

# DCH 'Interim Response' to DCLG 'Decent Homes to Sustainable Communities', June 2006

Tenants, trade unions, councillors and MPs say:

**'FOURTH  
OPTION'  
for  
COUNCIL  
HOUSING**

**Defend  
Council  
Housing**



# Introduction by Austin Mitchell, MP

Let's welcome Ruth Kelly to her new job at communities. Housing needs new thinking and a new drive. We're keen to help our new minister to generate both to give councils and council tenants a better deal.

We'll do this by our response to her statement and discussion paper on Decent Homes. She clearly wants this to be seen as council house friendly. So we'll give her the substance her statement lacks and the ideas her department has avoided, hiding behind its ill-considered rejection of the 'fourth option' which council tenants and the Labour Party are all calling for.

There are welcome suggestions in her papers, sadly there's also real concern that Ministers hope they can walk away from meeting the manifesto commitment, "By 2010 we will ensure that all social tenants benefit from a decent, warm home with modern facilities". Governments can't break manifesto commitments and still expect to get re-elected.

We welcome discussion on sustainable communities and building new council homes. Yet this must be in addition – not as an alternative – to making sure we keep our commitment to existing tenants who need improvements to their homes and estates.



Ruth has asked for responses by September 15 and promised 'stakeholder discussions over the summer'.

Defend Council Housing has produced this 'Interim Response' to the DCLG Discussion Paper to help inform the discussion amongst tenants, councillors, trade unions and MPs and to demonstrate to Ministers that the 'fourth option' is the essential way forward.

Please send me your thoughts so that we can refine the argument and make a full and considered final submission on behalf of all those committed to winning investment to improve council housing today and guarantee it a long-term secure future.

Please also sign the Open Letter to Tony Blair (see back page) and encourage others to sign too. Tell Tony the truth.

**● Austin Mitchell, MP,  
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# DCH 'Interim Response' to DCLG 'Decent Homes to Sustainable Communities', June 2006

**T**he statement by Ruth Kelly and discussion paper published by the Department for Communities and Local Government (DCLG) on June 7 is a welcome development – but we have major reservations.

The discussion paper is meant to suggest that the new Minister in charge is not anti-council nor anti-council housing, that the government is now listening and, crucially, prepared to address proposals it has previously dismissed. We are pleased to see that ministers have cut the unsubstantiated dogmatic insistence that 'separation' of housing management brings improvements. Councils given the resources are perfectly capable of performing to high standards and meeting tenants' expectations.

The trouble is that the only concrete proposal, which we welcome, is to give excellent councils new freedoms. There is no acceptance that council housing should be put on a 'level playing field' and clear signs that government would like to walk away from meeting its 2005 Manifesto commitment. This is not politically realistic or acceptable to tenants still waiting for the promised improvements to their homes.

The statement and discussion paper indicates long awaited recognition by Ministers of the necessity to change policy and move away from a dogmatic insistence that councils privatise their housing. To that extent Jack Dromey was right to tell delegates attending the DCH conference at the TUC on May 22 'The door is open; and it's in our hands at the next stages as to how quick progress is made'.

But many tenants have already been waiting for years, if not decades, for basic improvements to their homes. Telling them to continue to wait for possible inclusion in the 2007 Comprehensive Spending Review is not on. And any delay plays into the hands of the Nazis who seek to exploit the resentment of tenants who are denied 'a decent, warm home with modern facilities' and homes for their kids to move out to.

## **We've got them to listen**

The announcement reflects a political reality. Government policy has faced determined opposition from a broad and growing alliance of tenants, trade unions, councillors and MPs across all parties. The government's position is clearly isolated and untenable. In the last 12 months government has been challenged by evidence from the House of Commons Council Housing group (May

2005); the Audit Commission call for a 'review of housing finance' (June 2005); 98 local authorities opting for stock retention (July 2005); the almost unanimous vote supporting "the fourth option as a matter of urgency" at the Labour Party conference (Sept 2005); the DCH Lobby of Parliament (Feb 2006), 144 MPs signing the current Early Day Motion and a growing proportion of NO votes including Sedgefield, Tower Hamlets, West Lancs, Waverley, Edinburgh, Selby, Mid-Devon, Cannock Chase and Waveney.

The ODPM Select Committee in 2004 described government policy on council housing as 'dogmatic' and supported the proposals for an 'investment allowance'. The Public Accounts Committee, based on evidence from the National Audit Office, said that improving homes through stock transfer was more expensive.

The Minister invites responses to her discussion paper by September 15 two weeks before Labour's conference. It is possible to predict that unless the government comes up with something that impresses delegates the conference is likely for the third consecutive year to criticise government policy and restate the demand for 'Fourth Option' of direct investment in council housing.

Ignoring one conference decision – perhaps even two – is possible. Ignoring three, particularly in the aftermath of the recent local elections where housing, and council housing in particular, played an important part in changing the composition of several key councils, is a big risk. Governments can't break manifesto commitments and still expect to get re-elected.

The timing of the statement is calculated. At the end of June the Labour Party's National Policy Forum meets to consider a report from the newly formed working group set up to address the terms of the 'Fourth Option' motion. Clearly Ministers would like to make a good impression and try and avoid the Policy Forum taking to the party conference a majority or minority report re-affirming support for a "level playing field" and "Fourth Option" for council housing as a matter of urgency".

## **What we welcome**

A willingness to look at new options that would allow tenants to exercise their choice to remain as council tenants and get improvements to their homes, and for democratically elected local authorities to get on with the job of managing existing homes and estates and building new ones is a step forward.

The announcement that the DCLG “is undertaking a wide ranging review of the priorities for investment and the reforms needed in the next phase” with this three month open discussion breaks the logjam and potentially offers a more constructive atmosphere within which to come up with some practical proposals that meet the objectives of both sides.

We hope this means listening to tenants, trade unions and local councillors, and not simply to the developers and the narrow professional clique who normally dominate these consultations.

In particular we welcome the Minister’s statement: “I also want to see whether we can allow some councils and ALMOs more freedom to make their own decisions on levels of sustainable housing investment and on innovative use of assets in general to meet whatever the local need is. This could be done by releasing some from the constraints of the housing subsidy system.”

But we believe its important that council housing remains a national public service. This requires some careful considerations (see below).

### **Decent Homes – a manifesto commitment**

The discussion document contains the germs of other more threatening proposals too. There’s a suggestion that Ministers would like to close the door on the specific commitment to meet the ‘Decent Homes’ target.

The government made a clear manifesto commitment in 2005: “By 2010 we will ensure that all social tenants benefit from a decent, warm home with modern facilities.”

Tenants might be prepared to negotiate on government delay in meeting the 2010 deadline – if there are clear benefits in return – but the target has to be met in full for all.

To renege on this, saying that proposals this year will be “the last to include direct government investment to meet the decent homes target” (39) is neither politically acceptable nor realistic.

It would penalise tenants who have voted No to the government’s privatisation options. It would directly contradict the paper’s second stated policy aim: “Quality and choice for those who rent” (5) and make a mockery of any meaningful tenants ‘choice’.

Whilst we welcome more investment in communities and the promise of new council homes neither is an alternative to improving existing homes and estates and providing ‘all’ homes with ‘modern facilities’.

The reality that “Poor housing and deprived neighbourhoods have in impact on people’s health, job prospects and children’s education” (4) is no less true on estates still waiting for improvements to take place.

### **Stop the robbery**

Successive governments have been siphoning off billions of pounds from council housing since 1990. The money spent achieving decent homes is our money, generated by council housing. If, as the paper suggests, this will be the last round of Decent Homes investment then where will this money be going in the future? It is not a benevolent gift – it belongs to council housing.

This year council tenants will pay £1.55 billion more in rent than we get back in Management & Maintenance and Major Repairs Allowances. How can this be justified! Government is also profiteering by taking 75% of the capital receipts from ‘right to buy’ sales which has amounted to £0.55 billion p.a.

If Rent Convergence is allowed to continue (there are no good reasons why government is forcing council rents up to RSL levels), government will be collecting more and more rental income from council tenants, with no commitment to match this with increased expenditure. The robbery is set to continue and increase! It’s a definition of injustice.

Rent convergence puts RSLs in a better light (the main motivation) but makes no financial sense. It leads to significant increases in Treasury’s Housing Benefit costs or to attempts to cap Housing Benefit and create apartheid standards of housing. Where is the DCLG value for money test here?

The paper claims “We also want to look at how we address the long term future of social housing going beyond decent homes” (21) but makes no concrete proposals to ensure that decent standards for council housing can be maintained for years to come. The department needs to take on board the evidence demonstrating that Management & Maintenance and Major Repairs Allowances are currently set below the real costs incurred.

The case for the ‘Fourth Option’ rests in part on the principle that if all the money that broadly belongs to council housing is ring-fenced and re-invested then improvements to homes and estates to bring all homes up to modern standards can be funded and a level playing field created to maintain standards and provide council housing with a long-term secure future.

The specific proposal for a pilot to investigate allowing some councils “levels of sustainable housing investment and on innovative use of assets” by “releasing some from the constraints of the housing subsidy system” to “make it work in a value for money way for councils and the taxpayer” (Ruth Kelly, June 7 2006) offers the basis of a practical solution.

We firmly believe that the national HRA should be ring fenced and disinvestment should stop. There are pros and cons about how individual authorities might opt out which need to be debated. There are inequalities between the financial position of different authorities, facing different levels of historic disinvestment, and individual opt outs may require an ongoing level of subsidy to equalise these.

It is positive that the DCLG say “However, we are interested in views from local authorities who would benefit from greater flexibility” (20) but not if this encourages authorities to demolish council homes and sell public land to fund private housing developments.

DCH and its supporters have long argued that if government has extra money for authorities who set up ALMOs, why can't they give this money direct to the local authority if that is what tenants want? In addition, if a council's housing department has been audited and found to be good or excellent, why waste public money setting up a private company to replace it?

Many tenants, and elected councillors, in areas that have set up ALMOs did so reluctantly and with great suspicion. Proposals to transfer majority ownership of the companies into the private sector confirmed fears that ALMOs are a two-stage privatisation strategy. Once the decent homes work has been completed most tenants will want the management of their homes to revert back to the council to avoid any future risk of privatisation taking place. Clearly any ‘best practice’ can also be retained.

The Audit Commission in their ‘Financing Council Housing’ report, July 2005 proposed assisting those authorities with high levels of debt arising from borrowing to build large numbers of council homes. It would make sense for government to take over the debt direct freeing local authorities to use new Prudential Borrowing opportunities.

DCH and the House of Commons Council Housing group of MPs have made constructive proposals for a Continual Improvement Task Force (see below).

Ministers must concede the end to the ‘robbery’ and accept the principle that all rental income and capital receipts from ‘right to buy’ and other housing assets should be ring-fenced to council housing.

It is important to recognise that the hard fought campaign to win a ‘level playing field’ for council housing and a ‘Fourth Option’ of direct investment has never been just about meeting the government’s 2010 target. The central argument has been that decent, affordable, secure and accountable council housing has served generations well and continues to offer an essential alternative to the private market for three million existing council tenants, our children and millions more who need a home, today and tomorrow.

Achieving the decent homes standard is just part of what tenants have been campaigning for. Equally, if not more important, is securing the future of council housing as first class housing available to all who need it.

### **Encouraging ‘Continual Improvement’**

Starting with allowing ‘excellent’ councils new powers to invest in improving council housing makes sense but the aim should be to assist all councils to access these opportunities. We all want to raise the standards of performance across public services and it is not fair on tenants in authorities that are not high performing to leave them permanently discriminated against in terms of investment.

We would therefore expect the 3 star criteria to be relaxed to 2 star, as occurred with authorities seeking the additional investment offered to ALMOs.

In addition, our constructive proposal for the department to establish a ‘Continual Improvement Task Force’ is meant to suggest a practical strategy for leveraging up standards. Some authorities struggle with providing a particular area of service: repairs, management, void turnaround times, tenant participation. We propose utilising the considerable experience amongst council officers around the country and offering to second them to authorities who would welcome practical help to raise their own game. This would be a much better use of public funds than the millions spent on employing expensive consultants to promote privatisation.

We suggest the Minister invite authorities to nominate officers who would contribute to this process and ask authorities who need help to apply to quantify the potential.

## Secure and affordable homes

The discussion paper makes the assumption that home ownership is what people want. The case has never been properly made – or proven. Ben Jackson, Shelter's Director of Campaigns, said: "Our research looked at the bigger picture and found that people's first priority for themselves and their children is not home ownership – but having a safe, decent home they can afford." 72% of respondents put affordability and safe neighbourhood before ownership.

It is not entirely clear whether new homes built by local authorities or ALMOs would be 'council housing'. We need new housing owned by the local authority with tenants having a 'secure' tenancy, lower rents and an accountable landlord. We have no problem with a "value for money test" (25) for schemes of new housing. Council housing is cheaper to build, manage and maintain than the alternatives because councils get preferential rates of interest and, have lower management costs.

If 'major transformations of their estates' (20) is a euphemism for mass demolition of council homes and the sale of public land for private housing developments the government is going to get itself into more trouble. Too often local authorities promote stock transfer on the basis that the authority doesn't have the money to carry out improvements and then gifts large parcels of public land on top of housing stock to make the transfer attractive. In Tower Hamlets the council has gone further giving RSLs the income from commercial properties and capital receipts. Rarely are the full facts of these deals included in the formal 'Offer Document' to tenants or publicised at the time of transfer.

Similarly no one would object in principle to the ambition to "support mixed and sustainable communities" (4), but not if this means pushing council tenants out of inner cities to make way for luxury developments.

## Value for money

The Minister understandably insists that any expenditure must meet a "value for money test" (7). Government has wasted millions promoting privatisation.

Investment via stock transfer may take most of the expenditure 'off balance sheet' but it is more expensive (£1,300 more per home than if the council did the work according to the Public Accounts Committee) and there is a large hidden cost to the public – which is 'on balance sheet'. The public

loses the asset (and the continuing value from it after 30 years which is not included in the transfer price calculation); Treasury pays more in Housing Benefit costs as tenants' rents increase, and there are increasingly hefty early redemption payments on loans before the sell-off can take place.

This is on top of the army of consultants paid out of the public purse to advise and facilitate.

Good and excellent performing councils have unnecessarily spent tenants money on setting up a new private company (often acquiring new posh offices, expensive re-branding and increasing senior managers pay) just to meet the government 'arms length' criteria to access the additional money on offer to ALMOs.

Millions more have been poured into endless headline grabbing shared homeownership schemes – priced beyond the means of most in housing need. The latest example is 'key worker' homes built with public subsidy being sold on the private market because they were unaffordable to key workers.

Outrageously public subsidy that once went into council housing and was then diverted to Registered Social Landlords is now on offer to private developers to add to their already gross profits. There has been no public debate on this policy shift.

The "other publicly funded housing" (38) referred to in the paper needs quantifying and fully costing in terms of 'value for money'.

Ministers are wasting public money. With access to lower interest rates and by using in-house expertise councils can build, manage and maintain homes cheaper than the private alternatives.

By finally dropping a dogmatic insistence on promoting private alternatives to council housing Ministers can meet the aspirations of millions for first class council housing and save money at the same time.

## Independent tenants voice

"Proper accountability to local tenants and residents" (44) is a fine principle to uphold. But we should aspire to better than boasting that "Tenants have participated in options appraisals and are board members of ALMOs and housing associations". Most options appraisals have been the most token tick box exercises with councils spending a fortune promoting one option and very little fair and balanced debate. The lack of power and significance of board members has been exposed by both the Audit Commission's report and research by Liz Cairncross for the Housing Corporation.

Perhaps the following observation helps ex-

plain to the Minister why tenants do not value the tokenism of tenant directors: "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..." "Often this misapprehension is a direct result of mis-selling the role at the time of the ballot." ("Improving Services Through Resident Involvement", June 2004).

In particular we are cynical about Ruth Kelly's attempt to put fresh energy into promoting more "community ownership of homes". There is no evidence that any of the options proposed lead to "much greater tenants involvement in decision making" (18). We will not be distracted from the two overarching issues of decent homes, and building council houses with secure tenancies.

What would make a real difference is a bottom up rebirth of a genuinely independent tenants' movement. Tenant participation has become an industry dominated by council officers driven by managers to deliver the latest government initiative and highly paid consultants. These are often called Independent Tenants Friends but rarely if ever, 'tenants', 'independent' or friendly to those who put the alternative argument. Funding to tenants' organisations by government department at national level and councils locally is often made (formally or informally) conditional on accepting a limited remit and business plans that discourage or explicitly proscribe the right to challenge and criticise.

Without a charter of rights, a code of practice, the dropping of confidentiality clauses for members of steering groups and boards and the provision of clear practices governing elections of tenants reps, ongoing reporting back and accountability then 'tenant consultation' is no more than the government providing itself with an alibi on the cheap.

We would urge the Minister to adopt the Code of Practice for tenants consultations produced by the House of Commons Council Housing group in May 2005 following evidence from tenants, trade unionists and councillors about the democratic deficit involved in the 'stock options' process.

## Conclusion

Three million existing council tenants – and the 1.5 million households on council waiting lists – have a material interest in securing a long term future for council housing. The alliance of ten-

ants, trade unions, councillors and MPs supporting the 'Fourth Option' of direct investment in council housing is determined to win.

Many tenants have rejected privatisation several times and many of those who reluctantly accepted ALMOs are worried that they might be cheated out of reverting back to the security of the council once the improvements have been completed. Many elected local councillors are angry at the way their role is being undermined. Trade unionists working in the public sector want to provide quality public services. MPs cannot understand why government is being so dogmatic when all the evidence is stacked against them.

There is deep resentment against politicians who are trying to destroy a key public service that commands so much support. Where councils continue to try and push stock transfer, PFI or ALMOs they can expect stiff opposition.

In the light of this policy discussion it would be dishonest for any local authority to continue to tell its tenants that government policy is set in stone. We would hope that authorities in the process of consulting their tenants on stock transfer, PFI or ALMOs will provide them with the arguments 'for' and 'against' and ensure there is a balanced debate and that tenants are aware government is conducting a policy review.

In 2003 when the ODPM issued its blue skies consultation ('The Way Forward for Housing Capital Finance') floating the idea of an 'investment allowance', we responded positively. We welcomed the dialogue and an opportunity to try and find a way through the issues to achieve an agreement. That potential was unfortunately snuffed out by the presiding Minister.

We sincerely hope that the new Minister genuinely wants to allow councils to improve their existing homes and estates so that council housing all over the UK becomes again housing of choice – not housing of last resort.

We look forward to taking part in the "stakeholder discussions over the summer" and hope that tenants, councillors, trade unionists and MPs will all be given plenty of notice of the arrangements and invited to attend.

We also hope the Minister will agree to arrange a face to face meeting with campaign supporters to go through these arguments in detail and map out some concrete proposals to give council housing a secure, long term future.

All the evidence shows that this is clearly what tenants want. ■

# ‘FOURTH OPTION’: INVEST IN COUNCIL HOUSING

## Dear Tony Blair,

TENANTS, TRADE UNIONISTS, COUNCILLORS and MPs across the UK call on government to introduce the ‘Fourth Option’ for council housing – direct investment to improve council homes and estates – as a matter of urgency.

The blackmailing and bullying of council tenants to accept the government’s privatisation options of transfer, PFI or ALMOs is provoking widespread opposition and causing deep resentment. It makes a mockery of your rhetoric of ‘Choice’ in public services.

Tenants are increasingly voting NO – including in your own constituency – despite the lack of a fair and balanced debate and the millions of pounds spent promoting privatisation.

The Labour Party 2005 manifesto promised “By 2010 we will ensure that all social tenants benefit from a decent, warm home with modern facilities.” The government’s existing policy is failing to meet this commitment.

Your own party conference has twice voted overwhelmingly in support of investing in council housing with an almost unanimous vote last year calling on government to “provide the ‘fourth option’ of direct investment to council housing as a matter of urgency.”

Decent, affordable, secure and accountable council housing provides a crucial alternative to the private market. The 1.5 million households on council housing waiting lists are testimony to the scale of the current housing crisis and the popularity of council housing.

The government’s policy is untenable. It flies in the face of a wide range of evidence including: the ODPM Select Committee’s report on ‘Decent Homes’ that backed the call for an ‘investment allowance’; the Public Accounts Committee who said stock transfer was more expensive; the House of Commons Council Housing group which set out the case for the ‘Fourth Option’; and the Audit Commission who called for a ‘review’ of housing finance.

The financial case for the ‘Fourth Option’ is overwhelming: if all the money generated from tenants’ rents and capital receipts; gap funding; waste on expensive consultants and setup costs is ring-fenced there is more than enough to fund direct investment in council housing so all local authorities can meet the Decent Homes standard.

Direct investment to improve existing and build new council homes offers the cheapest, quickest and most popular solution to provide first class, secure and accountable housing that is genuinely affordable for all who need it in 21st Century Britain.

It’s time the government listened! Three million council tenants, trade unions and many councillors and MPs demand improvements to council homes and estates and the guarantee of a secure future for council housing.

Name .....

Position/Organisation .....