

We want direct investment

'Fourth Option' Affordable

The figures speak for themselves and clearly demonstrate the 'fourth option' is financially viable (see table).

In 2002 the Blue Skies review of housing finance, produced by the Office of the Deputy Prime Minister (ODPM), floated the idea of an 'investment allowance' to provide a funding stream to enable councils to carry out the improvements themselves.

This revenue stream exists for PFI schemes and for councils who set up arms length management organisations (ALMOs). It could equally be made available to all councils.

There is plenty of money that rightly belongs to coun-

cil housing that could be used to fund the 'fourth option'.

In 2003/4 tenants on average paid £2650 in rent but only received £1773 in services (England and Wales 2003/4 averages: rent £2650, M&M £1190, average MRA £583 source ODPM statistics).

That leaves £877 per tenant (£2.2 billion per year for England and Wales, 2003/4) that could be used to fund a massive investment programme.

There is also the profit government takes from 'right to buy' (see table). Stock transfer leads to higher rents and so a higher Housing Benefit bill for the Treasury.

MONEY SIPHONED OUT OF COUNCIL HOUSING EACH YEAR	
All figures England 2003/4. The picture is worse for Wales & Scotland	
REVENUE	CAPITAL
Government take from HFA (Guaranteed rent) = £5.0 billion	RTB receipts = £2.0 billion
Management & Maintenance Allowance = £3.0 billion	Basic Credit Approvals = £0.75 billion
Major Repairs Allowance = £1.5 billion	Usable receipts = £0.7 billion
Remainder taken out of council Housing Revenue Accounts = £1.5 billion	Government profit = £0.55 billion
	STOCK TRANSFER (per home average)
	Asset value = £40,000
	Avg transfer value = £4,000
	Private investment = £7,000
	Loss = £29,000
HISTORIC LOSS	
'DAYLIGHT ROBBERY'	
Government has taken a total of £13 billion from HFA (through negative subsidy) since 1990. This explains a large part of the £19 billion backlog.	
ACCUMULATED CAPITAL RECEIPTS	
Right to Buy receipts set aside between 1980-07 have not been reinvested. Further RTB and stock transfer receipts have also been accumulated.	

MPs report on "The case for the Fourth Option For Council Housing"

UNISON estimates this costs £249 million per annum based on 1 million transfers. Why not spend it on improving our homes and avoid the unnecessary higher rents charged by

RSLs. And each year the consultants and other setup costs for stock transfers run into tens of millions of pounds.

This could be better spent on direct investment too.

Their arguments do not hold up

1. Money's there

Ministers claim that privatisation means more improvements for less money. The opposite is true. Stock transfer wastes £billions (see p7). If all the money belonging to council housing, and the subsidies to privatisation (see above) were used for direct investment in council housing, there would be enough to improve all existing homes and build more. This decision is political, not economic.

2. Separating strategy and management is a failed dogma

There is no evidence to support the government's dogmatic insistence that separating strategy from management improves housing.

Heriott-Watt University found exactly the opposite in a report commissioned by the Housing Quality Network. The ODPM Select Committee also found no evidence to support this 'dogma'. A separate company makes co-operation across council departments more difficult. Services to the homeless are among those that suffer, according to Shelter.

3. Tenants lose power

Council tenants have unique democratic rights over our landlord. Privatisation removes this. The handful of

usually-unelected tenants on housing association and ALMO boards are increasingly marginalised, out-voted, unaccountable, and bound by business rules. If they rock the boat, they are thrown off the board (see pages 6 and 7).

4. "Blackmail" not choice

A leading academic has backed tenants in calling stock transfer 'blackmail'. Hal Pawson, a senior researcher whose work includes official studies for the Office of the Deputy Prime Minister, says it is "hard to contest" claims that tenants were being blackmailed into voting for new landlords, and ministers should not claim this promotes real 'choice'.

"Ultimately, the 'choice' offered to the vast majority of tenants consists of no more than an opportunity to endorse or reject a single option, with rejection potentially incurring a heavy penalty in the form of debarred access to capital investment. This is, arguably, hardly a choice at all. It is hard to present transfer as genuinely part of the 'customer choice' agenda. Proposals are hardly ever bottom-up in the sense of being motivated by tenant preferences," he writes in this year's UK Housing Review.

Desperate need for Council Housing

Deputy prime minister John Prescott has bowed to demand, allowing councils to bid for money to build new council homes. 'I want to give the best authorities the chance to bid for new funds for new homes,' he said (Inside Housing, 1 October 2004).

The number of people homeless and in temporary accommodation has doubled in seven years. Where supposedly 'low demand' council housing has been demolished, homelessness has doubled rapidly according to housing charity Shelter. The cost of buying and private renting has soared, pricing out even those on average wages.

Yet housing associations are using public resources to build small flats for private sale, 'affordable' shared ownership for £200,000-plus and 'market rents' along with luxury private gyms on former council estates. Poplar HARCA in east London is threatening to issue assured shorthold tenancies to new tenants.

Building new council homes is the obvious and immediate answer. Councils can build new housing more cheaply and quickly, where it's needed. Tenants get security of tenure, lower rents and a means of making their landlord accountable.

Continuous Improvement Task Force

In private talks before the Labour Party conference John Prescott accepted that 'good' performing councils should be able to access the extra money available for ALMOs – without setting up a private company.

That leaves the question of what happens to tenants in councils that haven't been awarded 'two stars'. It's not fair that these tenants should be penalised – they need investment in improvements as much as everyone else. We think government should be giving more help to councils to improve services.

Instead of the Office of the

Deputy PM spending millions on its Community Housing Task Force to promote privatisation, government should set up a 'Continual Improvement Task Force' to bring together the best expertise on issues like housing repairs, services for the homeless, tackling empty flats, etc. It could use best practice to help councils improve their local services – instead of penalising them. That way everyone wins.

Prescott meets the Treasury targets, councils improve their services – and tenants get the improvements we need to our homes.

"Under the pretext of Decent Homes, tenants are in reality being blackmailed into stock transfers, or Almos, through the current funding arrangements.

"The government must put its money where its mouth is and leave it up to tenants to decide who should own and manage their homes."

Andrew Bennett MP



"Greetings from the whole TUC in support of your campaign. Mine was one of the families that benefited for the first time in

many generations from the opportunity of decent housing and it's a cause well worth fighting for."

Frances O'Grady deputy general secretary, TUC

"Councillors, constituency parties, UNISON and the other trade unions gave a resounding thumbs down to the idea of stock transfer and ALMOs at Labour Party conference. We want the ability for councils to borrow to invest in improving council housing and REAL tenant choice over their housing options for the future.

UNISON has shown that it can be done within the prudential borrowing framework. The only obstacle now is Government policy. I am looking forward to an early start to the suggested review. In the meantime UNISON will continue its campaign".

Dave Prentis, UNISON General Secretary

"The fourth option is the least expensive, most cost effective and the most democratic way forward for Macclesfield tenants."

Cllr Steve Carter, Leader Labour Group Macclesfield Borough Council

"Tenants are not making knee-jerk choices, they are voting to stay with councils as their landlords because they trust them and value the relationship. If this is a democracy, the government needs to listen."

Alison Hustwit, Stroud tenant

"The immediate reaction of our stock options appraisal from the majority of the tenants is they wish to stay as they are. They can give ALMOs so much, they can give PFIs hundreds of thousands, but they can't give people who are satisfied with what they've got more money – and we're not happy about.

Cynthia Johnson, Sefton tenant

ODPM Select Committee backs 'investment allowance'

In May the influential ODPM Select Committee of backbench MPs came out clearly in favour of the fourth option—direct investment in council housing—via an 'investment allowance'.

Their report concludes that the government's 'dogmatic pursuit' of privatising council housing isn't justified and denies tenants real choice.

They recommend Local Authorities be granted wider rights to borrow prudentially against rental income streams for the purpose of improvements to the stock and to help create sustainable communities (see full summary page 6).

Stop Disinvesting

Ministers claim that they put back the money they get from 'right to buy' sales but this isn't true!

The 'reserved' receipts (the 75% that the government takes) far exceeds Government funding for investment in council housing.

	2000/1 £m	2001/2 £m	2002/3 £m	Av'ge £m
Reserved RTB receipts	1,047	950	1,317	1,105
Investment in mainstream council housing	300 (est)	673	792	588
Net disinvestment	747	277	525	516

Support lines up behind tenants' campaign

There is a huge groundswell of support for tenants' fight to keep our council homes.

All the major trade unions, and the Trades Union Congress representing all unions, now support our demand for real choice and a fourth option.

The Defend Council Housing national conference this year was the biggest ever, with 350 tenants, councillors and trade unionists from 86 areas at the TUC conference centre.

The overwhelming 8:1 vote demanding a 'level playing field' for council housing at Labour Party conference in September showed that broad support. Councils all round Britain are coming out publicly to back tenants' demands and criticise the unfair funding of council housing.

More than 250 MPs are backing direct investment, and support is growing in parliament. 'Our numbers, as a group within Parliament

to defend council housing, are growing every week' Ken Purchase MP of the Council Housing group told the recent DCH conference.

We need to use this growing support to:

- make sure all tenants, councillors and MPs hear the case for council housing - with leaflets and meetings on estates, public debates, lobbies and resolutions at council meetings, and meetings and delegations to get support from MPs.
- make sure transfer, PFI and ALMO decisions aren't pushed through in your area - build strong regional campaigns around the case for council housing
- help win direct investment so tenants have a real choice. Come to Gateshead 12 February for a rally during Labour's Spring conference, and to Parliament on 8 March for the Council Housing Group inquiry.



Tenants want to keep our council tenancies AND get repairs and improvements

Picture: Tower Hamlets Recorder

Councils choose FOURTH OPTION

Across the country, councillors and tenants are choosing to keep their council housing rather than see the ownership or management of their homes transferred to a private company.

In **South Derbyshire**, councillors told senior officers to go back and re-examine their figures, and then chose to keep the stock and meet the Decent Homes Standard through prudent management.

Cambridge tenants voted in October to stay with the council, by an overwhelming majority of 79%, despite being offered an extra £11m on top of the Decent Homes Standard if they voted for ALMO or £30m if they chose transfer. Tenant campaigners said "the result in Cambridge also illustrates that tenants don't willingly vote for privatisation unless they are blackmailed into it."

In **Bridgnorth** the local paper reported: "A total of 65% of tenants indicated they were overwhelmingly in favour of the district council remaining as landlord of the properties. Independent advisors declared the poll to gauge public opinion - and revealed just 15% wanted transfer". Shropshire Star, 24.11.04

In **Wycombe**, where tenants have already voted NO to privatisation once, the result of a recent consultation was a resounding 80% against transfer. Councillors have no intention of repeating the costly exercise of another full ballot, and a joint forum of councillors and tenants will recommend that the council retain its stock.

Darlington tenants have shown a strong preference for staying with the council, and the council is looking to prudential borrowing as a more democratic and viable option than ALMO. (report to council, 22/07/04)

"**Broxtowe** Council has opted to retain its

housing stock after a survey of tenants indicated that 90 per cent wanted to retain the council as their landlord." Inside Housing, 12.11.04

Harrow council had nearly set up the ALMO before they realised that prudential borrowing would actually bring in more investment.. The £11.8 million bid for the ALMO would not have been enough to fund the improvements required, and the now plan to borrow up to £40 million using prudential borrowing, according to Keith Burchell, cabinet member for planning, development and housing. Inside Housing 22.10.04

In **Southampton** a 2002 report showed that the council was diverting a cool 92.5% of its right-to-buy receipts every year to the general fund. The new Cabinet Member for Housing, Paul Russell, is determined to make sure that every spare penny is now invested in council housing. He is confident Southampton will be able to meet the Decent Homes Standard by 2010.

In a recent survey of 600 tenants in **Oxford**, 88% said the council remaining as their landlord was 'important' or 'very important' (71%). The Council passed the following with all-party support: "the movement for a 'level playing field' and a 'fourth option' in the stock options process has been supported by (amongst others) the Local Government Association, UNISON, and the ODPM Select Committee. Council believes that all options for the proper funding of the Decent Home Standard should be available to local councils. Council resolves to write to both of Oxford's MPs, urging them to sign EDM 430 and EDM 1337 if they have not already done so." (22.11.04).

House of Commons 'Council Housing' Group of MPs Inquiry sessions

Saturday 12 February (2-4pm)
Swallow Hotel, High Street, West Gateshead

Tuesday 8 March (12-4pm)
Jubilee Room, off Westminster Hall

'Support for the Fourth Option': members of the House of Commons council housing group will take evidence from tenants, councillors and trade unionists to build on written and oral evidence already received.

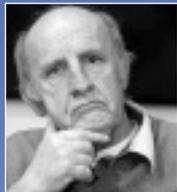
Organise a joint delegation from your area

Prescott 'near agreement'

On 27 September at Labour's annual conference Deputy Prime Minister John Prescott said 'Public financing of housing doesn't treat local authorities on a level playing field and I want to see that changed and I promised to do that and look at an enquiry into it'. He told delegates he was 'near agreement' after several private meetings with supporters of the Fourth Option.

In private talks Prescott accepted that all 'good' performing councils should be able to access the extra money available to ALMOs - without setting up a private company. Delegates at the Labour conference voted 8:1 in favour of a 'level playing field' for council housing. At a meeting the same day Housing Minister, Keith Hill, said 'We recognise today's vote and we will engage as a result of that...We are continuing a negotiation, a discussion, with the various interested parties.'

But one month later, Austin Mitchell MP received a letter from the Deputy Prime Minister announcing that he was withdrawing his commitment. Tenants, councillors, MPs and trade union general secretaries have already signed an open letter demanding the Deputy Prime Minister keep his promises- see back to add your organisation.



"Stock transfer is led by a load of senior offices who see it as the means to a crock of gold. It is led by consultants who get rich and

move throughout the country like a load of locusts and carpet-baggers.

"The victory is Birmingham was won by getting out on the estates and the streets. Get among your people. Talk to them, get support from your unions and tell them the real facts."

Frank Chance

"Tenants in Birmingham are still angry and perplexed that the Government were prepared to make £650 million available to Birmingham to write off debt had tenants voted for stock transfer, but that there will not be a penny extra now that tenants wholeheartedly rejected that option."



"Every week I meet families who are desperate for a decent home. The Government needs to instigate a massive council house building programme and stop wasting valuable resources on these privatisation, sell-off and transfer schemes."

Lynne Jones MP



"The tenants in Stroud District have shown the way in rejecting LSVT. I hope that Stroud can give hope to those who want a major re-think in Government policy to take place. Hopefully together we can make this happen."

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John McDonnell MP



"The GMB and other supporters of council housing enjoyed a democratic victory at Labour Party conference, when the motion on the fourth option was successful.

Direct investment works, it's affordable and it is that rare thing — an answer to a public sector problem that does not rely on floating off for answers into the private sector. The task now is to make sure the Government delivers on the will of Labour conference."

David Drew MP

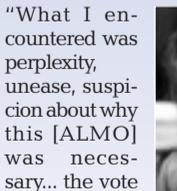


"What I encountered was perplexity, unease, suspicion about why this [ALMO] was necessary... the vote was a thumping, unambiguous, clear no... if choice is the fourth principle of public service reform how can you possibly ignore the choice that tenants have made?" "There is no clear evidence that separating the strategic from management, that ALMO, that RSLs lead to improved performance"

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Kevn Curran, GMB General Secretary



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Jane Roberts, leader Camden Council

We can stop

An effective campaign needs some thought and planning.

Local campaigns need to be broad based and involve tenants (reps and individuals), union members, other activists and, where possible, local councillors and MPs, who are opposed to privatisation of council housing.

Campaigns should be tenant led but working closely with the trade unions stops the council playing divide and rule-setting tenants and workers off against one another.

The council will sometimes have knobbled tenants association reps with a mixture of flattery and intimidation. Don't give up just because of a few individuals.

Mail every TA rep regularly and ask to speak at TA meetings. Try also to attend and speak at any 'consultation' meetings or steering groups the council sets up.

Argue that 'real choice' means tenants hearing both sides of the argument—not just one side!

The key to campaigning is on the streets and estates. This is the only effective way to answer questions, ensure all tenants hear the arguments and directly challenge what the council or their so-called Independent Tenants Advisor are saying.

Going door to door helps find people who want to get involved and will help leaflet their estate or organise a local public meeting.

Good organisation is essential. Get different people to take responsibility for distribution in each area. Try and pair up a tenant and trade unionist to maximise coordination. Where possible get tenants' associations to do their own estates and involve community centres, clubs and other local organisations too.

Letters to local papers encourage the debate and, in the run up to the ballot,



Camden Bengali women's group petitioning for direct investment after ALMO No vote

paid adverts (sponsored by one of the unions) get the message across. Local radio and TV are increasingly interested if you give them a good story.

To stop the council intimidating housing workers it is important that the council unions hold meetings of their members as early as possible. All the council unions oppose housing privatisation. They can provide speakers to explain the union's national policy and many have special campaign funds to help branches who want to produce local material to distribute to their members and to all tenants.

What you can do

- Organise a joint delegation of tenants, councillors and trade unions to give evidence 12 February Gateshead or 8 March Westminster, London
- Organise a local public meeting or debate – don't wait till ballots start!
- Get your council, political party or union to invite speakers and debate the Fourth Option
- Write and visit MPs, get them to sign EDM 193
- Affiliate to DCH
- Bulk order copies of this newspaper to distribute to tenants, trade unionists and councillors

Affiliate

Tenants/community organisations local £10; regional £25; national £50 trade unions local £40; regional £100; national £250

Order material

Campaign briefings: £15 per annum; copies of this broadsheet: £18 per 100; £100 per 1000 and 'Case for council housing' pamphlet: individual copies £5-£2.50 for bulk orders

Campaign checklist ✓✓✓

Find out what the council is proposing – read the council's 'options appraisal' report, 'business plan' and minutes of meetings.
Identify what repairs/improvements the council is proposing, the cost and the funding gap the council claims exists. Make up your own mind whether this is an accurate picture.

Organise a local DCH meeting to plan the campaign. Involve tenants, trade unionists and, where possible councillors and MPs too.

Produce a good local leaflet and newspapers to distribute to every home. **Leaflet every home** but also have stalls at markets and high streets and give out material at churches, mosques and parents outside primary schools

High visibility is important – get posters up on every estate and street, and borrow a car loudspeaker to tour estates

Send letters to the local press, organise lobbies or stunts to get publicity and ask trade unions to sponsor adverts in the press to put the arguments across

Approach local unions for financial support. Many unions have special regional and national funds that local branches can apply to.

The earlier you start campaigning the better. Councils now regularly hold the ballot earlier than publicised to out-manoeuvre opponents. DCH can help with writing leaflets and speakers. There are plenty of examples on www.defendcouncilhousing.org.uk

privatisation

Tenants' questions and answers

Can the Council provide decent homes?

Council directors will produce figures showing the amount of money needed to meet 'decent homes standard' - or a local 'decent homes plus'. They will say the council hasn't got the money, and must bring in PFI, stock transfer or an ALMO to get extra funds.

You should ask:

- What work do tenants want done as a priority? Is this the same as the Council's plans?
- When could tenants' priorities be met using existing resources?
- Is all the available money (including housing capital receipts) being used for housing?

Get help from sympathetic councillors and MPs, council unions and DCH to unravel their business plans.

What do we have to lose?

Council housing is publicly-owned and funded and protected from market pressure and speculation. As council tenants we have the most secure tenancy, lower rents, legal rights and a landlord we can hold to account. Some or all of these rights are removed if we accept one- or two-stage privatisation options (see p7). Workers stand to lose jobs, employment and pension rights, and union recognition. New landlords can and do break their promises - there has been no known legal action to force them to keep pre-transfer agreements.

They say it's not privatisation

Housing associations/companies depend on private funding, and function as businesses. They are legally in the private sector. BUPA is also technically 'not for profit' - but if they take over your local hospital you'd lose NHS services - if it moves from public to private then it's privatisation!

The government is pushing full or part-privatisation of many public serv-



Austin Mitchell MP speaking at the 350-strong DCH conference in October last year.

ices, as part of an international agreement by the World Trade Organisation. The Private Finance Initiative mortgages the future of your estate in return for private funding. Arms Length Management Organisations are private companies set up to manage homes and workers who initially remain publicly-owned and employed - but see p 5 & 7).

Will tenants get more control?

This is a major con. Tenants on the board are in a minority, usually unelected and totally unaccountable - their legal duty is as company directors, to defend business interests (see p6&7)

How do we get a balanced debate?

The housing minister says tenants should hear 'equal information about the pros and cons'. District Audit has ruled against councils for financing one-sided propaganda. Even councillors who support privatisation can be won to supporting the principle of a fair and balanced debate.

Some councils try to avoid a ballot on ALMO or PFI. A formal ballot is agreed

in some areas - so demand your equal rights!

What are our choices?

Every council has major repairs and management and maintenance allowances, and capital receipts from Right to Buy which can all be used to do improvement work. The choice for council tenants is to use existing resources and campaign to get an investment allowance (the 'Fourth Option') OR to accept stock transfer, PFI or ALMO. Don't let them call it 'stay as you are'.

Can we get direct investment? When?

Tenants want a real choice - not blackmail. That means a 'fourth option' of investment so we can stay with the council and get repairs and improvements. This is what tenants want - and it is now supported by more than 250 MPs, all the major trade unions, councils, councillors and the Local Government Association (see p3). There is money to pay for it (see p2). The government is losing this argument - you can help us win it now.

"What is the sense in a highly rated housing authority being forced to transfer its stock to alternative management and financial control?"



Successive governments have wasted a lot of money pursuing these policies when the money would have been better spent on improving the stock."

Brian Iddon MP



"Tenants do not have a free choice, and there are those in Government who have an almost ideological bias against Councils remaining a major provider of housing."

We do not want to see this matter of vital concern to tenants and council workers alike kicked into the Treasury long grass. We need a clear statement that the review will start straight away and be concluded quickly, and certainly before a General Election."

Jack Dromey,
TGWU Deputy General Secretary during Labour conference debate

"The recent decision of the Labour Party conference to oppose the privatisation of council housing sends a clear message that this government needs to re-think their position. Local authorities provide a good service to tenants with a well-trained workforce that ensures good levels of maintenance. Council tenants should not be penalised for choosing to retain this service."



Derek Simpson,
General secretary Amicus



"We can win this campaign - for us today and our children tomorrow."

We can win first class council housing for tenants and protect the jobs and conditions of public sector workers who want to provide a first class service too.

No one wants privatisation. Stand up to the blackmail. Get tenants, trade unions and, where possible, councillors and MPs in your area to resist stock transfer, PFI and ALMOs and step up the pressure for a quick agreement on the 'fourth option'."

Alan Walter,
Defend Council Housing

"The construction union UCATT are proud to be associated with tenants, politicians, and fellow trade unionists in defending council housing, and we believe that we will win the fourth option"



The government takes £1.5 billion every year out of tenants' rents and makes an annual profit of half a billion from the right-to-buy sales.

This money rightfully belongs to council housing, and could fund the fourth option and clear the investment backlog."

Alan Ritchie,
UCATT General Secretary

Future of ALMOs

"Arms-length management organisations could take over ownership of council homes by 2006 under radical new proposals drawn up by the Office of the Deputy Prime Minister" (Inside Housing, 3 September 2004).

This is exactly what DCH predicted and why we say ALMOs are two-stage privatisations.

Start a campaign in your area to insist that your ALMO reverts back to direct council control - see off attempts to complete the privatisation process.

Tenants and workers resist the blackmail

Tenants and council workers have a common interest in defending council housing. We need to confront management lies. Challenge them to a debate. Take the arguments to all staff and make sure they hear the case against privatisation, the facts of how workers are affected, and the alternative case for council housing.

And don't let anyone forget: the senior managers and consultants pushing privatisation stand to gain major pay rises and bonuses if they succeed.

Don't let them win at your expense!

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Contact: LGIU, 22 Upper Woburn Place, London WC1H 0TB Tel: 020 7554 2800 Free Download:
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Published: May 2004
Contact: Centre for Public Services, 1, Sidney Street, Sheffield S1 4RG
Tel: 0114 272 6683
www.centre-public.org.uk

Changing Boards, Emerging Tensions
Liz Cairncross, Oxford Brookes University Paper presented to the Housing Studies Association Conference, Spring 2004

MPs demand investment and condemn dogma

ODPM Select Committee of MPs back 'investment allowance'

The influential ODPM Select Committee of MPs reported on 'Decent Homes' in May 2004. This followed an extensive enquiry by the cross-party group of senior MPs whose role is to scrutinise the Office of the Deputy Prime Minister (ODPM).

They heard evidence from many councils and professional organisations. The final report is a damning indictment of current government policy on council housing, and comes out in support of a 'level playing field' and 'investment allowance' to provide the fourth option tenants want.

"We believe that the target of achieving Decent Homes in the social housing sector is being used as a Trojan Horse by the Government in a dogmatic quest to minimise the proportion of housing stock managed by Local Authorities. The government must put its money where its mouth is and leave it up to tenants to decide who should own and manage their homes."

Extracts from the report: [from section 4]

125. "The Government is in effect using the Decent Homes target as an indirect means to lever local authority housing stock out of direct local author-

ity control, or even ownership..."

126. "the committee heard evidence to suggest that there is no clear positive correlation between a separation of the two tasks and excellence in either strategic management or stock management..."

139. "We have not heard evidence that creating an ALMO per se enhances the achievement of Decent Homes, or indeed tenant satisfaction. The option of creating an ALMO should continue to be available to Local Authorities, but there should be no financial incentive for Councils to do so."

153. "Apart from enabling Local Authorities to borrow on an equal footing with Registered Social Landlords (RSLs), it would clearly be fair for Local Authorities to receive the same levels of Government investment grants as those available to ALMOs or PFI schemes."

163. "...the commitment to tenant



choice is a charade unless Local Authorities are able to act in accordance with the wishes of their tenants. We recommend that the Government take immediate steps to ensure that where a majority of tenants wish for their homes to remain under Council management, they are not penalised when it comes to access to funding for investment in Decent Homes or any other policy initiatives."

166. "... The Committee is not convinced that ALMOs and stock transfer RSLs necessarily lead to better tenant participation and satisfaction. There is no reason to suggest that the same results and management innovations could not be achieved under Council management, given equal resources."

220. "our final, but vital recommendation is that the treasury commit additional funding to the Decent Homes policy sufficient to ensure that the current Decent Homes 2010 target be met, and that a subsequent 'Decent Homes Plus' target can also be met."

Extracts from Conclusions & Recommendations

[20] The Committee recommends that the government revisit its dogmatic pursuit of separation of stock management and strategic management of housing. A flexible policy and a level playing field is needed so that tenants and councillors can tailor solutions to suit local circumstances. In some cases, the optimal solution, as

well as the one preferred by tenants, may well be that the Local Authority retain full ownership and management responsibilities (Paragraph 128)

[23] The Committee recommends that Local Authorities be granted wider rights to borrow prudentially against rental income streams for the purpose of improvements to the stock and to help create sustainable communities. We recommend that the Government reconsider adopting the principle of investment allowances to Local Authorities (Paragraph 152)

[24] Local Authorities hold the potential to manage housing stock just as effectively as RSLs, ALMOs or PFI schemes. Consequently, Government financial support available for investment in Decent Homes under those schemes should be available on an equal footing to Local Authorities managing their own stock. (Paragraph 154)

[29] We recommend that a level playing field between the different ownership and management options should encompass not only funding mechanisms directly related to the Decent Homes target, but also funding for wider investment purposes... (Paragraph 172)

[30] We believe that the requirement for tenant consultation and approval should be identical regardless of whether a Local Authority intends to go down a PFI, ALMO or stock transfer route (Paragraph 174)

A waste of public money

Analysis of PAC/NAO Reports

Stock transfer is expensive, poor value for money, and does not match the government's claims of tenant satisfaction and increased choice.

These are the stark conclusions from the Public Accounts Committee report 'Improving Social Housing Through Transfer', published in March 2003. The committee's report also demonstrates how council housing is undervalued by the government at the time of sell-off, allowing housing associations to make windfall surpluses and extra gains which they can invest in private, non-social housing schemes.

Stock Transfer Costs Taxpayer More

The report's main conclusion is that 'Housing transfers are more expensive for the taxpayer than local authority repair and renovation.' It bases this on a calculation by the National Audit Office that it would cost '£1,300 a home more than the equivalent renovation under local authority ownership... In terms of the potential total costs, the Office estimated that the transfer of a million homes... would cost the taxpayer £4.2 billion over 30 years'.



Public Assets Sold Off At Knock-down Prices

The government is selling off public assets for far less than their real value. Councils calculate the value of their 'housing stock' (our homes!) according to government guidelines, but at least two of the assumptions in the guidelines are false. The government assumes that the stock will be worth nothing after thirty years – which the evidence from the National Audit Office demonstrates is not true in practice – and it also uses an artificially inflated figure for interest payments.

'For one of their case study transfers, undertaken in 1995, they showed that if the model had used the landlord's actual cost of capital (4.5%) rather than 8%, the transfer value calculated would have

been over £27 million (or 53%) higher.'

On top of this, transfer landlords make extra money out of our homes by 'refinancing' loans. The Housing Corporation and the government have no control over what these surpluses may be used for. In theory, 'Registered social landlords are not-for-profit organisations...', but as the National Audit Office points out: 'Up to 49 per cent of an RSLs activities may be in non-social housing areas... these uses included...market renting'.

Dissatisfied Tenants, Less Choice

The government justifies the extra cost of transfer to the taxpayer by saying there are 'unquantifiable benefits', including increased tenant satisfaction and a greater choice of landlords for tenants.

It is astonishing how little satisfaction levels rise after transfer, with thousands of pounds spent on each home. On average tenants are only 3% more satisfied with the 'condition of homes' – and 6% less satisfied with the 'works undertaken'. Tenants are actually less satisfied with the quality of the repairs service after transfer; and 15% of tenants considered that housing services generally had got worse. 17% of housing associations

surveyed by the National Audit Office had already exceeded guidelines on rent increases.

The report comments: 'A Housing Manager of a local authority might see his salary increase by 20% to 30% on transfer, and this factor could influence the decision to recommend transfer.'

The report concludes that tenants have little choice during the transfer process –

'Tenants may face little choice but to vote for transfer if they want their housing renovated and repaired. The local authority might be their first choice but if the local authority has no financing available to it, tenants have to accept transfer to achieve better homes...In many cases, therefore, the transfer landlord has merely displaced the local authority landlord as the principal supplier, and hence tenants' choice of landlord is not increased.' [615]

LOCAL GOVERNMENT INFORMATION UNIT HOUSING: THE RIGHT TO CHOOSE

The Local Government Information Unit is an 'independent policy and research organisation' for local authorities. In June 2004, in the wake of the ODPM Select Committee report into Decent Homes, it produced a pamphlet which argues for real choice for local authorities and their tenants.

The pamphlet examines the history of council housing and the effect of years of under investment, and looks at current government policy. Using the select committee report and the experience of different local authorities it shows the weaknesses in the government's arguments, and analyses the financial case for stock retention. It calls for councils to be allowed to build new homes, and demonstrates how this would contribute to wider regeneration and increased choice. The report concludes:

"Council housing can be a vital part of achieving sustainable communities, of joining up services, and of working in partnership with other organisations and residents... The case for equal treatment between tenants that choose to stay with the council and those that opt for change is compelling."

Tenant empowerment – Audit Commission explodes myths

A recent Audit Commission report criticises councils for "mis-selling" the role of board members when promoting transfer. It shows that setting up a separate company does not 'empower' tenants or improve services.

Putting tenants on the board of a housing company does not empower tenants. The tenant board members are in a minority, and are legally obliged to put the company's interests before those of tenants. Tenants on boards are completely unaccountable, and there is little evidence of improved service delivery. The report looks at housing associations, but its conclusions apply equally to ALMOs, which have the same board structure.

No Quantifiable Benefits

Having tenants on boards doesn't lead to any quantifiably improved services.

"According to our research, there is much less certainty about the benefits of including residents on boards of housing associations." [page 45 para 92]

No tenant representation

Tenants on the board do not represent other tenants:

'Many tenants of such housing associations feel that they are on the board to 'represent' a constituency of tenants ... This is not compatible with the accepted principle that dictates that as a board member they have to work for the interest of the organisation: that is, that the directors responsibility takes supremacy'

The report is critical of the promises made to tenants before transfer:

'Sometimes problems stem from expectations that are set up when resident board members are recruited... Often this misapprehension is a direct result of

mis-selling the role at the time of the ballot. At the time of transfer, tenants are often led to believe that they will have an explicit role in representing the interest of their fellow tenants on the board.'

"One director of operations told us: 'the role of tenant board members is not always understood by tenant representatives outside of the board. They want them to behave like representatives and put pressure on them to do so.'" [page 49 para 101]

Government should stop mis-selling

The report recommends the Housing Corporation and ODPM reconsider current regulations on board members in LSVT associations and ALMOs "to address the common misperception that they are there in a representational capacity." [page 53 para 108]

THE CASE AGAINST STOCK TRANSFER

Transfer threatens tenants' rights. The transfer of council housing to a Registered Social Landlord (a housing association or similar company) means higher rents, more evictions, a less democratic housing service, and big pay rises for senior managers. Our homes will be privatised – transferred into the market-driven private sector where banks and building societies are in control.

Loss of Secure Tenure – More Evictions

Council tenants' secure tenancies are lost after transfer, becoming 'assured' tenancies, which make eviction easier. Secure tenancies are created in law, giving council tenants statutory rights, as well as the contractual rights of a tenancy agreement. No amount of promises from an RSL can equal this. New tenants won't get any guarantees over their rights, so over time tenancy rights will be eroded further. 16.5 percent of RSL evictions involved the use of automatic powers under controversial 'Ground 8' (which cannot be used against council tenants) according to a National Housing Federation survey of 116 RSLs. Pledges not to use this are legally worthless. Overall evictions by RSLs (Registered Social Landlords) have risen by 36 percent. Figures from Communities Scotland show the number of housing association evictions has risen by 64 percent in two years to 522 in the year 2000-01. That equates to 3.7 in every 1,000 tenancies, compared to what Shelter says is 2 in every 1,000 for councils. (Inside Housing 19 Feb 03)

Higher Rents and Worse Services

RSL rents are higher than councils – 17 per cent on average, despite attempts to close the gap. Service charges are also higher, as tenants pay for the higher cost of borrowing and repairs. The RSL post-transfer rent guarantee only lasts for five years – and 17% of RSLs

break these guarantees. Rent convergence is a myth. RSLs, under pressure from banks, keep lobbying for more freedom to raise rents. One third of RSL tenants' homes will not reach a decent standard by 2010. Transfer RSLs have housing management costs a full 39 percent higher than local authorities. Their chief executives receive fat-cat salaries (sometimes more than £200,000), while ordinary workers lose out. Government research found only 35% of staff transferred to RSLs were still on their former local government terms and conditions. (DTLR Dec 2001). Many are anti-union or have very limited recognition agreements with unions.

Privatisation

"Large Scale Voluntary Transfer is a private-sector landlord in legal terms" (Gwynneth Taylor, then Head of Housing, Local Government Association, 2002). RSLs are private companies in law; their borrowing is private not public. RSLs borrow directly from private lenders at higher costs than councils. They function increasingly like businesses, with mergers, takeovers and lenders in the driving seat. The Housing Corporation, watchdog over Registered Social Landlords, actively encourages mergers and takeovers (Rationalisation and Restructuring, Housing Corporation Nov 2002).

John Belcher, chief executive of £185.8 million turnover Anchor Trust, says 'We're a business and all our divisions are expected to make a surplus' (Guardian 8.1.03)

Less Democracy

Direct accountability of council landlords is lost. Transfer landlords often cross council boundaries and cannot be held to account locally, affecting services to the

homeless, joint waiting lists and nomination rights. Many tenants who transfer find themselves (without warning, and without a ballot) the tenants of a completely different landlord who has no interest in local concerns.

Few RSLs have effective tenants' associations and tenants on the board are legally barred from acting as representatives of other tenants. The Housing Corporation now allows board members to be paid (See page 6 and below for more details on tenants' involvement in boards).

Expensive Waste of Public Money

Transfer wastes public money and diverts funds from where they are most needed.

(See summary of PAC report opposite). Government argues that stock transfer brings in extra money from the private sector, but it's just an accounting fiddle. It makes government spending invisible by moving the borrowing out of the public sector and "off-balance sheet". But tenants and taxpayers pay again towards higher rents through higher housing benefit (£240 million a year higher, according to UNISON's calculations). The government budgeted £800m last year to write off debts left after the housing stock had been sold. It has handed over billions to housing associations to take on "negative value" estates. And what has all this achieved? 'stock transfer' has taken place generally in the least deprived local authority areas (Source: Hansard, written answers, 4 July 2002, col 563W)

The number of new homes built in Britain over the last five years is lower than at any time since the second world war. 'The biggest loss of new homes is in the social sector...caused by the ending of the local authority housebuilding programmes' (Roof magazine July/August 2003)

The case against PFI

The Private Finance Initiative (PFI) is new in housing, but has an appalling record in schools and hospitals. Housing PFI schemes are expensive, poor value for money, and risky. They will lead to worse services and escalating costs, with profit-driven companies managing our homes. Tenants on the Maiden Lane estate in Camden voted by over 80% to say NO to PFI in a recent ballot. (February 2004).

PFI is expensive

The National Audit Office says PFI value for money claims are based on 'errors, irrelevant or unrealistic analysis and pseudo-scientific mumbo-jumbo.' High rates of interest to banks and profits for the private company mean less for repairs and improvements. 'PFI credits' only cover part of the high costs of running the scheme—all the council's tenants will be subsidising the extra costs of a private company running one estate. Leaseholder contributions are capped at £10,000 per property—which means that tenants could be subsidising leaseholders in the PFI scheme by up to £80,000 each.

PFI is risky

PFI does not transfer the financial risk. In cases where the finances do not stack up, the PFI consortiums demand and get more government subsidy. Mowlem (eight PFI contracts with total value £826 million) says PFI offers them 'longer-term revenues than traditional procurement methods and carries significantly lower risks'.

PFI takes years to set up

PFI schemes are long-winded, complicated and often delayed by hard haggling. The Chalcofts PFI, one of the first 'pathfinder' schemes, is still on hold after five years. Costs escalate before contracts are finally signed—reportedly by over 60 per cent in Sandwell, and to more than double the original estimate of £21 million on Chalcofts. Five years

and several millions of pounds later, on Chalcofts no improvements have been carried out at all.

Public housing not private profit

Private finance is expensive – costing much more than direct government borrowing. PFI developers expect a 15% profit on their investment, 'generating income' from your estate. PFI deals often involve 'gifts' of public land as an incentive, with council homes on the sites demolished. In Leeds the Little London scheme involves the loss of 200 council homes, to be refurbished and offered at yuppie rents.

PFI – escalating costs

Massive amounts will be spent on lawyers, consultants, monitoring the contract and higher senior managers' pay. Because PFI schemes are so complicated they provide a gravy train for all sorts of different advisers and consultants to get their sticky fingers on.

PFI – worse services

PFI schemes are notorious for poor standards and being difficult to police. If your council has any services contracted out for even five years, you'll know how difficult it is to get the contractors to do what they promised. The idea that tenants will be involved in monitoring a thirty-year contract with a private developer is nonsense. With an 'output' based monitoring system and the fact that only 10% of any payments can be withheld when targets are missed, tenants have little chance of influencing the quality of the services they receive.

The idea that these private companies will be running our estates when our children are the tenants is truly frightening. The extra costs involved, the contracts negotiated behind closed doors, and the real danger that contracts can and do go pear shaped at our expense, mean council tenants will lose out if we let them bring in PFI.

The case against ALMOs

Arms Length Management Organisations are the government's strategy for two-stage privatisation. Democratic control is lost with the management of our homes moved into a separate private company; and tenants' power is undermined by a board on which tenant reps are outvoted and bound by corporate responsibility. £millions is wasted on consultants, lawyers and other set up costs, new offices and big new salaries for top managers.

This government wants to privatise council housing—ALMOs are a key part of their strategy

This government is clearly committed to privatisation of public services. The government's election manifesto in 2001 included a target of selling off 200,000 council homes a year each year until 2010. But tenants in most major towns and cities won't accept a straight sell-off. That's why Ministers have come up with this ALMO (Arms Length Management Organisation) formula—originally used by the Tories in the 1980s to privatise local authority bus services. We call it two-stage privatisation.

The council sets up a private company to manage its homes. The council still owns the housing stock. The governments aim is to divide us, so the second stage will be easier to achieve, with tenants split up and a new company running their homes.

The second stage – privatisation – is already hap-

pening in some areas. Westminster ALMO ran out of money after two years and tenants on two large estates were told their homes must be sold off if they want the promised improvements. In Hillingdon, now managed by an ALMO, 500 empty homes are being sold off without a ballot in a process known as 'trickle transfer'. Other ALMOs are already contracting out services and demolishing estates.

What will happen when the ALMO's five-year contract with the council comes to an end? 'Arm's-length management organisations could take over ownership of council homes by 2006 under radical new proposals drawn up by the Office of the Deputy Prime Minister' (Inside Housing 3.9.04). This is exactly what we predicted and why we describe ALMOs as two-stage privatisation.

We all want improvements to our homes but we are not prepared to bow to blackmail. Ask yourself: why can't the government give the extra money to the council direct—as tenants are demanding—unless they have a privatisation agenda?

An ALMO 'is compatible with achieving full stock transfer in the longer term.' (PriceWaterhouseCoopers report for Haringey council, June 2001)

Wendy Jarvis, ODPM head of local authority housing finance said

ALMOs 'don't own their stock at the moment. We have to look at their structure again... The housing association model is an obvious one to look at and

we are looking at it... Our view has to be that it stays within the Whitehall family until we have formulated our own views and particularly that the Treasury is comfortable. Then we will go out to the relevant private sector partners.' (Inside Housing 13.6.03)

Elected councillors will no longer be accountable for what happens to our homes. It's a recipe for excuses

Council housing is the only form of housing where tenants elect their landlord. Keeping our homes under democratic control is worth fighting for.

A separate private company means less coordination between housing and other services—when we need more! (see p 3 and 6)

Tenants on the board will not be allowed to represent our interests—their hands will be tied by company law

The biggest argument used by supporters of ALMOs is that having tenants on the board will give us real power. But this is not true in law or in practice as recent research and a damning Audit Commission report make clear (see page 6).

The first councils to set up ALMOs had the support of key tenants' representatives. Decisions were taken very quickly and without real public debate. Almost nowhere did tenants hear the arguments against, until the campaign in Camden where the ALMO train was finally derailed.

'Real tenants' power is what happens when democratically elected politicians have to listen to a large

enough collective voice' Lesley Carty, Camden DCH

Massive amounts will be spent on consultants, re-organisation and higher senior managers' pay

Setting up a new private company isn't cheap—Leeds spent an extra £1 million on managers alone. Ashfield's ALMO cost £2 million to set up. ALMOs have spent tenants' rents on new corporate images and logos, money which could have been used for repairs! Ordinary housing workers will lose out by being TUPE transferred, and staff turnover and demoralisation will affect the service. Camden council spent £500,000 trying in vain to persuade tenants to accept an ALMO. It's an outrageous waste of tenants' money.

Risky—you won't necessarily get the money

One in three ALMOs haven't received the promised money. Unless an ALMO gains at least a '2 star' rating the government won't give them the extra funding. Leeds set up six ALMOs, but only two got enough stars. Salford ALMO—along with others—has failed to get 2 stars. Tenants are left with all the expensive setup costs and no extra money.

Winning direct investment without strings is worth fighting for. We've already won concessions. We can win much more!

Government say they are in favour of 'choice in public services'. Ministers are under increasing pressure to concede a 'fourth option' of direct investment with no strings attached. Vote No to ALMO and tell them we want direct investment in council housing!

Tenants marginalised and powerless

In a study of housing association boards, including extensive research, Liz Cairncross' most important conclusion is about the marginalisation of tenant board members:

'Non tenant board members of housing associations have increasingly become 'elite volunteers', that is predominantly male, graduate professionals and managers... There is a danger that boards dominated by professionals are likely to

assume a level of knowledge and understanding, particularly on the financial side, which tenant board members lack, leaving them marginalised and unable to contribute effectively to board discussions.'

She notes the increasing commercialisation of Housing Associations:

'The introduction of discretionary payment for board members... is another indicator of the growing parallels between the private and housing association

sector... Walker (2000) characterises housing associations as behaving increasingly like private sector organisations 'property-driven' and managing stock as an asset to maximise returns'

She confirms tenants can not represent other tenants on the board:

'While tenant board members may perceive themselves and be perceived as representatives, formally their accountability is to shareholders, funders and the regu-

lator as individual and corporate members of the board, primarily an upward accountability.'

There is a complete loss of democratic accountability in this process, and it causes problems for the tenant board members because of their 'uncomfortably ambiguous role'.

Tenants on the boards of transfer associations are only there in a 'symbolic' role: 'tenant board members are valued in

giving legitimacy to transfer associations'. The role of voluntary board members is 'primarily symbolic, providing a fig leaf to cover the unpalatable fact that the real power lies elsewhere.'

She quotes research showing:

'boards were subject to processes of manipulation, screening and institutionalised pre-emption... hapless and manipulated by chief executives and other executive directors.'

DEFEND COUNCIL HOUSING



Tell Deputy Prime Minister John Prescott

A PROMISE IS A PROMISE

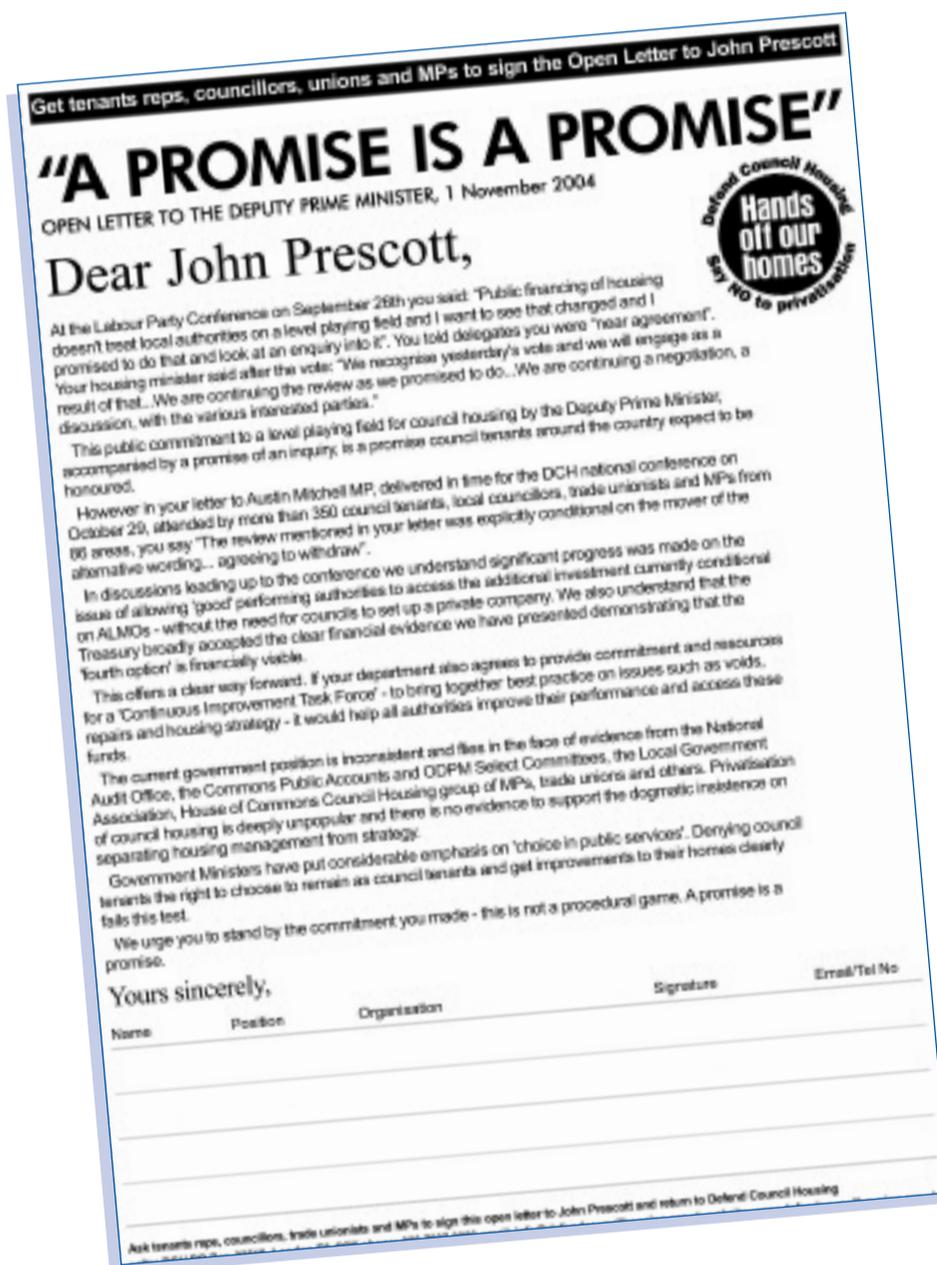
SIGN THE OPEN LETTER

At the Labour Party annual conference on September 26th, the Deputy Prime Minister, John Prescott, said:

“Public financing of housing doesn’t treat local authorities on a level playing field and I want to see that changed and I promised to do that and look at an enquiry into it.”

Now he is trying to get out of that commitment. Tell the Deputy Prime Minister we expect him to keep his promise.

- Get tenants, trade unionists, councillors and MPs to sign this open letter and tell Prescott ‘A promise is a promise’. Cut or copy the letter from this page or download it from website (see below).
- Also ask your MPs to support the motion in parliament: EDM 193 ‘Future for Council Housing’.



INVEST IN COUNCIL HOUSING

Defend Council Housing write PO Box 33519, London E2 9WW
phone 020 7987 9989 email info@defendcouncilhousing.org.uk
website www.defendcouncilhousing.org.uk

Put this up on your estate with tape or blue tac, do not flypost