



Large Scale Voluntary Transfer: Fact Sheet

Recap on Stock Option Appraisal

1. The council is exploring options for the future financing, ownership and management of its housing stock because:
 - The housing finance system has changed. The council must fund all of its housing services and improvements from its rental income. It must also deal with a £240M debt allocated to it by the Government to end the previous housing subsidy system.
 - The council has a substantial shortfall in its capital resources over the next thirty years (£66M). It is unable to borrow to the level needed to reduce this gap. This means that improvement programmes will be repurposed and reprioritised and the difference between the homes and services offered by other Registered Providers (RPs) in County Durham and the council will become more pronounced.
 - The council needs to make social housing services and the quality of homes and neighbourhoods consistent across the county.

What is a Large Scale Voluntary Transfer?

2. A Large Scale Voluntary Transfer (LSVT) involves the council transferring ownership of its homes with the agreement of its tenants to a new or existing Registered Provider (RP).
3. The key features of an LSVT are:
 - Transferring tenants are offered benefits such as rent guarantees, stock investment programmes and rights as assured tenants.
 - The new landlord will be a RP (a “not for profit” social landlord) if funding is to be secured.
 - Transfer organisations are funded entirely by the private sector – the new organisation will be able to borrow to invest in homes, neighbourhoods and services.
 - The transfer can only take place if tenants agree at a ballot. If tenants vote no to the proposal, the transfer cannot take place.

What is a group structure?

4. A group structure is a formal association of separate housing organisations. A new “parent” organisation is established which has ultimate legal control over the other subsidiary organisations.
5. The parent has overall control of governance to assure regulators and funders (banks that loan to the RP) that there is coherence in financial planning and management; the group operates efficiently; housing regulations are observed; and the necessary tests for tax relief are met.
6. The parent must be a Registered Provider (RP) but does not necessarily need to be the overall stock owner. Non asset holding parents are often referred to as a “strategic umbrella” for the subsidiaries. Under this arrangement the Government expects to see a group structure with distinct subsidiaries acting as landlords – providing local level housing management services.
7. There can be any number of subsidiaries and member organisations within a group structure and each can retain a clearly separate legal identity. Where there is more than one RP in a group the subsidiaries often tend to operate in different geographical areas or they may provide specialist services i.e care services or new build.

Why has the council and its stakeholders selected transfer to a group structure as a preferred option?

8. Following extensive consultation with customers, staff, Board members, Councillors and other key partners, the council has found that local focus and accountability are very important to communities. The council also understands that there may be some reluctance to move away from local authority ownership and into a new RP. Stakeholders have consistently said that they would like to preserve Dale & Valley Homes (DVH), Durham City Homes (DCH) and East Durham Homes (EDH) because of their many achievements over the past few years. A group structure would allow this to happen.

How does the establishment of a group structure work?

9. Traditionally, housing transfers that feature the creation of a new group structure mean that the freehold of the transferring homes initially passes from the council to the parent and then on to the subsidiary RP. This practice was applied in the creation of the Sunderland Housing Group (now Gentoo) and Bradford’s LSVT when transfer of more than 12,000 homes to a single RP was prohibited. It is a model that will be used to transfer the council’s homes to DVH, DCH and EDH – to enable genuine ownership at a local level and to preserve existing organisational brands to achieve a positive ballot.

10. A transfer to a group structure in County Durham will create three new landlords. Transfer would initially take place to the parent of the new group with immediate transfer of the housing assets to DVH, DCH and EDH. This means that council tenants will become tenants of DVH, DCH or EDH.
11. Intra group agreements will define the relationship of the parent with its three subsidiaries. In accordance with the council's aim to join social housing up in the county, these agreements will be flexible enough to permit other RP subsidiaries to join the group at a later date should they wish to.
12. The new group will continue to have a close relationship with the council. It will be expected to deliver the "promises" it makes to tenants during consultation and the ballot on the transfer proposal and it will play a key role in delivering the council's overall vision for housing.

Who is responsible for what in a group structure?

13. The responsibilities of the parent organisation will be defined by a new strategic Board and management team and the Boards/managers of DVH, DCH and EDH. However, the responsibilities of a parent organisation usually include:
 - Group administration and governance secretariat (including the power to appoint and remove Board members)
 - Treasury management and accounting
 - IT, HR and audit functions
 - Overarching business strategy and research
 - Performance management
 - Procurement of major works
 - Overarching regeneration, asset management and development planning
14. The responsibilities of DVH, DCH and EDH will be defined by a new strategic Board, management team and the Boards/managers of DVH, DCH and EDH. However the responsibilities of a subsidiary organisation usually include:
 - Housing management
 - Service delivery
 - Repairs
 - Lettings
 - Delivery of local regeneration programmes
 - Tenant participation

When will the transfer affect me?

15. The delivery of a successful transfer can take up to two years. The process involves a lot of consultation with tenants, staff, Councillors, Board

members and other local partners. The council plans to ask the Government to be admitted on to the transfer programme in December 2012. The council will then work with stakeholders to develop a detailed project plan that will set out when a shadow Board will be appointed, when management structures may be in place and when new arrangements will be up and running.

16. If the council is admitted onto the transfer programme, some change and a direction of travel for stock transfer will be clear by summer 2013.

Large Scale Voluntary Transfer: Myth Busters

17. The council has not decided to “sell off its homes”. The council will receive no receipt (payment) for its homes. Instead the Government will use the value of the housing stock to reduce the council’s existing housing debt.
18. The council has not selected stock transfer because it is a “money maker”. Put simply, the council does not have enough money to invest in homes, neighbourhoods and services over the next thirty years to meet stakeholder aspirations and to keep pace with the improvements being delivered by other RPs in the county. There is a risk that tenants living in council owned homes will be at a disadvantage when compared to tenants of other RPs. Stock transfer will enable a new landlord to access the money that’s needed to invest when required, bring services up to an even higher standard and deliver large scale and much needed regeneration across the county.
19. The housing stock will not be transferred to a private sector landlord. The new parent and its subsidiary RPs will all be not for profit, charitable social housing landlords. The only difference is they will not be subject to the same restrictions on borrowing as the council. They will be able to access and borrow private finance to supplement the business plan and invest in homes, neighbourhoods and services.
20. The ability to borrow privately does not mean that the new landlord will increase rents so it can afford to borrow. The new landlord will be governed by the same regulator as the council (the Homes and Communities Agency). The new landlord would also be expected to follow the Government’s national rent setting strategy which controls the level to which the landlord can increase rents.
21. Staff will not be asked to withdraw from their union membership if a transfer takes place and the new organisation will be entitled to apply for a place on the Local Government Pension Scheme. Large Scale Voluntary Transfers (similar to the type the council would like to undertake) have applied to the scheme and have been admitted on to it.
22. Transfer will mean change and this may be concerning for staff in terms of their employment security. It’s important to remember that while the new group structure will need to make sure it is efficient, it will be a very large

organisation, with a lot of responsibility and must be able to maximise the amount of money it can access. This may lead to a growth in services which will generate more opportunities for employment and new skills as services develop and adapt to meet customer's changing needs and aspirations.

23. If the Government allows the council to be admitted onto the transfer programme the council must complete a lengthy consultation process with tenants that will end in a legally required ballot. All tenants (joint tenants included) will get a vote on whether or not the council should transfer its homes. The council cannot ignore the outcome of the ballot. **If tenants vote against a transfer proposal the council cannot transfer its homes.**
24. It is important to remember that the decision to pursue stock transfer is not only based on financial analysis. Stakeholder views and priorities have been listened to very carefully and that is why the council is seeking to maximise the amount of money that can be invested in its homes, neighbourhoods and services over the next thirty years. The council has also selected a transfer option that preserves local organisations and protects local focus, local services and local accountability.

What if I'm asked a question I can't answer – who do I contact?

25. Staff and other stakeholders who come into regular contact with tenants are incredibly important to the consultation process and the outcome of a ballot. You may be asked for your views. You can refer tenants to Open Communities (Independent Tenant Adviser) for independent, impartial advice on options and their implications for tenants on 0800 0731051 or email enquiries@opencommunities.org
26. If you have any questions or concerns about stock transfer to a group structure of existing organisations, you can contact the Housing Directions Team on 03000, 261864 or e-mail sarah.keable@durham.gov.uk