



YOUR HOME, YOUR CHOICE

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ITLA Response to Cabinet Member Letter

You will recently have received a letter from Councillor Maria Kay, Lambeth Council's Cabinet Member for Housing about the proposed transfer of the ownership of council homes in the Patmos Area to Vision Homes Lambeth (VHL). In that letter Councillor Kay set out a number of reasons why Lambeth Council opposes that proposed transfer.

As the Independent Tenant and Leaseholder Adviser we have been asked by residents to comment on the reasons Councillor Kay gives for opposing the transfer. We were not given an advance sight of the letter, and had no opportunity to comment on the claims made in it before it was sent to residents. So this is the first opportunity we have had to give our views on that letter.

There are a number of claims made in the letter on which we want to set out our views.

1. Councillor Kay's letter says that **"The Right to Transfer was made by PACCA TMO in late 2013, and was originally turned down by the GLA in 2020. The decision has now been reversed by the GLA after PACCA challenged it"**

It is quite true that the GLA (Greater London Authority) turned down the original application by PACCA in 2020 and then reversed that decision. It is also true that PACCA, on behalf of VHL, challenged that decision. But the GLA did not simply reverse the decision because PACCA challenged it. It reversed it after an exhaustive review of the new evidence which PACCA put together, and which was also subject to external review by Savills, one of the UK's leading firms in the field. The evidence that PACCA put on VHL's behalf, in the GLA's view, satisfied all the five stringent tests such proposals must meet. These were; the strategic case; the economic case; the commercial case; the financial case; and the management case.

In our view that fact is not acknowledged in Councillor Kay's letter, and should have been.

2. Councillor Kay's letter says that **"You are being asked to transfer the ownership of your home from the London Borough of Lambeth to a 'for profit' organisation with no employees and no track record in owning, managing or developing social housing"**

In point of fact many transfers of council homes to housing associations over the last 25 years or so have been to new organisations (i.e. new housing associations) that until the end of the ballot had "no employees and no track record in owning, managing, or developing social housing". There is nothing unusual or detrimental in that fact. Our understanding is that in the event of a successful ballot VHL will manage the homes by recruiting an experienced housing management team based locally on Lothian Road.

3. Councillor Kay's letter says that **“Because Vision Homes (Lambeth) are a ‘for profit’ organisation we believe it is likely they would charge VAT on certain components of their ground rents, rents, and service charges that are currently free of VAT under council ownership”**

Local Councils are not normally required to charge VAT on the cost of services they provide. Housing associations and other ‘registered providers’ (including ‘for-profit’ registered providers) are required to charge VAT on such service. So the requirement on VHL to charge VAT on such things as service charges has nothing to do with the fact that they are a ‘for-profit’ organisation, as it applies to housing associations which are ‘not-for-profit’ organisations.

4. Councillor Kay's letter says **“Because Vision Homes (Lambeth) are a ‘for-profit organisation we believe it is also the case that they will be charged VAT on their repairs and maintenance activity, thus increasing the cost of these services”**.

If this claim is taken to mean that the impact of VAT will push up rents, we don't think that claim can be sustained. Repairs and maintenance costs for social housing homes are normally paid for out of rents. VHL has given a legally binding commitment that over the first three years after transfer it will reduce rents by 1% per year, and after that rents will be subject to Government guidelines which currently envisage rents rising by 1% per year above inflation.

At the same time as giving that commitment to reduce rents, and according to the GLA's recent assessment, VHL will spend around £1538 per home per year on managing your homes (which includes carrying out all day to day repair and maintenance activities) compared to a spend of around £702 per home per year with Lambeth Council.

5. The ‘for-profit’ issue

Councillor Kay's letter makes a number of references to the fact that VHL is a ‘for-profit’ organisation. Clearly residents will have their own views on how comfortable they are with VHL being a ‘for-profit’ registered provider. However, the GLA gave two examples of the benefits of a ‘for-profit’ status to which the Council letter does not refer:

- “For-profit providers are also subject to the same constraints on their rent levels as their not-for-profit counterparts so the same rental safeguards exist. However, for-profits have greater ability to allow for equity investment in the form of patient capital. For-profit status also allows greater flexibility over wider community and other work that can be undertaken by VHL”.
- “The for-profit business model further means that VHL is able to invest around £10.308m more over 30 years than the Council”.