The Case Against Stock Transfer

Introduction

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. Most importantly, it means that our homes will be privatised - transferred into the private sector where banks and building societies are in control, into a consumerist and market-driven world.

More Evictions, Higher Rents and Worse Services

Council tenants' secure tenancies are replaced with less secure 'assured' tenancies, making eviction easier. 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. 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 per cent in two years to stand at 522 in the year 2000 to 2001. 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 2003*

RSL rents are higher than councils - 17 per cent on average, and the gap is growing despite attempts to close it. Other service charges push up costs, as tenants are forced to pay for the higher cost of borrowing and repairs. The RSL only makes rent guarantees for five years after transfer - not long; and as many as 17% of RSLs break the guarantees anyway.

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.

"A housing association boss, who was given a one-off payment of £65,000 by his employers to move house, has become what is thought to be Britain's highest paid public service chief executive. David Bennett, managing director of Sanctuary Housing, one of Britain's biggest housing associations, received a total pay package of £213,000 last year." *Guardian 27 August 2003*

On the other hand, ordinary workers lose out after housing privatisation. Many RSLs are anti-union or have very limited recognition agreements with unions. Dissatisfied staff leads to worse services for tenants.

Privatisation and the Market

RSLs are classified under law as private companies. "Large Scale Voluntary Transfer is a private-sector landlord in legal terms" (Gwynneth Taylor, then Head of Housing at the Local Government Association, 2002). A recent attempt to classify them as public companies under European law lead to outrage from RSLs, the Housing Corporation and the British government. 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 biggest run more homes than most councils, and are keen to become 'for profit' landlords. Acton Homes has already transferred the 'security' of some tenants' homes to the Prudential!

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) They make it at our expense.

David Cowans, chief executive of Britain's largest housing association, Places for People group (turnover £164.5 million) says he would consider converting to a plc (Inside Housing 20.12.02)

Less Democracy, Less Tenant Participation, Less Choice

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. Politicians say housing privatisation offers 'choice' to tenants. In reality a few big money-makers are dominating ever-more of the growth industry around housing privatisation. Many tenants who accepted transfer to a local housing association set up especially to manage their homes suddenly find themselves (without warning, and without a ballot) the tenants of a completely different landlord who manages stock all over the country and has no interest in their local concerns at all.

Very few RSLs have effective tenants' associations. Some have tenants on the board but they are not legally allowed to act as representatives of other tenants. The Housing Corporation now allows board members to be paid, making them more like the directors of commercial, profit-making companies. A study by Liz Cairncross for the Housing Corporation found that RSL boards are "increasingly dominated by professionals", leaving tenant board members "marginalised".

Expensive Waste of Public Money

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

The National Audit Office produced a report on stock transfer in which it criticised the high cost of improving homes after transfer - £1,300 per home more than the cost under local authority management. The Commons Public Accounts Committee also looked into the value of stock transfer (March 2003) and concluded "The additional cost of transfer is likely to be larger than the £1300 per home calculated by the Office"… 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." The PAC report is also sceptical about the government's justification of the extra cost of stock transfer, arguing "achievement of aims such as greater tenant choice, participation and increased tenants satisfaction are less clear."

"The government's policy of transferring council homes to housing associations is costing the taxpayer billions of pounds and delivering questionable benefits, MPs said today… faulty assumptions in the complex calculation of how transfers are valued has meant that the government has underestimated the price of the policy to the taxpayer, the committee warned." *Guardian 24 July 2003*

Government argues that stock transfer brings in extra money from the private sector, but in reality it's just an accounting fiddle. It makes government spending invisible by moving the borrowing out of the public sector and "off-balance sheet". The costs may be hidden, but they're still there. The government spends millions of pounds subsidising transfer. It 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. The high interest levels charged by banks and building societies have to be paid from somewhere. Tenants pay - through higher rents; and the taxpayer pays - through higher housing benefit (£240 million a year higher, according to UNISON's calculations). And what has all this achieved?

'stock transfer' has taken place generally in the least deprived '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

High Set-up Costs

The government's privatisation agenda has proved a goldmine for consultants, lawyers and others employed to sell their privatisation schemes. In 2002, £65 million was spent on 'fees of the army of consultants, surveyors, solicitors and advisers' *(Social Housing July 2003).*

Birmingham Council admit to spending £12 million promoting transfer - other estimates put it much higher. This is wasted money which could have been spent on improving tenants homes.

When stock transfer goes through, the set-up costs for the new company can be astronomical: "local authorities' transaction costs have averaged £1.7 million per transfer (£430 per home). The main components are the cost of arranging loans, consultancy and legal fees." *Improving Social Housing Through Transfer, report by the National Audit Office 2003*

Community Gateway A Con

The "Community Gateway Model" is just another word for stock transfer - privatisation. It is no more than a rebranding exercise. It is not true that it gives tenants any more power than ordinary stock transfer. The crucial point is that tenants on the board of directors have a legal obligation to the company - not to other tenants. Having more or less directors doesn't change this fundamental relationship.

Government claims that with the Community Gateway Model there will be a majority of tenants on the board - but this is false. In Preston, the authority which is 'piloting' the first community gateway, the shadow board has been set up with seven tenants out of fifteen places: so tenants are still in a minority, and still bound by company law to represent the interests of the company. The tenants in Preston, believing they were empowered, tried to change the standard model for the legal set-up of the new company. They wanted to add 'community empowerment' as one of the companies legal 'objects', but the Housing Corporation wouldn't let them do it:

"According to a report on the progress of the project, the Housing Corporation has raised concerns about the effect of increasing tenant involvement on the company's governance system. The corporation said the inclusion of 'community empowerment' as an objective in the gateway's rules would contravene the 1996 Housing Act. Report author Nic Bliss said: 'The '96 Act has very specific rules about what housing associations can have as an objective, which is basically just to provide social housing and nothing else. Community empowerment is something we would like to have as an objective but it would require an act of parliament to do it.'

The aim of the gateway project is to set up a stock transfer company that gives tenants more of a say in the way the organisation is run, [Preston Council's former head of housing] Deacon explained. … Tenants are, however, unlikely to be able to directly influence decisions taken by the board, according to the report.

' At this stage the tenant steering group cannot be said to be a tenant democracy.' "

'Setback for innovative transfer scheme', Inside Housing, 14 July 2004

Mergers & Takeovers

Councils claim that after stock transfer our homes will be owned by a not-for-profit, locally-based organisation which will be responsive to tenants' needs and local concerns. But the direction in which most transfer organisations are going is a very different one.

Registered Social Landlords (housing associations) are increasingly operating as multi-million pound businesses, characterised by mergers, takeovers, and expansionism, all of which mean one thing to tenants - you vote for transfer to one landlord and you end up the tenant of another. There are considerable pressures on associations to expand and link up; and the costs of both mergers and attempted mergers which fall through are high. Many transfer associations fail and look to takeovers to survive.

Local companies responsive to local needs?

Housing associations began as small organisations, funded by charitable donations, set up to meet a particular need, or provide for a particular group within society; and many of them have done a lot of good work over the years. But since the Tories stopped councils from building and started using housing associations - channelling public money into them through an unelected quango called the Housing Corporation - they have moved a long way from their roots. The government exploits that image of cuddly, charitable, and above all local organisations when selling privatisation to tenants. But it is a false image.

If you used to live in a council home in Carlisle, in the Netherley and Dovecot areas of Liverpool, or in Manchester council's homes in Langley, Rochdale - then your home now belongs to the Riverside Housing Group which owns "in the order of 40,000 properties and operates in 27 local authority areas." 1

Similarly the 4,500 tenants in the London Borough of Bexley who transferred in 1998 to London & Quadrant Housing now belong to a group which manages over 33,000 homes spread across more than 60 local authorities. In September this year the group added another 5,500 homes to its portfolio in a merger with Nucleus Group. 2

"Alongside the growth of the housing association sector overall, and stock transfer associations in particular, there has been a trend towards organisational restructuring, both internally… and externally (Pawson and Fancy, 2003). Internally, they have adopted flatter structures, a stronger business focus, and diversified their activities. 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 (Pawson & Fancy, 2003). Pawson and Fancy, using Housing Corporation registration data, found that 60% of all English transfer landlords in existence in 2001 were part of group structures." 3

Tenants in East Hertfordshire were transferred to Stort Valley Housing Association, which is now part of the Anglia group. The tenants of Barking and Dagenham Council have already been transferred twice - to Stort Valley Housing Association, and then to Barking and Dagenham Housing Association, also part of the Anglia group. Anglia (which also owns homes transferred from Harlow and Basildon councils) is about to link up with Circle 33, described by Inside Housing as "one of the capital's biggest social landlords.. If the merger goes ahead, the new organisation will manage 32,000 homes across London and the east of England, making it England's fifth biggest registered housing association." And does the reason behind the merger have anything to do with local solutions and responding to the needs of transferred tenants? The Chief Executive of Anglia told Inside Housing "that the creation of the new organisation would assist the M11 growth corridor's development". 4

Expanding Into Private Markets

Registered Social Landlords are required by law to make their primary object the provision of social rented housing at "affordable" levels. This means that they are allowed to devote up to 49% of their business activities to market renting, property development and other speculative schemes typical of private sector businesses.

Many transfer associations, not long after they are formed, set up a group structure of their own, so they can enter the world of non-social housing - market renting, buying, building and selling houses on the private market. So for example, Somer Community Housing Trust, a new organisation set up to take over stock from Bath and North East Somerset council, set up a related but profit-making company, SOMACO Ltd, so that as well as managing the homes of transferred tenants it could also develop "new and diverse activities including shortlife leasing; market and sub market renting; care services and repairs contracting." 5

In the same way, Irwell Valley Housing Association began life taking on the transfer of 1600 properties from Manchester City Council. It has now set up a group which owns New Quarter, "an unregistered subsidiary which markets shared ownership properties and homes for market rent". The group has grown until it owns 5,700 homes, and as well as shared ownership it also "provides homes for outright sale". 6

Pressure to Join Up

There are many pressures on housing associations to expand, merge and rationalise their stock.

The bigger an organisation is, the greater the economies of scale - they can buy goods and services cheaper because they are buying more of them. With the latest announcement from government that private developers will be allowed to build social housing, RSLs will be under even greater pressure to compete.

There are also pressures from lenders. The bigger the collateral, the smaller the risk. (In other words, the more houses an association owns, the more money it can borrow.) Banks put pressure on organisations to join up and pool their assets in order to minimise risk.

In January 2004 the Housing Corporation announced plans to let associations borrow against their social housing "assets" to finance non-social housing development schemes. That means using tenants' homes as collateral for schemes to make money out of the private sector - and if those profit-making schemes go wrong, the banks could seize tenants' homes to pay back the loans.

The Housing Corporation is now aiming to pay 90% of its grant money only to organisations which set up consortiums, or "partnering" arrangements, to bid for cash.7 This is part of the drive to push associations to join up and become bigger and bigger. The case of Pavilion, below, shows how a consortium can be the first step towards a full merger or takeover.

The drive towards mergers brings yet another problem as well as the loss of democracy and localism. Restructuring companies in this way comes at a price. "Millions of pounds are being wasted every year through failed merger negotiations, a consultant has warned. In a report for the Housing Quality Network, Debby Ounsted urged RSLs to think carefully about prospects for success before embarking on costly negotiations. 'There is as yet no published reliable data on the cost of failed negotiations in the RSL sector,' said Ms Ounsted. 'But the direct costs must be high, as are the hidden costs of damaged morale, abortive effort and tarnished reputation.' On top of the tangible costs of lawyers and accountants, there were non-tangible costs such as the amount of time chief executives spend on mergers." 8

The Risks of Failure

Housing associations are not safe, risk-free organisations. Many of them face financial shortfalls, poor performance and "governance" problems - problems facing boards who are unable to control the organisation.

The worst nightmare for tenants must be when the housing association which has taken over their homes gets into financial trouble and has to find a bigger partner to buy them out. There are some spectacular examples of failure in the sector - like West Hampstead Housing Association, which speculated on dodgy private market schemes until it was millions in debt and had to sell out to the Genesis Housing Group. Or Solon Wandsworth Housing Association, whose board refused to sell out and whose homes are now being forcibly sold off to Wandle Housing Association by the Housing Corporation. 9

Transfer associations are not exempt from these sorts of problems. Tenants of Kerrier District Council transferred in 1998 to Kerrier Homes Trust. By 2002 the trust had been placed under supervision by the Housing Corporation because of concerns over its financial viability, failures in performance and the inability of the board to properly govern the association. "The association's financial condition is presently of concern… The governing body does not demonstrate effective control of the organisation…. The association's performance fails to achieve the outcomes specified in the Regulatory Code." When the Housing Corporation puts an association under supervision it makes its own appointments to the board - so much for local accountability! Kerrier was not released from supervision until two years later, and during that time had to go through the resignation and suspension of board members, and the threat of takeover. 10

Another stock transfer organisation which has just been placed under supervision is Weaver Vale Housing Trust - just two years after they took ownership of 7,000 homes from Vale Royal Council. "The corporation found that the potential risks to the organisation have not been properly controlled or monitored. Indicators show 60 per cent of the trust's homes fail to meet the decent homes standard. The corporation said this was higher than it would expect, even for a young stock transfer association." 11

Pavilion Housing Group (whose homes were once owned by Rushmoor Council) is considering a merger with Atlantic Housing Group (set up to take the transfer of Eastleigh Council's stock). Both associations originally formed a 'development consortium' so they could make a big enough bid to secure Housing Corporation grant. Now Pavilion is in financial trouble, has had damning reports on its performance from both the Audit Commission and the Housing Corporation, and is looking for a merger to rescue it. "Two members of the development consortium Sappling Housing Partnership are planning to link up in the wake of Pavilion Housing Association's damning inspection report. Pavilion's annual report for 2003/04, due to be published at its annual general meeting next week, is expected to reveal an accounting loss of £27 million. It is understood that Pavilion was leading the development plans for Sappling but has transferred the responsibility to another consortium member." 12

Many of the problems experienced by RSLs are connected with their boards. The government claims that stock transfer is an empowering experience for tenants who get seats on the board, but this is nonsense. The housing press is full of examples of rows, resignations and scandals on RSL boards; the examples above show how an unelected quango can appoint its own board members if things start to go wrong.

Just this week (22nd Oct 04) three board members were axed from the Bradford Community Housing Trust Group (the transfer organisation which took over Bradford's council homes) - their crime? daring to complain about part of the group to the Housing Corporation. 13 Two tenants from Hackney were dismissed from the Canalside Housing Partnership board in 2002 for publicly criticising proposals to break rent guarantees. 14

Anchor Trust, one of Britain's biggest registered social landlords, has just 'slimmed down' its board from fifteen members to seven. The association, which pays its chief executive one of the highest salary in the sector (£210,000 a year), has also started paying its board members. 15 Most of the other big organisations are following suit, just months after the Housing Corporation changed the rules to allow them to do so. By paying board members, housing associations take one more step towards becoming identical with big-business private enterprise.

Sources

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

4 Housing Corporation Assessment: Anglia Group
'Circle 33 and Anglia announce merger plan' (Inside Housing, 30 Sep 2004)

5 Housing Corporation Assessment: Somer Housing Group

6 Housing Corporation Assessment: Irwell Valley Housing Group

7 'Take your partner for next steps' (Inside Housing, 02 Apr 2004)
'New partnering model aims to drive development' (Inside Housing, 05 Aug 2004)

8 'Mergers "risk driving out staff" ' (Inside Housing, 11 Mar 2002)

9 '"Guerilla warfare" set to force association takeover' (Inside Housing, 8 Apr 2004)

10 Housing Corporation Assessment: Kerrier Homes Trust
'Kerrier considers group structure' (Inside Housing, 10 Jan 2002)
'Kerrier chief goes after merger row' (Inside Housing, 11 Jul 2004)

11 'Supervision for trust that went £2.3m over budget' (Inside Housing, 7 Oct 2004)

12 Housing Corporation Assessment: Pavilion Housing GroupHousing Corporation Assessment: Atlantic Housing Group 'Consortium pair plan merger after criticism' (Inside Housing, 10 Sep 2004)

13 'Trio axed from board' (Inside Housing, 22 Oct 2004)

14 Letter to Camden New Journal 2 Aug 2002

15 'Pay for today' (Inside Housing, 1 Oct 2004

Post transfer experience

Banbury

Cherwell District Council has been through two Large Scale Voluntary Transfers

In 1994 1400 tenants transferred to Banbury Homes, which is under the umbrella of Shaftesbury Housing. They have taken 10 years to complete the double glazing, which was promised within 5 years. Tenants have had new kitchens, but no new bathrooms. On the 15.4.04, it was reported that the cost of rehousing the homeless in the Banbury area alone, had skyrocketed over the past six years, and has increased by approx. 500 per cent.

Approx. 3800 this time were transferred to Charter Community Housing. I know its early days, but more cakes have been cut and trees planted by the new Chief Executive, than information has come through to tenants. When they took over in April 2004 we all had to wait one month for our rent books - they blamed that on a postal strike (which incidentally only lasted a week). We have never received our Tenants Handbook.

Double glazing was promised within 3 years, central heating within 3 years, new kitchens and bathrooms within 7 years which would bring us up to 2010. Yes they have started both central heating and double glazing, but they assured they would firstly see to the elderly and vulnerable! - NOT TRUE. Within our estate we have sheltered housing - they have not started, it is now coming onto winter 2004 and there is no sign of it, yet other houses have had their double glazing installed.

Some tenants have not signed their agreement, in their latest newsletter they say if you do not sign they will have to take further action. Try telling that to a tenant aged 89 and they will tell you they are still with the council like they voted to say. The one thing all the fancy consultants never explained to the elderly in plain language was if the majority say YES then everybody will go.

We have just received our first Rent Statement so because rebates are now paid 4 weeks in arrears all those on rebate are shown to be in arrears as the statements were issued on the third week of the month. Once again I look to the elderly and say how do you explain that you are not in arrears?

One case that we know of had central heating installed by this company - the first night the workmen left the house an emergency plumber had to be called out to stem the leak workmen had left, if that was not bad enough the same thing happened the second night when water came pouring through the ceiling onto their television. Not too bad so far - they have only been our landlord for six months. We are wondering what will be in store for us next.

Sheila Jakes & Mandy Bailey - tenants in Banbury

Maidstone

Maidstone's 6,300 tenanted houses and flats were transfered to "Maidstone Housing Trust" on February 9th, this year.

Within weeks, and following rent rises in April (£3 for a three bedroomed house), we were informed of a further 'choice'. We could either agree to the payment of £15 million in Corporation Tax, or we could instruct our Board of Trustees to apply for "Charity Status". (This, of course, was the sort of one-sided 'choice' we were given during the two years of pressure and propaganda to which we'd been subjected, prior to the March 2003 ballot.)

This new cost, a demand 'out of the blue', proved to those of us who'd fought transfer, that our cries of "privatisation by the backdoor" were well-founded, and the "Tenants' Friend", had falsely denied our claim, at many a meeting. The expensive use, by our Council, of the growing claws of CONSULTANCIES, and the superior knowledge of the senior paid officers, as opposed to the average Councillor, works in direct conflict with the hopes and desires of those who still have faith in the structures of Local Government.

Since April, the fifteen members of the Board (5 Councillors; 5 'Independents'; and 5 Tenants) have aquired charity status for the "Trust". We have not, as yet, received any information as to any effects this may have on our future position as tenants.

Renovation of kitchens and bathrooms has begun, and the problems that have arisen are, we are informed, being dealt with" to tenants' satisfaction". To be fair, these 'teething troubles' are mainly the result of the general shortage of skilled workers in the field of house maintenance.

The "200 new houses" promise is, as yet, a distant dream but the demolition of one bad block of flats at a time, awaits the consruction of around 24 new houses, in a small "infill" plot, in order to house the 'deported' tenants.

For Maidstone, it is too early to judge the outcome of the 2003 vote, (by only 48% –62% of the 70% who used their ballot paper), to endorse the Council's acquiescence in the Government's high-handed decision to undermine Local Government's democratic management of a vital service. One thing IS certain - No such plan ever saw the light of day in any Manifesto, or at any Conference that I have yearly attended.

Audrey Gardner.

East Lindsey, Lincolnshire

Background

The housing sell off was first suggested in Autumn 1997, the vote took place in late summer 1998 and the actual transfer took place in Spring 1999. During the lead-up to the vote, something like 30 pieces of literature were sent to tenants, including a video, all pointing out the advantages of transfer. One woman phoned us to ask if we could stop them sending her videos - she had received 7! The vote in the end was approximately 61% to 39% in favour of transfer to a newly created housing company.

What happened?

New tenants have to pay 20% more rent than tenants who transferred with their houses. This means that 'transferred tenants' in a 3 bedroom house in 2004 paid £47.45p a week, while 'new assured tenants' paid £55.27. Same estate, same street, maybe even same pair!

Tenancies changed from 'secure' to 'assured'

Six councillors were appointed to the housing company board, now reduced to five. They are told they do not represent the Council, or their constituents but are accountable to the Board. They do not appear to have much influence.

Tenants can no longer expect their councillor to help them as a matter of course when things go wrong. The Data Protection Act is evoked to stop exchange of information about even such personal matters as when Mrs X's crack in the porch will be repaired.

Personal relations between many staff who had transferred with the houses and those that remained became uneasy at best and hostile at worst. This has made working relationships very difficult and the difficulties have passed on to people employed by the Council since the sell off.

A new and palatial headquarters was soon built to replace the ex-airforce building the RSL started in. It was explained to me, when I there to represent the interests of a tenant being threatened by the company with eviction, that they had to have a new building since they had no Board Room. The woman I was there on behalf of almost had no home!

A row over who should pay for Disabled Facility Grants has continued almost since transfer. Some people are waiting 2 years for adaptations.

The continuing right to buy means that houses built are almost equalled by houses sold cheaply to their tenants. The overall stock has not increased as much as promised.

If Councils don't own the houses, it is more difficult to fulfil duties around increasing homelessness and getting families out of B & B. It is really difficult if you have to negotiate, beg and plead to get the use of a house for a 'risky' tenant.

Lesley Koumi and John Hough, Labour Councillors, ELDC

Rushmoor: The Tenants Were Conned

Rushmoor consists of the towns of Aldershot and Farnborough in north east Hampshire on the Surrey-Hampshire border. Pavilion Housing Association was formed ten years ago from the privatisation of Rushmoor council housing. In essence the tenants were conned, if they knew then what they know now, they would not have voted for privatisation.

Housing Corporation Savage Pavilion Housing Association

Following hard on the heals of a damning report by the Audit Commission, Pavilion Housing Association has now been slammed by the industry regulator, the Housing Corporation.

'In the light of this we cannot conclude that the board has come to terms with the issues raised, nor can we have any confidence that the board is positioned to drive through the necessary changes.' -- Housing Corporation

In an as yet unpublished report, the industry regulator, the Housing Corporation, has slammed Pavilion for its piss-poor performance.

The Housing Corporation has drawn the same conclusion as the Audit Commission, that Pavilion is way below par, but whereas the Audit Commission focused on poor quality of repairs, state of properties, treatment of tenants, which implied the management was not up to the job, the Housing Corporation has concentrated on the governance of Pavilion and explicitly said the management are not up to the job.

The Housing Corporation has also criticised the attempts by Pavilion to merge with Atlantic, a Housing Association based down in Eastleigh. A merger that is opposed by the tenants of both groups.

Keith Parkins, Rushmoor resident 18.10.2004

Audit Commission findings: "Overall we consider Pavilion shows weaknesses in process and performance.

…the recently published tenants' survey indicates that 37 per cent of residents did not express satisfaction with the repairs service.…The delivery of the service overall provided by at least one of these contractors is shown to be failing with ever decreasing unacceptable levels of performance.

…Pavilion is in the bottom 25 per cent of its peer group of similar associations for tenant satisfaction with opportunities for involvement.… The TCG [Tenant Consultative Group] approves and monitors draft policies prior to their presentation at the board. Tenant representation at the board is only constitutionally allowed through the TCG. Consequently the same potential policies are endorsed twice but by the same tenants.… Tenants we spoke to expressed concerns that the TCG was accountable to Pavilion and not tenants.

…During the course of our inspection we conducted a tour of the housing stock. We observed the poor state of external and internal communal areas.…The monitoring of complaints is muddled and confused. The association tolerates poor environmental conditions on its estates and lets residents down by failing to ensure that communal areas are clean and well maintained."

Consortium pair plan merger after criticism

Two members of the development consortium Sappling Housing Partnership are planning to link up in the wake of Pavilion Housing Association's damning inspection report.

Pavilion is considering forming a group structure with Atlantic Housing Group. Both associations are members of Sappling, which was largely set up to make a big enough bid to secure Housing Corporation grant under the partnering regime.…

Pavilion's annual report for 2003/04, due to be published at its annual general meeting next week, is expected to reveal an accounting loss of £27 million.

It is understood that Pavilion was leading the development plans for Sappling but has transferred the responsibility to another consortium member.

Published: 10-Sep-2004, Inside Housing

Coventry

The transfer of Coventry's council housing to Whitefriars Housing Group is a classical example of what privatisation means to tenants. After several years of being transferred every warning DCH gave to persuade tenants to vote against transfer has been justified. Evictions have risen with very little compassion, if any. Long term tenants who had lived in their council houses for over 20 years are pressurised to leave their home against their wishes for smaller property as the family has grown and moved out.

The so-called modernisations have brought more anguish. When owned by the Council such refurbishments meant re-allocation till the work was complete. Not so with Whitefriars. No matter how old or infirm the occupant, or how young the children, the work is now done with the occupant in residence. Your home is turned into a dangerous building site for weeks on end. One report given has been of up to eleven weeks of hell, with a six-month old baby in a room full of pipes, tools, and nails lying around on the floor. The kitchen units being fitted are half the size of the old ones and ho better quality. The cost of this kind of work, such as bathrooms and double glazing, is added to the rent permanently, not just till the improvements are paid for.

Then we have the so-called consultations. First over the proposed demolition of structurally sound tower blocks that just happed to be located on centrally located land that is fetching over £4 million per acre. In one case where the majority of tenants involved in consultation rejected plans for demolition, Whitefriars tried to go ahead. Another so-called consultation was over closures of housing offices which has taken place. No one I have asked out of hundreds of tenants in the area wanted their local housing office to close, so the question must be asked, who was consulted about closure? Local tenants all inform me they were against closure because of the closeness on the housing office for pensioners and tenants with young children who now have to travel to the town centre.

Where tenants have joined tenants boards, on which they were promised an input to Whitefriars decisions, they find that their elected representatives are outnumbered by the two-thirds of the board appointed by the City Council and Whitefriars, and they are consequently obliged to go along with measures they are opposed to.

When the 5 year rent guarantee period expires shortly rents are set to rise by an average of 50%. This looks likely to be another nightmare for Whitefriars tenants if they haven't seen enough aleady.

Dave Anderson, Coventry tenant

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. Everyone can reel off the list of public services that are run by private companies. The government's election manifesto in 2001 included a target of selling off 200,000 council homes a year each year until 2010. They have sold off council homes faster than even the Tories dared. The trouble for Ministers is that tenants in most major towns and cities won't accept a straight sell-off. That's why they have come up with this ALMO (Arms Length Management Organisation) formula. Arms Length Companies were originally used by the Tories to privatise local authority bus services in the mid 1980s. We call it two-stage privatisation.

ALMOs involve the council setting up a private company to manage its homes. The council still owns the housing stock, and the government hoped that this would divide the opposition. The second stage will be easier to achieve once tenants have been split up and get used to a new company running their homes.

The second stage - privatisation - is already happening in some areas. Westminster ALMO ran out of money after only 2 years and the 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 looking at 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 DCH predicted and why we describe ALMOs as two-stage privatisation. They are simply a short term attempt to get round tenants opposition to stock transfer.

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 on ALMO "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. It would be far too early to talk to the City about it. If you go to the City too soon, they won't be interested, they need something tangible…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 June 2003*

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, and keeping our homes under democratic control is worth fighting for.

A separate private company means less co-ordination between housing and other services - when we need more!

The government claim that separating out housing management will bring improvements but nowhere do they provide any evidence to demonstrate this.

Heriott-Watt University found exactly the opposite from 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

Tenants believe that putting housing into a separate company will make co-operation across council departments more difficult. Housing has a direct effect on our health and our children's education. If housing managers are following a separate company agenda it will just make 'joined up thinking' more difficult.

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. Ministers argue that ALMOs give tenants real power in the form of tenant company directors. But the ALMO operates like any other private company. Although formally accountable to a board of directors, in practice it is the senior management team who make the decisions. Company law makes it clear board members are not 'representatives' and have a primary legal duty to consider the interests of the company. Tenants on the board will be in a minority, gagged by 'confidentiality' clauses, and are in practice totally unaccountable.

A study by Liz Cairncross of Oxford Brookes University found that tenants on boards were marginalised. An Audit Commission report accuses councils of deliberately misleading tenants. "tenants are often led to believe that they will have an explicit role in representing the interest of their fellow tenants on the board. 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 first councils to set up ALMOs had the support of key tenants representatives. Decisions were taken very quickly and without any real public debate. Almost nowhere did tenants hear the arguments against accepting an ALMO: until the campaign in Camden, where the unstoppable 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 the private company doesn't come 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.

Going ALMO is risky - you won't necessarily get the money

A third of the ALMOs which have been set up haven't received the money they were promised by the government. Unless an ALMO gains a "2 star" rating the government won't give them the extra funding. In Leeds they set up six ALMOs, but only two of them gained enough stars, so most of the tenants in Leeds have all the costs of an ALMO, and none of the benefits. Salford ALMO - along with others - has failed to get 2 stars. Tenants are left with the expensive setup costs and no extra money for investment.

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

Our campaigning has already forced concessions from the government. They say they are in favour of 'choice in public services'. But they want to limit the 'choice' for council tenants to one of three options - stock transfer, PFI (Private Finance Initiative) or ALMOs. Since tenants in Camden voted NO to the ALMO in January, the national campaign has increased in strength and 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!

The Case Against PFI

PFI (the Private Finance Initiative) 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 claims that PFI is value for money 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 means less to spend on repairs and improvements. Not only that, but councils setting up a PFI scheme will have to commit themselves to meeting the high cost of running the scheme for the next thirty years often a problem in terms of "affordability". They may try to tell you that the government covers the cost of the PFI scheme but this is not true, the "PFI credits" only cover part of the cost. This means that all the council tenants in the area will be subsidising the extra costs of a private company running one estate. In addition, leaseholder contributions to the improvements are capped at £10,000 per property - which means that tenants could be subsidising leaseholders living within the PFI scheme to the tune of as much as £80,000 each.

PFI is risky

The PFI scheme will last for thirty years. If it goes pearshaped then tenants will pay the price. Ministers argue that PFI schemes remove an element of financial risk from public bodies. This is false - in cases where the finances have not stacked up, the PFI consortiums demand more government subsidy - and the government has obliged! Certainly the major PFI players don't see the 'risk' being transferred to them. 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 setup

They are long-winded, complicated and often delayed until the companies get the deal they want. The Chalcots PFI, one of the first "pathfinder" schemes, is still on-hold after five years, with more delays as the private consortium keeps asking for more money. There is also a major issue with cost escalation before contracts are finally signed. One of the first 'Pathfinder' housing PFI schemes - on the Chalcots estate - soared to more than double the original £21 million estimate during the bidding process. Now there is only one contractor left in the running, and surprise, surprise, they want even more money. Setting up the Chalcots PFI began in 1999 and they are still bogged down in contract negotiations. Five years and several millions of pounds later, and no improvements have been carried out at all.6

Public housing not private profit

Private finance is an expensive form of borrowing - costing much more than

direct government borrowing. PFI developers expect a 15% profit on their

investment. PFI means a private company "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 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 to set up they provide a gravy train for all sorts of different advisers and consultants to get their sticky fingers on. Costs escalate between the bid and the final contract: reportedly by over 60 per cent in Sandwell.

PFI - worse services

PFI schemes are notorious for poor standards and it's difficult for the council to police the contract. If your council has any services contracted out on even a five-year basis you'll know how difficult it is for the council to get the performance the contractors promise. The idea that tenants will be involved in monitoring a thirty-year contract with a private developer is nonsense. What 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.