

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)