

The Chancellor, Gordon Brown, is working on the Comprehensive Spending Review which will set the priorities for public services for the new two years.

We want Gordon to give council housing a 'level playing field' and 3.5 million council tenants 'real choice' by introducing an 'investment allowance' to provide the 'fourth option' as an alternative to stock transfer, PFI or ALMOs.

Add your name to the open letter and add a comment of your own to include with the list of signatories and supporting evidence.

# Dear Gordon

Government says it is in favour of choice in public services yet it is denying tenants the right to choose to remain with the council and have their homes improved.

The government's current insistence that funding for investment in tenants' homes is conditional on accepting stock transfer, PFI or ALMOs does not make economic, social or political sense.

Council housing is cheaper to build, manage and maintain than the alternatives. It is uniquely accountable, secure and responsive to

**“the ‘fourth option’ - an ‘investment allowance’”**

'joined up' regeneration strategies. It is financially viable if all rent and housing capital receipt income, along with current subsidies to privatisation through debt write off, consultants' and promotion costs and additional housing benefit are redirected into council housing investment. There is

evidence that setting up new company structures increases management costs and disempowers tenants.

In 2001 there was a clear manifesto commitment to bring all homes up to the Decent Homes standard by 2010.

We urge you to act on the findings of the ODPM select committee report into Decent Homes, and to include in the Public Spending Review provision for local authorities to carry out improvements to their housing if that's what tenants choose.

We want the 'fourth option' - an 'investment allowance' (as detailed in the ODPM's 'The Way Forward For Housing Capital Finance 'blues skies consultation in 2002) which would provide local authorities with a revenue stream to support borrowing and so give council housing a level playing field and tenants real choice.

**“give council housing a level playing field and tenants real choice”**

**Yours sincerely,**

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I agree to sign the open letter to Gordon Brown calling for an 'investment allowance' to give tenants real choice

Name.....

I would like to include the following short comment of my own to add to the evidence (please print clearly)

Position/Organisation.....

Address.....

.....

Tel No/email.....

# ODPM Select Committee of MPs back 'investment allowance'

The influential ODPM Select Committee of MPs last week published its report on 'decent homes'. The report comes out clearly in support of an 'investment allowance' to provide the 'fourth option' tenants want.

The report concludes that the government's 'dogmatic pursuit' of privatising council housing isn't justified and denies tenants real choice. They argue there is no evidence to conclude that the government's stated aim of separating housing strategy from management improves either services or tenants involvement.

The report specifically recommends:

**'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.'**

**'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.'**

***Selected extracts from ODPM Select Committee Report on Decent Homes (7th May 2004)***

## Section 4 Social Housing

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 authority 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 suffi-

cient 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 the committee's Conclusions & Recommendations

[Summary] 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.

[16] The Committee is concerned that a lack of funding as well as the delays caused by lengthy options appraisals procedures and tenant ballots may result in Local Authorities being unable to meet the 2010 target.

[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 prudential borrowing rights introduced through the Local Government Act are not sufficient to create a level playing field. 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] The Committee agrees with those stakeholders who argue that 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)

[28] The Committee believes that there should be a level playing field between local authorities with retained stock, ALMOs, and stock transfer companies in terms of the mechanisms and volumes of funding available to them...(Paragraph 169)

[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. Based on local circumstances, managers and tenants should themselves be able to determine how to balance investment in Decent Homes, as currently defined, with investment in making the community sustainable and decent (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)

# The case for the 'fourth option'

House of Commons Council Housing Group briefing, May 12 2004

## COUNCIL HOUSING MAKES SENSE - AND THE MONEY IS THERE TO PAY FOR IT

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Council housing provides an essential public service for millions of people. There are 3.5 million council tenants in Britain - the biggest tenure after mortgage-payers. There are many millions more who would like a council home.

### The case for council housing is:

**ECONOMIC** council housing is cheaper to build, manage and maintain than the alternatives. It could pay for itself if all the income from tenants' rents and housing capital receipts along with current subsidies to privatisation were redirected and invested.

**POLITICAL** council housing is the 'choice' that many existing tenants (and others in housing need) want. If choice is to be at the centre of public services, council housing has to be an available option. It offers a greater degree of democracy, accountability and participation in public services.

**SOCIAL** investment in housing owned and managed by the local authority offers the best opportunity for a 'joined up' strategy through which housing investment produces targeted and measurable health and education benefits.

## SUMMARY OF KEY FINANCIAL ARGUMENTS

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### The Investment backlog

The Housing Green Paper 2000 and 2003 Communities Plan estimate that council housing needs £20 billion of investment programmed over the next few years. Ministers say the only source is through stock transfer, PFI or ALMOs. This is not true.

### Where it went

£13 billion has been siphoned out of council Housing Revenue Accounts to the Treasury by Tory and Labour governments through the 'Daylight Robbery' tax. It's no wonder there is a backlog.

Outrage has forced reform, ring-fencing payment of HB outside the HRA, but govt continue to siphon funds from local HRAs through 'negative subsidy':

### Surplus still generated

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)

that could be used to fund a massive investment programme.

### Capital receipts surplus

Receipts from 'Right to Buy' accumulated as 'set-aside' funds held by local councils between 1980-1997. The release of all £5 billion ('phased' so as not to overheat the construction industry) was an unambiguous pledge in Labour's 1997 General Election manifesto. After 1997 receipts were released in full for debt-free Councils (covering less than 10% of council tenants), but only in a very limited trickle elsewhere. The 'Capital Receipts Initiative' was closed in April 2000, after £1.3 billion had been released, leaving £ 2.5 - £ 3.0 billion as set-aside from 1980-97 held by councils today. These cannot be used for non-housing purposes - except for the very considerable interest earned, and except in the case of whole stock transfer. Many councils have used them for expensive non-housing projects after transfer.

Post-1997 usable housing capital receipts are not ring-fenced to housing and are widely used to subsidise non-housing capital spending, even in areas of acute housing need.

"As now, it is envisaged that decisions will be made in each Spending Review on how much the Exchequer should add to the pooled receipts. For example, in 2001-2 the provision for HIP was £770m and that for the ADP was £810m, making a total of £1,580m. The proceeds of housing capital receipts set aside were £1,248m (of which £976m came from Right to Buy receipts and £272m from transfer receipts). This means, in effect that the Exchequer added £332m (i.e. £1,580m less £1,248m) to the proceeds of set-aside."

*ODPM 'The Way Forward For Housing Capital Finance', page 9, 21 (c) Capital receipts pooling mechanism, August 2002*

### Subsidising transfer

Public money is being diverted to subsidise stock transfer. £800 million was budgeted for 2003/4 to write off debt to make sell-offs profitable [PQ answer]. This is almost as much as the total £842 million budget for housing credits to fund investment in all council homes that year. The government has ploughed £2 billion of public money into subsidising the privatisation of Glasgow's council housing. This is exactly the amount needed to repair and modernise all of Scotland's publicly rented housing, according to the Scottish TUC.

Enormous sums of public money are swallowed up by the process. In just four years from 1997/8 to 2000/01 transfer set up costs of £120.3 million (Wilcox Housing Finance Review). In 2001-2 £8.2 million, more than half the total housing transfer bill paid by councils, went to consultants, surveyors, solicitors and advisors. One firm, HACAS Chapman Hendy, took nearly half of all the lead consultancy work. Their profits have soared 49 per cent in the last year, to £3.04 million.

In 2002/3 £65 million was spent on 'fees of the army of consultants, surveyors, solicitors and advisers' (Social Housing July 2003).

The National Audit Office report on stock transfer (19 March 2003) calculated it cost £1,300 extra from public funds to improve tenants' homes via stock transfer. The Commons Public Accounts Committee's report on stock transfer (24th July 2003) went further: 'The additional cost of transfer is likely to be larger than the £1300 per home calculated by the Office [NAO]', the PAC report says. Transfer has 'led to the undervaluation of the homes transferred so far, resulting in a greater contribution from the taxpayer than was necessary to deal with, for example, the backlog of repair.'

### **Transfer increases benefit costs**

Privatisation drives up rents and charges resulting in the Treasury paying out more in Housing Benefit. UNISON estimates that stock transfers since 1997 have cost the Exchequer £249 million a year in additional housing benefit support.

This money could be used instead to fund a new 'investment allowance' to provide a revenue stream enabling councils to borrow to fund investment themselves. It would make the new 'right to borrow' in the Local Government Bill a practical solution to give tenants real choice.

### **Transfer ineffective way of tackling housing priority need**

The 2000 Spending Review set a decent homes target with the objective of 'most of the improvements taking place in the most deprived local authority areas' (Appendix 1). Stock transfer does not achieve this: most of the transfers to date have taken place in the least - not most - deprived areas.

In addition, the level of investment in each home is largely governed by the business plans negotiated between the RSL and lenders, concerned to protect their investment. This produces large amounts of investment in relatively small numbers of homes - not the most effective prioritisation of investment.

## **OTHER KEY ARGUMENTS**

### **No proven benefits of separating housing strategy from housing management**

There is no evidence available to substantiate ministers' assertion that there are benefits from forcing councils to separate overall strategic housing responsibilities, with separate companies (RSLs, ALMOs, PFI consortium, etc) taking on day to day management and maintenance (see Appendix 2).

### **Democracy and accountability suffer**

Tenants are less empowered under the new companies, contrary to the other justification of 'unquantifiable' benefits offered to justify breaking up council housing. The strong tradition of independent tenants organisation among council tenants is not replicated with RSLs. A tenant or two on the board does not provide mechanisms for tenant involvement or empowerment. Company law (obligations and confidentiality clauses) and expulsion of board members who criticise senior man-

agement make tenant board members only token.

Accountability through the ballot box is effectively lost. Housing is less 'joined up' with other council services (Shelter have highlighted the detrimental effect this has on the homeless) and policy is increasingly concentrated in the hands of unaccountable professional board members, the 'great and the good' and lenders (see Appendix 3).

### **Real choice means a 'level playing field'**

To make real choice a reality, government has to provide a level playing field for council housing (see Appendix 4).

To make choice a reality for tenants requires:

1. a level playing field between the different options. available the right of tenants to choose between all of the options.
2. any decision to change from one option to another should be tenant led.
3. public access to all the relevant information
4. the guarantee of a 'fair and balanced debate' before tenants make a decision.
5. there is a full ballot of all tenants before any decision is made.

## **CONCLUSION**

### **Money is there - why not invest?**

If money is available, why not use it to invest in council housing which is what we all need, what tenants want, what trade unions are demanding and growing numbers of councillors and MPs understand is necessary?

### **Necessary action for government**

Real choice for tenants requires that the government create a level playing field for council housing - removing the discrimination that only this form of tenure faces.

1. Stop using public money to subsidise privatisation (debt write off, setup costs, consultants and legal fees, etc)
2. Ring fence the national housing revenue account and ensure that all tenants rents are spent on their homes. Stop 'negative subsidy'.
3. Ringfence all the money from housing capital receipts for reinvestment in council housing.
4. Enable councils to borrow like other landlords on their rental income and stock.
5. Take up the ODPM proposal (in 'The Way Forward For Housing Capital Finance' consultation paper) to provide an 'investment allowance' as a revenue stream to support council borrowing for investment.

6. Avoid higher housing benefit costs after transfer by redirecting funding into investment in council housing.

The introduction of the prudential borrowing framework means that the government has now accepted in principle councils 'right to borrow' to fund investment.

The recent ODPM consultation on housing finance directly addresses allowing councils to use the Major Repairs Allowance as a revenue stream to support Prudential Borrowing.

Along with the introduction of a modest 'investment allowance' this would provide the 'fourth option' and enable councils to clear the backlog and improve our estates.

## APPENDIX 1

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### Not tackling priority need

The 2000 Spending Review included the following objective and performance targets for the DTLR - now ODPM.

*Objective II: offer everyone the opportunity of a decent home and so promote social cohesion, well-being and self-dependence.*

*5. Ensure that all social housing meets set standards of decency by 2010, by reducing the number of households living in social housing that does not meet these standards by a third between 2001 and 2004, with most of the improvements taking place in the most deprived local authority areas (our emphasis) as part of a comprehensive regeneration strategy.*

where 'stock transfer' has taken place it has generally happened in the **least deprived local authority areas** - those with a rank of 158 under the ILD 1998 and the ID 2000.

- Stock transfer took place in 71 local authorities
- Full stock transfer took place in 55 local authorities
- It is the **least deprived local authorities** (i.e. with rank 158) that transferred their whole housing stock using the ILD 98 (extent rank). 38 of the 56 authorities had a rank of 158.
- It is the **least deprived local authorities** (i.e. with rank 158) that transferred their whole housing stock using the ID2000 (extent rank). 35 of the 56 authorities had a rank of 158.
- Only 6 councils that transferred their whole housing stock were in the top 100 most deprived local authorities using the ILD 98 (extent rank)
- Only 9 councils that transferred their whole housing stock were in the top 100 most deprived local authorities using the ID 2000 (extent rank)

Source: *Hansard, written answers, 4 July 2002, col 563W*

## APPENDIX 2

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### No evidence of benefits from separation

126: '...there is no clear positive correlation between a separation of the two tasks and excellence in either strategic management or stock management. The Audit Commission indicated that the issue is not as straightforward as the Government would have us believe:

"there is no indication that the 90 authorities who have sold their stock were better at strategic work than the ones who had not...I do not think there is any evidence to support the fact that splitting the roles guarantees better performance" [116]

'127. The Chartered Institute of Housing (CIH) came to much the same conclusion, arguing that there is no theoretical or practical reason why Local Authorities cannot handle both the strategic management of housing policy as well as managing a portfolio of social housing at ground level.. The CIH said that, whilst authorities have not been good at handling both tasks in

historical terms, with proper guidance there is nothing to stop them from doing both tasks well in the future. [117]

'128. The Committee recommends that the Government revisit its dogmatic pursuit of the 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.'

*ODPM Select Committee, Decent Homes enquiry report May 2004*

Heriott-Watt University research found negative effects, in their research into the effects of separation after transfer to housing associations. Alistair McIntosh, from the Housing Quality Network who commissioned the report, said "There doesn't appear to be a lot of empirical evidence suggesting that the only correct route is to make a split between the strategic enabling function and the landlord function. It's been carried on without any research or rationality underpinning it.'

*Inside Housing 11 January 2002*

Separating off housing management - into a housing association or ALMO - with separate company structures and priorities mean co-ordination between services gets worse. '43 per cent of [local] authorities reported difficulties in discharging their statutory housing duties' with post-1996 transfer RSLs

*Out of Stock, Shelter July 2001*

## APPENDIX 3

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### Less power for tenants

Extracts from '*Changing Boards: Emerging Tensions*' (Liz Cairncross, Spring 2004, research funded by the Housing Corporation)

'The great majority of stock transfer associations report considering setting up or joining some form of group structure and a third have also considered merger ...60% of all English transfer landlords in existence in 2001 were part of group structures.'

'The legal and financial responsibilities have become more onerous and the level of risk has grown, especially, among stock transfer associations where the degree of indebtedness is much greater than that of 'traditional' associations.' National Federation of Housing Association's draft code [of governance] emphasises the strategic role of housing association boards. Boards should share decision-making responsibility and act only in the interests of the organisation and not on behalf of any constituency or interest group... Independence and the need to leave any constituency base outside the board room is emphasised in the professional literature (Housing Corporation, 2002; NHF, 2004)'

'...While tenant board members may perceive themselves and be perceived as representatives, formally

their accountability is to shareholders, funders and the regulator as individual and corporate members of the board, primarily an upward accountability.'

'Pawson and Fancy (2003) note that tenant board members are valued in giving legitimacy to transfer associations and that this constituency mix plays a symbolic role... tenant board members were often perceived as playing a limited role in board decision-making.'

'...Non tenant board members of housing associations have increasingly become 'elite volunteers' that is predominantly male, graduate professionals and managers, working full-time or self-employed... Tenant board members are older, less qualified, less likely to be working and more likely to be chronically ill or disabled.'

'...Some comments on the returned survey forms indicate that there is a degree of frustration both among professionals and tenants with the inability of tenant board members to take part in some of the more complex discussions and decisions taking place at board level.'

'...Tenants consequently have an uncomfortably ambiguous role.'

*References:*

Housing Corporation (2002) *The Way Forward: our approach to regulation (Regulatory Code)*. London: Housing Corporation

National Housing Federation (2004) *Code of Governance for Members of NHF Consultation Draft: Competence and Accountability*. London: NHF

Pawson, H. & Fancy, C. (2003) *Maturing Assets: the Evolution of Stock Transfer Housing Associations*. Bristol: Policy Press

## **No Power - tenants and other critics thrown off RSL boards - a few examples**

The Community Housing Association closed down its tenants forum after this group criticised senior management (March 2004).

Three tenants were thrown off the board of a Riviera Housing Trust (Torbay) transfer association after criticising the sell off of land, and fees to chief executives and consultants. One said 'we are being penalised for speaking out.' (March 2004)

Three board members at Dumfries and Galloway Housing Partnership over a proposal to increase the chief executive's pay by £24,000. They had no power to stop this (June 2003)

Places for People (P4P), England's biggest housing association, had a boardroom clearout after five board members criticised the chief executive and chair. (October 2003)

The Housing Corporation threatened to hold up Walsall's transfer if a senior councillor representative on the RSL group board spoke to the newspaper about the councillor's fears for services after the transfer (October 2002).

George Makin, thrown off board of Optima in Lee Bank, Birmingham after asking critical questions.

## **APPENDIX 4**

### **Extracts from Defend Council Housing paper to National Audit Office investigation into stock transfer**

We want to raise four main areas of concern:

1. Financial disparities between regimes prescribed for council housing and housing associations, which affect genuine competition and tenants' choice

2. Loading of resources in debate on transfer: professional (including 'tenants' friend', financial, access to information)

3. Strategic inefficiencies

4. Lack of openness with key information informing national decision-making

#### **1. Financial disparities between regimes prescribed for council housing and housing associations, which affect genuine competition and tenants' choice**

Genuine competitive 'choice' between landlords is government's stated aim. But it is creating a 'fat cat' transfer industry with no serious competition. If we imagine council and HA housing as two neighbourhood shops, 'choice' is undermined by disparities in investment and borrowing rights, by government intervention through 'Daylight Robbery', and by subsidy only available to LSVTs.

#### **Equal financial support from government through relief from outstanding debt**

Stock transfer has up to now been assisted, where necessary, by government taking over any 'overhanging' debt. This provides another financial incentive to transfer. If government can absorb this debt on behalf of new landlords, why can the equivalent subsidy in the form of debt-relief not apply to existing council landlords in the interests of fair competition?

#### **2. Loading of resources in debate on transfer: professional (including 'tenants' friend'), financial, access to information**

Each transfer proposal involves significant costs in professional and consultancy fees, consultations and surveys, public relations and communications etc. This is often supported by the work of local authority staff paid from other budgets. This huge physical and financial resource is directed to present one side of the case in the 'choice' facing council tenants.

The stock transfer ballot process is adversarial, but with all publicly-funded resources devoted to the pro-transfer campaign. Tenants campaigning against stock transfer face a very unequal campaign. This means tenants do not always get to hear both sides of the argument.

Critical tenants are also denied access to the business plan and other vital information on which the council's case rests. Other information, including mailing lists for tenants, is widely used by councils and denied to tenant campaigners.

Tenants' organisations which attempt to maintain an

independent and critical position have in some cases been punished by removal or reduction of local authority funding.

### 3. Strategic inefficiencies

The 'transaction' costs involved in transfer are very heavy and unnecessary as a means of getting new investment in housing. Stock Transfer is a wasteful means of getting housing borrowing 'off balance', and is not a prudent long-term use of public resources (including valuable land) and funds.

Transfer means:

a) overprotected borrowing with investment directed not according to housing need or effectiveness, but to reassure lenders;

b) funding is allocated according to where lenders and tenants say 'yes'; this ends up directing public funds to Salisbury and Chichester, and not to Southwark or Birmingham;

c) Pressures toward group structures and other economies of scale leading to transfer RSLs operating across local authority boundaries and not responsive to local housing strategies or needs ;

d) huge surpluses for new landlords in c20 years, to meet lenders' demands that they become 'cash positive'. No way of directing these in any way, and certainly not towards future housing investment where it is most needed.

### 4. Lack of openness with key information informing national decision-making

It is difficult to get answers to some very important questions about stock transfer, such as:

- What precise budget is used to meet the additional costs to government of 'overhanging debt' transferred from local authorities due to transfer? How much does this amount to and is it an equitable and justified use of public funds?

- What is the total cost to local and national government of stock transfer so far?

- What is the total 'Daylight Robbery' difference between council rental income and allocated expenditure on management and maintenance and MRA? Why is this not used to fund direct investment in council housing? How does government justify transferring these so-called 'surpluses' to transfer landlords?

*Defend Council Housing, 22 May 2002*

## APPENDIX 5

### Evidence to the ODPM Select Committee inquiry into 'decent homes' from Austin Mitchell MP on behalf of the parliamentary Council Housing group

#### 1. Summary

1.1 We welcome the committee's investigation and hope this will expose how the decent homes target is being used to distort local debate and push local au-

thorities and council tenants out of council housing.

1.2. The definition of decent homes is not responsive to local needs and conditions. It distorts real priorities - what tenants want - and instead imposes a bureaucratic 'tick-box' regime. Tenants with clear and defined priorities for their homes and estates are effectively told that civil servants know best about what is required.

1.3. 'Meeting decent homes' as an imperative for local authorities has in some cases put them at loggerheads with tenants who have different priorities for investment and improvement work. At another extreme it leads to demolition of much-needed council housing in areas with long waiting lists and homelessness.

1.4. The lack of investment in council housing repairs and improvements over 25 years has undermined the condition of most council housing. Short-term neglect of repairs creates longer-term problems. Neglect of estate environment, cutting back on estate-based caretaking and management and other staff has worsened services and demoralised council housing workers.

1.5. This is despite the £13 million 'surplus' extracted from Housing Revenue Accounts and used to subsidise other areas of government spending. In 2002/3 tenants on average paid £2500 in rent but only received £1500 in services. That leaves £1000 per tenant (£3.6 billion per year) that could be used to fund a massive investment programme.

Privatisation drives up rents resulting in the Treasury paying out more in Housing Benefit. UNISON estimates that stock transfers since 1997 have cost the Exchequer £249 million a year in additional housing benefit support.

1.6. The quickest, most reliable and best value for money way for local authorities to meet a locally-agreed set of priorities for improving council housing is through direct investment in council housing.

1.7. Government is still seeking, however, to insist that any new investment needed to make good the backlog of repairs and improvements must come via stock transfer, PFI or Arms Length Management Organisations.

1.8. Real choice for tenants requires a level playing field for investment opportunities. Tenants must be free to choose the option that best meets their needs and preferences - including the choice of remaining as council tenants with investment available to improve their homes. Without this, tenants are justified in calling the process 'blackmail' not choice.

1.9. If money is available to subsidise costly and time-consuming privatisation and half-way privatisation measures, we would ask the committee to consider and put to government the question council tenants all over Britain are asking: why can that money not be spent directly on improving council housing?

Achieving the decent homes targets has become another stick to beat councils and tenants into accepting a change of landlord, the remortgaging of council housing at exorbitant cost/risk through PFI, or the costly half-way privatisation of Arms Length Management.

- Liverpool and Birmingham City Councils, among others, making clear that they cannot meet and are not served by the decent homes target

- These and other councils considering or planning

the demolition of council homes as the only means of meeting decent homes standard - despite local demand for more council housing

- '3 star' council housing departments in Hammer-smith & Fulham, Bolton, Camden where tenants have expressed the preference for staying with the council with investment for improvements, being forced instead towards ALMOs

So the decent homes PSA target, as implemented through the Sustainable Communities Plan, has an arbitrary impact which does not direct public or other investment to areas of greatest need. Indeed in some areas of the most acute need, such as Birmingham, Liverpool and parts of inner London it is leading directly to the demolition of council housing despite acute need for this housing locally. These perverse outcomes of the policy as implemented are the result of a dogmatic refusal to invest directly in council housing.

The principles of publicly-funded investment in publicly-owned council housing are not discredited - council housing is the most efficient and equitable way to develop the homes we need, to the standard we need, at affordable rents, providing quality housing for all who need it including all essential service providers.

The problems affecting council housing are the direct result of under-funding, as the decent homes target and SCP effectively show: with investment council housing can again become good quality housing of choice.

## **2.5 Council housing - the money is there but the rules are rigged**

### **A Level Playing Field needed**

Council housing generates more income than is spent on its management, maintenance and improvement. The inequitable treatment of council housing compared to other forms of housing has caused and perpetuated the problems of underinvestment which are now being exploited to undermine council housing and abolish it.

### **Daylight Robbery for Council tenants only**

£13 billion has been siphoned out of council Housing Revenue Accounts in recent years and used to subsidise other areas of government spending.

Outcry at what tenants call this 'Daylight Robbery' of their rents has led the government to change the mechanism by which so-called 'surpluses' are extracted from HRAs. However government has retained the power to claw back from council HRAs what it regards as 'unnecessary' funds - even where these funds are needed to meet decent homes or other local improvement targets. Money taken from the HRA in this way is not even ring-fenced to pay for council housing improvements.

### **2.7 The alternatives and their problems**

Transfer, PFI and ALMO all attempt to break up and/or replace council housing with new models more dependent on private funding in the short or long term. The costs and risks associated are borne by the public sector and by tenants. Decent homes is being used as

a mechanism to pursue this end

## **STOCK TRANSFER:**

### **Tenants lose security**

'The Council of Mortgage Lenders this week said the plan to do away with mandatory grounds for eviction would be a "bad move". Housing Associations currently have the power to obtain possession orders where tenants have run up two months' rent arrears.'

*Housing Today October 7 2003*

### **Costs higher**

RSLs have higher rents and other charges, evictions, borrowing and management costs are higher and one in four homes do not meet decent homes standard. Transfer RSLs are an inefficient drain on public funds.

### **Accountability lost**

RSLs are not accountable to local or national government. There is no effective mechanism for directing them 'strategically', despite significant public funding to them. Their costs (including senior executive pay) are not controllable.

### **Transfer RSLs can and do fail to deliver on promises.**

Transfer delivers investment relatively randomly - RSLs not accountable to tenants. Even where tenant board members - governed by company law act as directors. Not usually elected by tenants. Few RSLs have representative tenant organisation.

Pressure on RSLs: to compete with private sector developers for funding, for paid board members, to merge and rationalise (leaving 150 large RSLs doing all new housing development), to respond directly to demands of lenders

## **PFI**

PFI is new in housing, but has an appalling record in schools and hospitals.

The National Audit Office says claims that PFI is value for money are based on 'errors, irrelevant or unrealistic analysis and pseudo-scientific mumbo-jumbo.' Costs escalate between bid and final contract: reportedly by over 60 per cent in Sandwell.

Financial risks are effectively underwritten by government with yet more public money. Tenants are more directly exposed to other risks, as when major sub-contractor goes bust and all work is suspended (as in many current school PFI contracts including Wigan and Tower Hamlets). Tenants have no right to a ballot on PFI proposals. Public land is often 'gifted' to developers with homes demolished to increase profits.

## **ALMO**

Arms Length Management Organisations is the government's latest proposed way of breaking up council housing, introduced in face of tenants' growing resistance to stock transfer and PFI. A separate company is set up to run homes which remain at this stage council owned. The carrot is an uncertain amount of extra funding for five years. They involve large set up costs,



undermine democratic control and accountability (with a board on which tenant reps are outvoted and bound by corporate responsibility).

ALMO could be privatised by the "levering in" of private finance (high interest loans from banks) with no transfer of stock and no requirement for a ballot.

The best-managed council housing with 3-star audit rating is being forced to become ALMO (in Bolton, Camden, Hammersmith & Fulham) despite the wish of tenants to remain in directly-managed council housing.

Opposite of 'joined up thinking' - separating housing completely from other council services (social services, education, youth etc). The flies in the face of all research pointing to need to connect services better

Repairs, improvement and support services are more likely to be outsourced (privatised): Hounslow ALMO has privatised its grounds maintenance; Barnsley ALMO its repairs service, Kensington & Chelsea ALMO its legal services.

ALMO expenditure is money taken from council housing as a whole. It is 'on balance sheet' public expenditure.

If this money is available to help achieve decent council housing standards, why can't it go into council housing directly?

*Parliamentary Council Housing Group 15 Nov 2003*

## **EXTRACTS FROM MORE EVIDENCE FROM DEFEND COUNCIL HOUSING TO THE ODPM SELECT COMMITTEE ENQUIRY INTO DECENT HOMES**

4. The government attempts to use decent homes targets to force us into stock transfer, PFI or ALMO has been imposed without any public debate about future of council housing, or any new legislation. This is not democratic and makes a mockery of ideas of 'tenant choice'.

5. The machinery of local government is being annexed and local democracy over-ridden in this process.

6. It is only through the opposition from tenants that any debate, newspaper headlines, enquiries etc have drawn attention to the injustice of current government policy towards council housing.

7. RSLs, lenders, ALMOs all have 'trade bodies' and well organised, energetic lobbying groups to speak for them. Council tenants do not have a national representative body speaking up for them. It is crucial that local and national political representatives speak up for the four million council tenants and our families in Britain.

8. We call on the Select Committee to stand up for real tenants' choice and expose the con-trick being worked on us in the name of much-needed improvement work to ensure we all have decent homes.

9. This means defending the right to real tenants' choice by:

- ensuring a full and fair debate at national and local level examining the pros and cons of stock transfer, PFI and ALMO, with equal resources and access to information for the anti-privatisation case
- reinstating the fourth option of direct invest-

ment in council housing in any choice process

- a level playing field for council housing, so that funding available through transfer, PFI and ALMO is also made available to councils for direct investment in directly-managed council housing

32. Since stock transfer set up costs must be taken from within the housing revenue account, during this process repairs and improvements will take a back seat. The NAO found an average of £430 per home was spent on set up costs. For any authorities this is a hefty amount to lose from management, maintenance or the major repairs allowance.

33. It is inevitable that services will suffer at all levels while resources are diverted to produce slick brochures, videos and training staff to sell a promising rose tinted future to tenants. Little effort is given to paint a more realistic picture of the future under a privately funded housing company. Little is published of the findings of the national audit office, audit commission, or public Accounts Committee findings on LSVT.

34. One councillor in Wakefield recently denounced the NAO report as 'lies, put about by Defend Council Housing'. While we are happy to be associated with the findings of parliament's watchdog we do feel it is important that tenants be given ALL the facts about stock transfer or ALMO, rather than just the one sided view of a future life in paradise.

35. Real tenants' choice also demands a fair and democratic process. This cannot happen when representative tenant organisations are threatened with the removal of funding if they challenge council policy of stock transfer (as in Liverpool, Leicester and many other areas). The threat of loss of funding silences some, so we have the ridiculous situation where the main traditional tenant organisations, who have provided leadership and advice for council tenants over decades, are bullied into taking a 'neutral' position and saying nothing about the stock transfer, PFI or ALMO process.

36. This is particularly worrying because councils produce such one-sided promotional material.

37. The District Auditor in May 2003 judged against Bath and North East Somerset Council over the one-sided way their pro-stock transfer campaign was conducted. The judgement says publicity material was unlawful and the costs therefore 'contrary to law'. The council propaganda was unbalanced, one sided and misleading, included information which would have led tenants to regard the transfer option with favour but omitted information which could have led tenants to regard that option with disfavour, and put the case for transfer but did not put the case for staying with the Council.

38. The judgement concludes that 'the difficulties and unlawfulness arose because Mr Alan Ward and others were so persuaded by the case for transfer that they were unable to recognise that others might reasonably have held contrary views and, in consequence, failed to reflect those contrary views in the publicity material. It is unfortunate that those acting on behalf of the Council appear to have lost sight of the need to maintain an objective and balanced approach...'

39. This finding describes what is the norm in stock

transfer ballots, and we know other tenants are using this judgement to try to stop councils abusing their powers. We need the support of the ODPM select committee however, to highlight the abuses of democracy and 'choice' taking place around the country, and to spell out what should be the minimum standard for a fair debate.

40. We hope the evidence here shows that without the right to a fourth option, of direct investment in council housing without any strings attached, the decent homes targets has become a means to attack council housing and tenants' rights and security. This is bad for tenants, for all who need or want an affordable, good quality home, and for the future of working class communities in Britain.

*Defend Council Housing November 17 2003*

*From additional evidence provided by local tenants via DCH to ODPM select committee:*

### **Repairs or decent homes?**

Birmingham is a very damning case for government policy on council housing and decent homes. In the largest council in Britain, tenants voted by 2 to 1 last year to reject stock transfer. This should have been the cue to invest in a modernised, first class housing service, using all the funds available including those offered by government to subsidise the stock transfer. But instead democracy is ignored, and the council brings in 'experts' such as Anne Power to advise on splitting Birmingham tenants into 'bite size chunks' (as Council leader Albert Bore called it), with local stock transfers and ALMOs. How is this 'tenants' choice'?

Meanwhile, the Audit Commission has demanded action on the shocking repairs backlog, the result of underinvestment, neglect and siphoning off of our money.

'Birmingham Council is to pay for the clearance of its repairs backlog with money originally allocated to meeting the decent homes standard and demolishing unsustainable stock.

The routine repairs budget will be increased from £12 million to £23.7 million to fulfil the council's promise to clear the backlog of 49,000 repairs by the end of March. The promise was made after the council was awarded no stars for its repairs and maintenance service by the housing inspectorate (Inside Housing, 19 September).

Additional funding of £6.4 million had already been identified in the summer, but the new figure includes taking £3.7 million from the total that would have been spent this financial year on work to bring homes up to the decency standard.

A further £1.6 million will come from funds allocated for stock clearance before April. The council has also negotiated cheaper rates with repairs contractors because of the efficiency savings from the volume of work to be done.'

*[from Inside Housing December 11 2003]*

On Southwark's East Dulwich Estate it is planned that 15% of the estate, 107 homes, will be demolished in favour primarily of luxury private flats. There is insufficient local authority housing stock remaining on the estate, so

secure tenants will be forced, in many cases against their will, to accept assured tenancies from an RSL. We are told that if necessary the council will seek to strip us of our tenancies through the courts.

According to a survey commissioned by Southwark last year not one of the blocks on the estate was in need of any major works. It concluded that 'unfortunately' the surveys do not point to any of the blocks being in such a structural condition to warrant demolition. The London County Council built the estate, constructed between 1933-1936, to an exception standard. It requires only a relatively small amount of money to bring it all up to the 'decent homes' standard.

A recent ballot of residents conducted by the Electoral Reform Society clearly indicated by a ratio of over 2:1 that residents are opposed to the council plans for the estate. A result that the leader of the council has stated that he will ignore.

The East Dulwich Estate is not a run down and neglected estate that tenants are desperate to leave. We have a sustainable community. We enjoy comfortable and secure homes. Crime on the estate is extremely low. The estate is well served by public transport and amenities such as schools and leisure facilities. The estate provides affordable homes in an otherwise unaffordable area.

We have looked in every direction for protection against the Southwark's plans to take our homes. To date no one who can help will help. We have therefore been forced into drastic action. A complaint has been made to the District Auditor that the council is acting unlawfully. We have been told that we must accept demolitions on the estate in order to comply with Capital Finance Regulations. However when closely inspected the regulation used clearly states that our properties must be vacant or unused or underused or ineffectively used or contaminated or derelict.

Southwark plans to evict existing tenants from their homes and then claim the properties are vacant. We believe that this is unlawful. The District Auditor has referred the complaint to the Audit Commission. If our complaint is upheld, many, many thousands of tenants across the borough may have been unlawfully evicted from their homes.

We are also poised to begin judicial review proceedings in the High Court. There are likely to be a number of multi-party actions against Southwark in relation to the demolition and land sales, the consultation, which we believe has been neither full nor open, and breaches of Article 8 rights.

We also intend to test the right of Southwark to involuntarily remove secure tenancies, referred to in the Tenants' Charter as 'a home for life'.

*Steve Hedger Chair, East Dulwich Estate Tenants & Residents Association*