSVTs in Wales are exploring with CHC the setting up of a Community Development Finance Institution (CDFI). The CDFI is to provide loans to tenants in an attempt to usurp the expensive doorstep lenders. At the time of writing, £1.5 million capital had, in principle, been secured via the unclaimed assets scheme. Under this HM Treasury scheme, money held in dormant bank and building society accounts is reinvested in the community. Following an agreement between the Treasury and the UK banking sector, the Commission on Unclaimed Assets was established, with the aim of maximising the social impact of the release of dormant account funds. The money is delivered via a company called Social Finance. The Department for Work and Pensions has also agreed, in principle, to finance a growth fund. The expectation is that the CDFI will complement the work of existing credit unions, offering a different product (because of the CDFI's ability to lend at risk) but simultaneously drawing attention to the benefits of lenders such as credit unions. The scheme is expected to be launched in summer 2009.

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## 10.4 Environmental Sustainability

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All social landlords, via WHQS, are committed to improving the environment in which its homes are located. As part of their social responsibility, however, LSVTs are also interested in thinking longer term and minimising the negative impact its homes and activities have on the planet, for example by reducing carbon footprints. One LSVT is implementing solar power in its sheltered housing schemes. Photovoltaic cells will be complimented by super-insulation in buildings. Phase two of the project will roll solar thermal systems out to general needs housing. The bigger picture is that tenants can be detached from the fluctuations of the energy supply market. In turn, this makes the business' finances more secure because the tenant is less likely to struggle to pay bills.

## 10.5 Who benefits?

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One of the key questions emanating from housing-led regeneration is who should, and who does, benefit from the wider activities of a housing association. The association's first responsibility is, naturally, to its tenants. By improving access to amenities in an area, however, other people in the community will benefit. If an area as a whole is considered a good place to live, then this is beneficial for tenants and for the housing association. One obvious benefit is that the relative value of the stock is likely to rise. On the other hand, does the LSVT have a responsibility to focus its activities more keenly on the people whose rents fund its existence? This debate is particularly illuminated in relation to the creation of local jobs. Does it matter that jobs and apprenticeships relating to WHQS work are filled by local people but not tenants. Certainly one of the LSVTs involved in this project expressed concern that their local jobs were not making a direct difference to people living on its estates. Another of the LSVTs was more interested in finding the most conscientious local candidates who would persevere with the job in the long-term, whether they came from one of its own properties or not. While LSVTs are well-placed to facilitate regeneration and can access considerable funds to make a difference, time and resources are, nevertheless, finite. When LSVTs monitor who has been affected by its wider work and by how much – and there is need to do this, even if methods for doing so are still being developed – they can decide for themselves whether they are helping the people that they think, as an organisation, they ought to be.

## 10.6 How far?

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While there are still significant challenges associated with proving the impact of regeneration work, the way that LSVTs have resourced these activities offer opportunities for other sectors, as one organisation was keen to point out. If an LSVT uses a large contractor to install kitchens and says 'how many jobs can you provide locally?' and 'what percentage of the value of the contract can be spent on improving the estate in other ways?', why should an NHS trust not do the same? If an LSVT can successfully use local suppliers, can school meals be procured in the same way? Further research focusing on the transferrable lessons from social housing procurement and local regeneration might be considered.

# 11 Public Relations

One of the largest variations from organisation to organisation involved in this study was in their approaches to public relations. While one LSVT is keen to shout its achievements from the rooftops, in part to enable tenants and stakeholders to see how hard and effectively it is working, another LSVT is equally keen to keep a lower profile until it is clear on what it wants its priorities and key messages outside the organisation to be.

As part of the case study research, the three LSVTs discussed areas of risk to the business that must be managed. One of the most complex areas is the risk to reputation, in part because the consequences of a public relations disaster can be so damaging, but also because reputation can be damaged by a large number of uncontrollable factors; the LSVT cannot regulate what tenants, staff, politicians and the media say about it. It can, however, influence what is reported by publicising the good news and, if not avoiding negative things happening altogether, mitigating their impact.

Many tenants still perceive LSVTs to be part of the council from which they broke away, and local paper coverage can reflect this, depending on the organisation. Conversely, where a distinction is made between the LSVT and the local authority, the hype surrounding transfer may have raised tenant's expectations of their landlord to unrealistic levels.

One of the LSVTs does not have a full-time PR Manager, and communications are co-ordinated and monitored by a member of staff with another role in the organisation. One challenge here has been with establishing relationships with the local press. One reason for this is that the newspaper has a high turnover of reporters. While press releases are issued by the LSVT, the vast majority of positive stories do not get published. The former CEO of the LSVT held meetings with the editor of the newspaper to try and form a better relationship, but this fell apart when details of a leaked Audit Office report were published.

By contrast, another LSVT puts a very strong focus on media relations. Around 70% of its tenants read the local newspaper every week, making it an important information and advertising outlet. A major lesson learnt, then, is that LSVTs should target local media to get their message across. For example, this LSVT speaks to a region-wide newspaper to disseminate stories aimed at politicians and policy-makers, while only 4% of people read this paper locally so it is not worth putting stories about, say, a change of telephone number in this publication.

One way that an LSVT can improve its relations with the local media is by responding to queries quickly. Journalists usually work to tight deadlines, and local authorities often struggle to give comments fast enough or set the story straight because of restrictive PR policies.

No PR strategy will be as effective, however, as tenants and staff acting as advocates for the organisation and its methods. If tenants are involved in the work of the LSVT and understand, for example, why it procures goods and services in the way it does, they are more likely to speak up for it. Conversely, if the person coming to mend a tap in a tenant's home does not have a good word to say about the organisation, no magazine or newspaper article will reverse the effect on the tenant. 'Repairs' can then be understood as an activity relating to the physical condition of a house *and* people's perceptions of the service, just as 'regeneration' is about more than bricks and mortar.

# 12 Conclusions

The key conclusions reached about the similarities and differences between three LSVTs in south Wales are detailed below.

- The differences between the organisations could not overwhelmingly be attributed to whether they followed a community mutual model or not. While the community mutual LSVT in this study was often leading the way in terms of regeneration, achieving funding and tenant participation, it had had the opportunity to learn from a like-minded organisation that transferred some years before it. While it is still a very young organisation, then, it could be considered 'second generation' in the Welsh context. A constitutional commitment to tenant participation or regeneration is not necessarily why these things are successful; it is not a question of choosing one style of governance or another. What was more obvious was that within the community mutual and in contrast to the other LSVTs, the model supplied a vocabulary and a justification for activities with a social conscience. Staff and managers could use the model as a touchstone. The fact that mutualism allows the aims of the organisation to be communicated coherently also attracts staff to the organisation who share those aims and are willing to work hard to achieve them. The lesson to draw, therefore, is that LSVTs who choose models other than the community mutual can still find similar, positive outcomes by constructing a narrative of participation and regeneration that engages staff, potential staff, tenants, and other stakeholders.
- There is a contradictory set of imperatives following transfer: the beneficial aspects of continuity in housing services (such as local knowledge and reassurance to tenants) must be maintained, but a radical change for the better must also be advertised. If nothing looks like it will change, tenants will wonder what the point of transfer was. If everything changes at once, both staff and tenants may feel unsettled. Resolving this issue is a question of finding balance and clearly communicating the reasons for changes that take place. It is also worth emphasising that a majority of tenants have to have voted for transfer. They will be expecting change, but it is also important that those who did not vote for transfer do not start to feel alienated by the process.
- The LSVT, as an organisation that focuses purely on Housing (rather than a local authority with myriad responsibilities) has more control over its performance. The real cost of particular services can be more easily understood, and the impact of changes noticed. However, there is a hypothetical danger of losing that control if LSVTs greatly diversify their activities after 2012.
- Work has been undertaken by bodies such as the Sustainable Development Commission, the New Economics Foundation and many others to develop wellbeing indicators and assess the impact of social enterprises, charities and public sector bodies. However, it is still very difficult to establish whether various activities (and particular ways of doing those activities) improve people's lives. For example, is privileging local labour when procuring WHQS improvement work going to make a difference to the number of long-term unemployed people on LSVT estates? Will those people stay in work? Are regeneration activities going to make people feel better about where they live? There is no immediate answer to this problem; LSVTs continue to take a leap of faith about what they can achieve for tenants beyond the bricks and mortar aspect of being a landlord. In the meantime, they can support work to understand social indicators, listen to what tenants are telling them, and collect data for future longitudinal analyses of their work.
- Local labour clauses in contracts, improvements to the environment and supporting charities are, the LSVTs hope, likely to make a difference to people in the area in which they operate. However, it is hard to know whether the people feeling the benefit of various initiatives are tenants or the wider community. By improving tenants' homes by bringing them up to WHQS, and encouraging tenants to be well-informed or take part in decision-making as part of this process, the focus is quite clearly on the tenant. There are

differing views about the need to focus other activities, however. What is good for the community could be good for LSVT tenants within it. Again, there is little or no evidence to support this. However, the LSVT has a duty to put its own tenants first. As with the point above, there is no simple answer to this issue. It is, perhaps, an ongoing debate that can continue to inform LSVT policy.

- European funding is extremely complicated, and there is some anxiety that LSVTs could be missing out on potential financial support for regeneration because of a lack of understanding. In the past, the Local Government Association has called it a 'bureaucratic quagmire'.<sup>10</sup> The housing sector in Wales can work together on finding a way through this quagmire, improving skills and sharing knowledge.
- SMEs need consistent support if they are to be part of the market that supplies LSVTs. They need help understanding the standards they are expected to meet and the priorities of the organisation to which they are contracted. SMEs need to develop a degree of honesty about how much work they can practically take on. LSVTs themselves need to be intelligent and responsible clients. This includes knowing who the SMEs are locally and explaining to them why working with LSVTs makes good business sense. SMEs can be encouraged to work more successfully together for their (and the LSVT's) mutual benefit.
- LSVTs should develop a variety of methods for listening to tenants (including active participation such as board or group membership) so that the channel of communication is always open. Housing professionals can learn to listen more and perhaps give out less questionnaires. Having listened, services should be demonstrably adapted so that they improve and so that tenants can see that their views are taken seriously.
- There is a perceived gap in managerial and leadership skills in the Welsh Housing sector. Not only does this problem need to be addressed in order to make RSLs effective in the short-term, there is also a need for succession planning to ensure the strength and dynamism of the sector in the future.
- Housing must attract committed and talented people in the first place. At the moment, it is not considered to be a particularly appealing career, and work can be done to improve its image.
- While there is a need for transfer to take place in a timely manner to reduce uncertainty for staff and tenants, the period between a positive ballot and actual transfer can be uniquely challenging because of so many competing priorities. All the work that goes with starting a new business (recruiting staff, developing policies, selecting headquarters etc.) has to be combined with negotiating the transfer (assets and liabilities, shared services, recharges etc.), managing the expectations of existing staff, and planning a vast stock improvement programme (surveying, procurement etc.). On top of all this, most LSVTs aspire to do a better job than the local authority and drive social and economic regeneration in its area of operation. For some individuals, this adrenalin-fuelled period will be productive and exciting. For others, it will be bewildering and stressful. Key priorities need to be decided on very early, and expertise bought in where necessary. The scale of the challenge can not be underestimated.
- Despite differences in stock and tenant demographic, the key issues of transfer itself are the same across the organisations. The nuances will be unique, but the headline challenges are very similar. This means that it is entirely worthwhile for existing and proposed LSVTs to share as much of their experiences as possible as there will always be lessons they can learn from each other.
- Further research focusing on the transferrable lessons from social housing procurement and local regeneration might be considered.

10 LGA news release. 9 May 2007, <<http://www.lga.gov.uk/lga/core/page.do?pageId=41777>>



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