

**HOUSE OF COMMONS  
COUNCIL HOUSING GROUP**

# Support for the 'Fourth Option' for Council Housing

**Report on the inquiry into  
the future funding of  
council housing 2004-2005**

  
*amicus*  
the union

  
UNISON

  
GMB  
BRITAIN'S GENERAL UNION

  
UCATT  
BUILDING TOGETHER

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The House of Commons Council Housing group would like to express special thanks to Amicus whose immediate offer of sponsorship made the production of this report possible and to GMB, UCATT and UNISON for additional financial support.

We would particularly express thanks to Lesley Carty, Eileen Short, Alan Walter, John Allott, Olivia Fitch, Michael Cooke, Joy Millward, Umer Khan and Liza Coffin for helping with the research and production of the report.

Our thanks also go out to all the tenants, councillors, trade unionists, council officers and many other individuals who provided evidence to our inquiry.

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# Forewords

“Since 1988 successive governments have promoted the privatisation of council housing. Tenants across the country are continually told this is the only way to get investment to tackle urgent repairs and improve homes and estates.

But ministers are facing growing opposition from council tenants, local authorities, councillors, trade unions and MPs who are demanding direct investment by councils in homes and estates. A few months ago the Labour party conference voted overwhelmingly to oppose the privatisation of council housing. This sends a clear message that the government needs to re-think its position. Local authorities provide a good service to tenants with a well-trained workforce that ensures good levels of maintenance. Council tenants should not be penalised for choosing this service.

Amicus, which represents over 15,000 workers involved in the repair and maintenance of council houses, will continue to campaign hard to ensure a full and fair debate over the future of council housing. We believe tenants deserve real choice – one that includes quality, affordable homes that are managed and owned by their locally accountable council.

**Derek Simpson, general secretary Amicus**

“UNISON is proud to have supported this inquiry into the real wishes of council tenants and councils over the future of the homes they live in and manage. ‘Choice’ and ‘responsiveness’ are the latest Government buzz words for public service delivery. Yet tenants and councils are not given choice – choice of landlord or direct investment into their homes to provide them with the secure, high standard housing we all need for healthy, happy lives. Against all the evidence that direct investment would be cheaper and deliver faster improvements, tenants, councils and housing workers are marched down the route of stock transfer, ALMOs or PFI against their wishes.

That so many councils have held out against transfer or privatisation is testament to the strength of feeling amongst tenants and councillors. UNISON has campaigned hard for direct investment and will continue to support tenants and local authorities who oppose transfer. This report shows without doubt that there is a genuine alternative.

**Dave Prentis, general secretary UNISON**



**Derek Simpson**



**Dave Prentis**



**Councillor  
Brian Huddless**



**Alan Walter**

“The group has done a tremendous job compiling the case for council housing and the ‘fourth option’ in particular.

Elected councillors are constantly subjected to a barrage of arguments, publications and seminars all aimed at getting us to accept the privatisation of our homes. Many authorities believe that decent, affordable, secure and accountable council housing is a public service worth defending. It’s a view that Bolsover tenants overwhelmingly endorsed with a 97% majority in our recent consultation. The Bolsover delegation that gave evidence at Parliament involved councillors, tenants, trade union representatives and council officers. This report is an invaluable resource for councillors around the country who need the evidence and arguments to put the case – often in the face of hostility from senior officers and perhaps colleagues over concerned at being ‘on message’ with government policy. This inquiry gave us the opportunity to feel part of a strong national movement to win the fourth option of direct investment. I hope that councillors in other authorities will help make sure this report is widely read.”

**Councillor Brian Huddless,  
Cabinet member for Regeneration & Strategy,  
Bolsover District Council**

“Tenants around Britain will welcome this report. It will open the eyes of those who haven’t heard the arguments against privatisation or the case for the ‘fourth option’. It can sometimes seem hard to challenge senior council officers and consultants promoting privatisation who pretend they are the experts and their word is ‘fact’. But this report will give confidence to supporters of council housing. It will give more people the courage to stand up for decent, affordable, secure and accountable council housing – for us and future generations.

The Prime Minister has promised he is prepared to listen. The message from council tenants and supporters of council housing that comes through this report cannot be clearer. I hope that councillors, MPs and Ministers, busy as they are, will find time to read this report. You will see that council housing is worth defending and that the ‘fourth option’ is financially viable, socially beneficial and so makes political sense too!

**Alan Walter, Camden tenant and  
chair Defend Council Housing**

# Preface

**A**s Chair of the Commons' Council Housing Group I regularly hear of abuses to con council tenants into agreeing to privatisation. I did not realise the enormity of it, however, until I saw it in my own bailiwick, North East Lincolnshire. There the Lib/Con coalition controlling the Council was carefully tutored in tenant trickery by the ODPM's "Task Force", the Trojan Horse of the huge private sector transfer industry which the ODPM has created.

The Council could meet the Decent Home standard with existing resources. We discovered an extra £500,000 a year being charged to the HRA for services payable from the General Fund. The consultants recommended by the ODPM did not point this out. Instead they recommended an ill-defined 'Decent Housing Plus' standard which they claimed could only be attained by privatisation.

The Tenants' Assembly (which 96% of tenants had never heard of) initially opposed this. But lavish hospitality, visits, persuasions, purges, and the offer of three seats on the promised Housing Association changed their mind. The "tenants' friend" adviser, TP21 agreed that privatisation wasn't necessary and that tenants were perfectly happy but came out saying "privatise anyway".

The ODPM says tenants should hear both sides of the argument. In North East Lincs the Council painted a glowing picture of the not-yet existent Housing Association as bringer of model homes and gardens and orderly safe sustainable communities. On the other hand, they said we, the Council are crap. They reinforced that message with a huge glossy brochure and free video presented by a local television personality, less famous but better paid than me. It was driven home by "road show" displays of model home improvements, visits from Council officials, even desperate pleas from housing officers to vote for transfer "or we'll lose our jobs". Indeed the Housing Department took time off from its work of improvements and repairs for a year. So problems festered to encourage a "Yes" vote.

When I put the opposite point of view, Housing Minister Keith Hill promptly wrote to the Grimsby Telegraph to explain that I was mad, bad and dangerous to listen to. We know from this and other instances that the ODPM Task Force actively intervenes in local politics, asking



**by Austin Mitchell MP,  
chair of the House of  
Commons 'Council  
Housing' group**

*"I have seen the regular abuses of democracy to con council tenants into agreeing to the privatisation"*

'big hitting' ministers to undermine local politicians, behaviour which I, like Stephen Byers find unacceptable.

With anti-transfer tenants and the GMB I prepared a four-sided newspaper to put the case against and warn the tenants. As soon as the Council got wind of it, it brought the ballot forward by two weeks. Large numbers had already voted before they heard about any alternative. The Electoral Reform Society told me that they had no control over this dirty trick (which has been much used elsewhere). They kindly added that the overwhelming majority of voters cast their ballots in the first four days.

We lost. North East Lincolnshire's Council housing was all given away so I'm sure the Council is grateful to the ODPM's Task Force for showing them how to pull these tricks – without, I hope, any reward to itself. However others are learning from our bitter experience. The Task Force has not been able to help the Deputy PM pull the same stunt in Hull, where the Council is defying privatisation and refusing to foot the bill for the poisoned-tongue consultants.

North East Lincs Council spent £343,700 pre-ballot to promote stock transfer, £390,300 after it. It now has to pay £1.5 million over three years from the General Fund for services previously attributed to the HRA. Shoreline gets government 'gap' funding of up to £17 million, increased from an initial £6 million because the requirement that they show improving performance as a landlord has now been abolished. Perhaps the waste of all this public money to bring in small amounts of more costly private sector investment is par for the privatisation course. Yet if all that had been spent on housing there would have been no need to give our housing away in the first place.

It's galling – and that experience is being repeated with variations all over Britain. This report bears witness to the crass abuse of council tenants going on in government's name. Many MPs and councillors, like me, shared tenants' initial suspicion that something is wrong with our council housing policy. This report demonstrates, in the words of councillors, tenants and council officers, that there is indeed something badly wrong. Yet unlike many a difficult issue, there is a simple remedy to hand. It's called the 'Fourth Option' – putting the money back into council housing.

# Summary

## Summary of findings

Britain will fail to meet the government's 'Decent Homes' target: to bring all rented council and housing association homes up to an agreed minimum standard, unless local authorities are allowed to invest directly in their housing stock where they and tenants choose to do so.

The failure to invest in improving existing council housing, and to replace and build more new council housing, is adding significant pressure to housing demand and price inflation, which current government policy fails to address.

The 'Fourth Option' of direct investment in council housing as an alternative to the government's three current options for additional investment: stock transfer, Private Finance Initiative (PFI) or Arms Length Management (ALMO) is the demand supported by tenants, trade unions, growing numbers of councillors and local authority landlords, backed by growing numbers of MPs.

The government's current three options are economically inefficient, shift control and accountability away from tenants and elected councillors towards market forces, create higher executive salaries and higher management, maintenance and borrowing costs at lower standards, anger existing council tenants and do not maximise the potential for new affordable and secure rented homes.

The current stock options process is one-sided, attritional and dominated by political and vested economic interests.

The 'choice' agenda for public services is discredited by the lack of genuine choice for council tenants concerned to secure investment without sacrificing their existing rights as secure tenants of an accountable landlord in the public sector.

Housing provision is being steadily shifted out of the public sector towards subsidising private developers, with Registered Social Landlords (RSLs) dependent on more costly borrowing, and now competing with private developers for government grants, ALMOs pushed toward 30-year private lending and management contracts and PFI.

Stock Transfer leads to higher rents and charges; less security and higher eviction rates, lack of landlord accountability at local or national level, mergers and takeovers, undermines strategic provision for homeless and other services.

The Fourth Option can be implemented by a range of mechanisms outlined by the ODPM's 'blue skies' review 2002 and widely supported by local authorities: an investment allowance, writing off or taking national responsibility for historic HRA debt, ring fencing all revenue and capital income generated by council housing.

To give tenants real choice we need a level playing field for council housing in terms of economic options and financial regulations. Central is a commitment to ring fence all the money that broadly 'belongs' to council housing and use it to provide an 'investment allowance' to enable local authorities to borrow like other landlords.

We also need to rectify the current democratic deficit and guarantee tenants a fair and balanced debate – and a ballot – in all cases where a change in ownership or management is proposed.

# 1. Introduction

## SUMMARY

The House of Commons Council Housing group's inquiry to demonstrate support for the 'fourth option' has generated a mass of hard evidence. We've heard how the debate is stacked against council housing; the pressure exerted on tenants and elected councillors to accept one of the government's three options and how government subsidies that once went to local authorities are now being offered instead to some of the biggest private building conglomerates.

But a large number of local authorities are resisting government pressure to privatise. Ministers, and their army of consultants, are finding the road to getting rid of council housing is blocked.

They are faced with an impressive alliance of council tenants, the TUC and trade unions, elected councillors and increasing numbers of MPs who are calling for direct investment in council housing.

Council tenants prefer direct investment in their homes and demand the right to choose this option. If the government fails to listen to these calls it risks, amongst other things, failing to meet its own Decent Homes standard.

After years on the sidelines housing is once again a major political issue. It needs to be. Record numbers of families 'live' in temporary accommodation, homeless people sleep on our streets, increasing numbers of families suffer from overcrowding and millions more wake up each day worrying whether rising rents or mortgage payments could tip them over the edge. A rising population of first time buyers can't get on the escalator while levels of new home building are the lowest since the 1920s.

Numerous recent government initiatives still leave a major gap: they fail to meet the growing need for decent, affordable, secure rented housing. Many question whether government proposals provide realistic solutions to key issues.

"Shelter is very concerned about the decision made by ministers in 2003 to amend the last strategy to tilt the balance towards intermediate and key worker housing at the expense of social housing for rent... We are concerned that the failure to produce clear housing supply targets may increase the likelihood of continued underinvestment in social housing." Sue Regan, Shelter Policy Director (*Inside Housing*, 26th May 2005).

Ministers face real opposition – particularly from some three million council tenants and their families across the UK demanding direct investment in their homes and estates and opposing privatisation.

"The urban areas are different, very different. Large scale transfers in the London Boroughs and Mets are not coming through in the numbers that ministers anticipated. The urban landscape is more complex. In the main the stock is of a poor quality, tenants support more difficult to predict ..." (Richard Parker, head of Housing PPP at PricewaterhouseCoopers, Social Housing May 2005)

In spring 2004 the House of Commons Council Housing Group began an inquiry to demonstrate the widespread support for what has become popularly known as the 'fourth option'. This would allow council tenants to remain as council tenants and the local authority to carry out improvements itself.

Since 1988 governments have promoted the privatisation of council housing. Tenants are told this is the only way to get additional investment to tackle urgent repairs and improve homes and estates. Government policy is to make additional investment conditional on tenants accepting one



of three options: stock transfer, PFI or arms length management (ALMO).

This policy has been actively opposed by council tenants, local authorities and councillors, the TUC and trade unions and increasing numbers of MPs. An alliance of these groups is demanding that government give tenants real choice: a level playing field for council housing and an option of direct investment.

The Council Housing group of MPs held three evidence sessions over 12 months with delegations of tenants, councillors, officers and trade unionists from across the country. In total we received delegations from 39 local authority areas. We have formal written evidence in support of the fourth option from 41 local authorities. Finally we heard from a wide number of organisations including tenants' groups, the Local Government Information Unit (LGIU), Association of Public Service Excellence (APSE) and the trade unions Amicus, GMB, UCATT and UNISON.

The debate is stacked against council housing. Looking at the consultation material put out by local authorities, many tenants would not even be aware there are arguments against privatisation, or that there is a coherent alternative, the subject of a major public debate.

### **Joint delegation of tenants, senior officers and trade unionists from Sefton give evidence**

Ministers face real opposition – particularly from some three million council tenants and their families across the UK demanding direct investment in their homes and estates and opposing privatisation.

Elected councillors also suffer from a lack of independent advice and information and are reliant on their chief officers and consultants – many of whom have a personal financial interest in promoting privatisation.

A Freedom of Information enquiry revealed the ODPM Community Housing Task Force complaining of North Tyneside councillors' resistance to privatisation of council housing. A Task Force officer emailed his boss: "I think we need a political heavyweight to call their house to order." Local MP Stephen Byers was forced to protest that: "It is not the job of unelected officials to act in this way." (*The Journal*, 11 February 2005).

Tenants and councillors are escorted to conferences and seminars promoting the government's three privatisation options. There are few opportunities for them to take part in informed debate where the opposing view is put. So our inquiry has also provided an invaluable opportunity for tenants, councillors and trade union representatives to share experience and see the wider picture.

There has been a seismic shift in public housing finance over recent years. Conservative governments first cut investment in council housing, then began year on year disinvestment. Public subsidy was diverted through mechanisms in-

# 1. INTRODUCTION

cluding the Local Authority Social Housing Grant, creating a new 'Registered Social Landlord' sector based on housing associations and housing companies.

The inherent blackmail of stock transfer, with much-needed new investment conditional on accepting a change of landlord, has developed into a whole sub-sector of the housing industry. The ODPM has its own Task Force 'promoting the product'; careers are made and lost on how many council homes a manager can off-load. Mis-selling and bullying have been refined to a level which is wholly unacceptable.

The resulting growth in the private RSL sector, alongside right to buy, has substantially reduced the number of council homes. Now government is going a stage further, by cutting off preferential funding for RSLs and inviting private companies to bid for public subsidy directly or in partnership with RSLs.

'Affordable' homes – beyond the means of the majority – will thus be built by adding direct public subsidy to the already substantial profits of some of the biggest construction conglomerates.

At no point in this process, of moving public support and funding from council housing to the Housing Association sector and now to wholly-private companies, has there been any serious public debate about the change.

Putting 'market forces' in the driving seat means accommodating developers and landlords who are desperate to get hold of valuable public assets. There is more profit to be made building private homes for sale than carrying out improvements to existing homes and estates. So we are tearing down sound homes people want to live in. Tenants are organising to oppose demolition in many inner cities and Northern towns – and are thus forced into confrontation with another market-driven housing policy which fails to meet the real needs of real people.

Present government policy is driven by developers, lenders, senior housing executives and an army of consultants. All have a material interest in marketising council housing. The evidence we have received demonstrates widespread support for council housing amongst existing council tenants and as a recent Treasury report, the 'Barker report', demonstrates, strong demand for more decent, affordable, secure and accountable council homes, for those who cannot or do not wish to take on a mortgage.

The evidence demonstrates that council tenants support and prefer direct investment in their homes. They resent the huge expenditure of funding and effort put into promoting and persuading them to accept a change of landlord or management in order to release investment funds.

The 'fourth option', the subject of our inquiry, was a response by tenants, councillors, trade unions and MPs to the three privatisation options promoted by Ministers. It embodies the demand for an alternative which offers fair funding for directly-owned and managed council housing.

As we demonstrated in an earlier report (The Case for The 'Fourth Option' for Council Housing, June 2004) supported by the findings of this inquiry, if all the money that broadly 'belongs' to council housing was ring-fenced and reinvested it is more than enough to fund the repairs and improvements needed.

The government may fail to meet its Decent Homes standard unless it allows authorities to fund improvements through direct investment where tenants want to remain as council tenants. Then- Housing Minister Keith Hill, admitted as much in recent correspondence (see section 2).

The current government was elected last month on a clear commitment: "By 2010 we will ensure that all social tenants benefit from a decent, warm home with modern facilities."

Achieving this would be very popular indeed yet it will require a change in policy. To achieve it government must accede to tenants' demand for real choice via the 'fourth option' and abandon its effort to destroy council housing.

The evidence demonstrates that council tenants support and prefer direct investment in their homes. They resent the huge expenditure of funding and effort put into promoting and persuading them to accept a change of landlord or management in order to release investment funds.

## 2. The Case for the 'Fourth Option'

### SUMMARY

The evidence we received demonstrates that the current three council housing investment options are not financially necessary or efficient. The 'Fourth Option' – originally outlined by ODPM itself – is financially viable and offers real choice for three million council tenants and their families. It is an immediate and urgent priority for action.

The present funding regime consistently discriminates against council housing. No other tenure has rental income and capital receipts siphoned off by government or is prohibited from using its rental income and the value of the stock to support borrowing to fund improvements.

### Introduction

In August 2002 the ODPM conducted a 'blue skies' review of housing finance. 'The Way Forward For Housing Capital Finance' outlines the basis of the fourth option, in a range of possible measures to fund council housing improvement:

"Provide councils with an 'investment allowance' as part of the calculation of their HRA subsidy.

"The 'investment allowance' would be an amount calculated on the basis of some assessment of need, which would provide 'headroom' within the HRA which an authority could use to take advantage of the new prudential borrowing regime."

The Local Government Association is one of many supporters of the proposal. Sir Jeremy Beecham, then-chair of the Local Government Association, said:

"Local government is determined to bring about substantial improvements in the substandard housing currently faced by millions of people. We welcome the increase in housing investment in recent years, but it's no longer good enough for ministers to say that PFI, ALMOs and stock transfer are the only available routes for investment in housing stock. We are keen to discuss with ministers how we can expand on prudential borrowing and the existing three options to explore further means by which local authorities can meet the Decent Homes Standard." (LGA press statement, 7 May 2004).

The ODPM Select Committee inquiry into Decent Homes asked Minister for Housing Keith Hill about this:

"We floated this proposal [for an investment allowance] in our earlier consultation two years ago and there were simply no takers".

Keith Hill, ODPM Select Committee, 28 January 2004

But Keith Hill in a letter to Austin Mitchell MP admits: "20% of authorities expressed an interest in the allowance". (17 May 2004) There has been a general attempt by Ministers and civil servants to downplay the significance of the 'blue skies' proposals and discourage speculation on a possible change in policy.

"Since the failure of the ALMO ballot Camden has been in discussions with Government to find a way forward. The Council has maintained the position that neither a re-run of the ALMO proposal, nor stock transfer are viable options in the

## 2. THE CASE FOR THE 'FOURTH OPTION'

Camden climate (the latter having been comprehensively rejected in the late 1990s).”  
From Camden’s Housing Strategy 2005-2010 (Draft) May 2005.

### 2.2 More efficient use of public funds

Public subsidy is currently supporting transfer RSLs to take ownership of an asset improved at public expense, with all historic debt transferred to government. This creates for the RSL a 20-30 year income stream subsidised by higher housing benefit costs. UNISON estimates the extra housing benefit bill from stock transfer at £249 million a year since 1997. For the public sector this cost is no longer offset by any rental or receipt income.

Council housing is an asset worth well over £100 billion (ODPM August 02): £40,000 per home in England and Wales.

In 2004 1,100,000 of these homes were in urgent need of improvement to reach a decent standard. £19 billion was the estimated cost of repair and improvements (Housing Green Paper 2000).

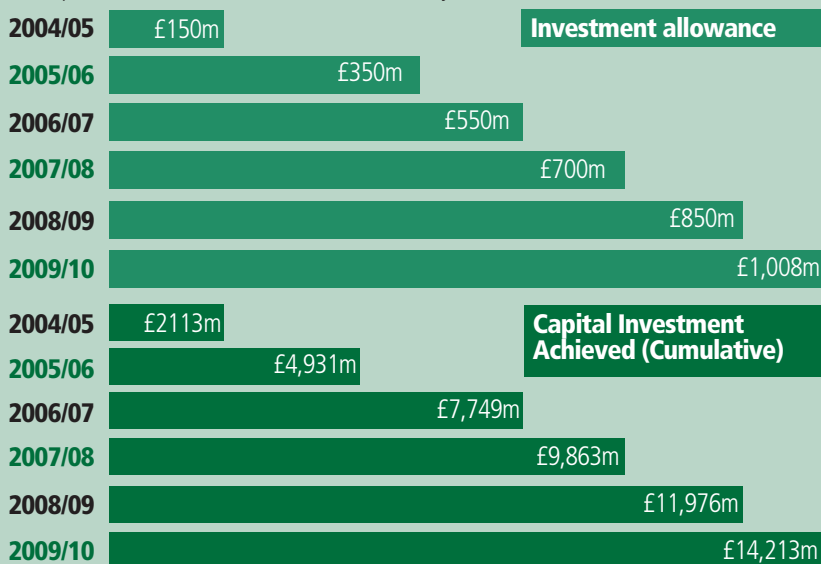
The National Audit Office (March 2003) and Public Accounts Committee (July 2003) showed that the cost to public funds are greater if housing investment is channelled via a transfer RSL. NAO estimate £1,300 extra cost to public spending for each house of investment via stock transfer. PAC says this is an underestimate, which fails to take full account of the under-valuation of the transferred asset. It also ignores the rental income after 30 years.

ALMOs and PFI schemes are also more expensive than councils funding improvements themselves. Both involve the extra costs of monitoring a separate organisation. For ALMOs there are the extra legal and financial costs of setting up and running a private company and new proposals will also mean the higher interest rates of private finance. PFI schemes are extremely lengthy and complicated to set up, with very high costs for consultancy and legal fees; they are the most expensive option due to higher rates of interest for finance, and profits to the PFI consortium over 30 years.

### 2.3 Mechanisms

The ‘fourth option’ can be made available through a variety of mechanisms. The favoured one, originally suggested by the ODPM itself, is an ‘investment allowance’.

Levels of investment allowance (nationally) and capital investment secured assuming interest rates at 5% and loan periods of 25 years. (MPs Council House Group Enquiry: A Response from UNISON; written evidence, May 2004.)



#### 2.3.1 investment allowance

The ODPM proposed “The ‘investment allowance’ would be an amount calculated on the basis of some assessment of need, which would provide ‘headroom’ within the HRA which an authority could use to take advantage of the new prudential borrowing regime.” (The Way Forward For Housing Capital Finance, August 2002).

This is how traditional council borrowing has been supported by government (the Housing Investment Programme credit approvals). It would work in the same way as ALMO funding – the government would provide an annual allowance, to cover the interest and capital repayments on Council borrowing to meet the Decent Homes Standard. The investment would be paid back over a 30-year period and would, like an ALMO, be public sector borrowing. Councils would retain ownership and management, and would not need to set up a separate private company to manage their homes. The power for councils to borrow directly was introduced with prudential borrowing regulations in 2004.

If the government wanted to link this additional public money to performance, the investment allowance could be conditional on receiving a two-star rating, just as ALMO funding is.

In evidence submitted to this enquiry, UNISON has shown that the cost of using an investment allowance to clear the backlog of work needed to bring homes up to the Decent Homes

Council housing is an asset worth well over £100 billion (ODPM August 02): £40,000 per home in England and Wales.

### MONEY SIPHONED OUT OF COUNCIL HOUSING EACH YEAR

#### REVENUE

Government take from HRA (Guideline Rent)	= £6.0 billion
Management & Maintenance Allowance	= £3.0 billion
Major Repairs Allowance	= £1.5 billion
<b>Remainder taken out of council Housing Revenue Accounts</b>	<b>= £1.5 billion</b>

#### CAPITAL

RTB Receipts	= £2.0 billion
Basic Credit Approvals	= £0.75 billion
Usable Receipts	= £0.7 billion
<b>Government Profit</b>	<b>= £0.55 billion</b>

All figures England 2002/03. The picture is similar for Wales and Scotland.

Standard is easily affordable from the £2 billion surplus generated annually by council housing (see section 2.3.3).

#### 2.3.2 Debt write off

Government directly services the historic debt for council housing construction. Removing this from local authorities' current housing revenue accounts (HRA) would allow many to invest heavily in existing and new council housing.

£800 million was budgeted for 2003/04 to write off debt to make stock transfer profitable. This is almost as much as the £842 million budget for housing credits to fund investment in all council homes that year. Public subsidy is supporting transfer RSLs to create an asset improved at public expense, with all historic debt transferred to government. According to the Public Accounts Committee's report on stock transfer the additional cost of transfer is at least £1,300 per home. (*Improving Social Housing Through Transfer*, March 2003). Giving this level of public subsidy only to councils which transfer is both inequitable and a waste of public money.

When the Deputy Prime Minister promised to review housing finance, in debates before the Labour conference vote in September 2004, debt write-off formed the first part of that review:

"The government will consider taking councils out of the housing revenue account system as part of its review of the financial options open to local authorities to improve their housing stock. Housing minister Keith Hill told *Inside Housing* this was one of the choices to be looked at in the review which Deputy Prime Minister John Prescott agreed to in talks on the eve of the Labour conference. Mr Hill said: 'One of the arguments is that, since when you have a stock transfer the debt is written off, that the same could apply to local authorities.'" (*Inside Housing*, 8 October 2004)

Mr Hill said: 'One of the arguments is that, since when you have a stock transfer the debt is written off, that the same could apply to local authorities.'

The recent paper from the National Federation of ALMOs ('ALMOs: A New Future for Council Housing', April 2005) recommends that debt be written off for councils with ALMOs as well as councils which transfer. If councils with ALMOs are given this financial freedom but councils retaining stock are not, this will further discriminate against local authorities choosing to retain ownership and management of their homes.

The principle of a level playing field for council housing demands that debt write-off be available in all cases – or none.

#### 2.3.3 Ring fencing national HRA and capital receipts

In 2003/04 council tenants on average each paid £2,650 in rent but only received £1,773 in services. The government takes all of the rent income from local authorities and decides how much to give back to cover management and maintenance (Management and Maintenance Allowance, or M&M) and major repairs (the Major Repairs Allowance, or MRA). The average figures for England and Wales in 2003/04 show that despite taking £2,650 in rent from each tenant, councils were only allowed £1,190 for management and maintenance, and £583 for major repairs. That leaves £877 per tenant which is not spent on council housing.

The proceeds from 'Right to Buy' receipts in 2003-4 were £2.0 billion, of which councils were allowed to keep only £0.7 billion, known as "usable" receipts. The government's £1.3 billion take funded the housing capital investment programme (Supported Capital Expenditure, previously Basic Credit Approvals) which came to only £0.75 billion. This meant that another £0.55 billion a year was taken out of council housing nationally.

# 3. What Local Authorities are doing

## SUMMARY

Despite 17 years of sustained pressure from government more than half of local authorities still own their homes. Many are determined to resist privatisation and strongly support the 'fourth option'.

But local authorities, often with a very similar set of objective financial circumstances, are making very different recommendations to their tenants.

Many authorities who tell their tenants they lack resources also hide the fact that they spend 'useable capital receipts' (proceeds of 'right to buy') or money from the Housing Revenue Account on subsidising other council services.

Some authorities heavily promote stock transfer or ALMOs, without even giving their tenants an option of remaining with the council, whilst others offer a choice of improvements via stock retention.

## 3.1 The Current Picture

Despite 17 years of sustained pressure from government to get rid of council housing, more than half of local authorities still directly own and manage their homes.

Of the 360 local authorities we have been able to identify which owned housing stock in 1988 when large scale voluntary transfer began, only 136 of them have transferred their stock to date, leaving 224 still with council housing. In other words 62% of English authorities still retain their homes, as well as 96% (21 out of 22 authorities) in Wales.

The percentage of homes transferred is smaller still. Since 1988, when there were 4.2 million council homes in England, 917,877 homes have been transferred to Registered Social Landlords. This figure includes partial as well as whole stock transfers. This means that although 38% of English authorities have transferred their homes, only 22% of homes have been transferred. Even with the extra loss through right-to-buy, on 1 April 2004 there were still 2.4 million council homes in England.

With the introduction of the Decent Homes target, and the requirement to submit options appraisals by July 2005, pressure on local authorities has increased.

Our research shows that of the 224 councils which still own housing, 44 have set up ALMOs, leaving 180 still required to choose an option. Of these, 40 have chosen to pursue transfer; and 11 have chosen to pursue ALMO. Stock retention is now the most popular option, with 56 councils so far choosing to retain their stock, while 73 have yet to make a decision. Birmingham, Southwark (and perhaps others) have been given official extensions to the deadline. In Wales two authorities have already chosen retention, although they do not have to meet the Welsh Quality Standard until 2012 and therefore have longer to decide.

(Information from Parliamentary Answers 17 June 2004, 6 December 2004, 8 March 2005; the Survey of English Housing 2003-04; information supplied by local authorities; and press reports; updated on 31 May 2005. For full details see [support4councilhousing.org.uk](http://support4councilhousing.org.uk)).

## 3.2 Evidence Received

A significant range of local authorities gave evidence supporting the proposal for the 'fourth option' (48 in total). Some had previously transferred ownership or management of their stock

but still supported the fourth option in principle. Others told us they supported the fourth option, but because they were unable to meet the Decent Homes Standard eventually decided to pursue transfer of ownership or management instead. Finally, we heard from tenants and trade union representatives in areas where councils have a positive appetite for privatisation; we discovered that there are councils choosing transfer despite being able to meet the Decent Homes Standard from existing resources.

### 3.3 Councils Where Tenants Have Voted NO

In 2002 the 85,000 tenants of Birmingham City Council voted no to transfer, despite an overwhelming need for investment. The council has now asked the government to provide funding for direct investment:

“The issues of negative subsidy and under funding of the investment need are at the heart of tenant concerns... It is recognised that other arrangements exist to unlock further funding (ALMOs, partial transfers and PFI) but the City Council considers that basic funding for retained local authority provision also needs to be examined, given the tenants’ rejection of the whole stock transfer option on 8 April 2002...” (Birmingham City Council, response to ODPM consultation).

Camden tenants have rejected both transfer and ALMO, as well as a PFI proposal on one estate. A joint delegation from Camden council and its tenants told us they need the fourth option to provide Decent Homes:

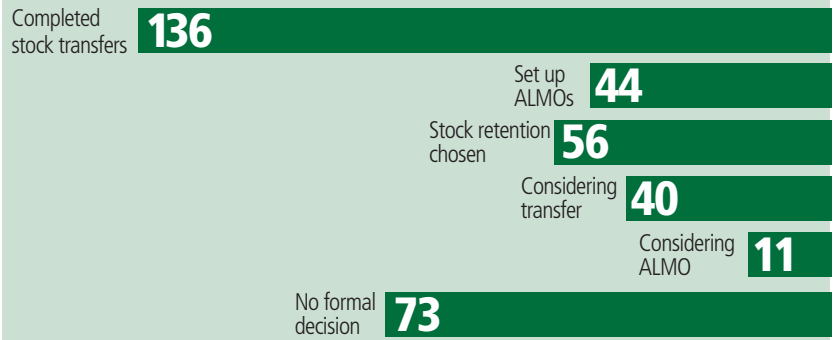
“Choice is a key principle in government plans for public service reform. Now our tenants, our leaseholders, have made a choice. This council has followed that choice. We listened. What we’re saying to government is that they should listen to that choice too.” (Cllr. Jane Roberts, Leader of Camden Council, quoted in written evidence from Camden Defend Council Housing).

### 3.4 Councils Choosing Retention

Councils including Bolsover, Tendring, Melton, and Lewes gave oral evidence that they can meet Decent Homes and their tenants want to stay with the council.

“In Bolsover, along with a lot of others, we want option four... we did a test of opinion as part of our options appraisal. We got back 97% of votes to stay with the council. So that’s what we’re doing.” (Cllr. Brian Huddless, Cabinet member for Housing, Bolsover District Council;

### Stock Option and Number of Authorities as at 31st May 2005



“Choice is a key principle in government plans for public service reform. Now our tenants, our leaseholders, have made a choice. This council has followed that choice. We listened. What we’re saying to government is that they should listen to that choice too.” Cllr. Jane Roberts, Leader of Camden Council

oral evidence, 8th March 2005)

We received written evidence from many councils which have chosen retention, including Leicester, Adur, Bridgnorth, Bristol, Dudley, Ipswich, and Kingston-upon-Hull. Several are worried about future pressures on housing and are keen to see a fourth option of extra investment.

“Disadvantageous changes in Government funding... could jeopardise our ability to deliver the Ipswich Standard. In those circumstances without the opportunity of additional funding say via the “4th option” we could not meet tenants’ aspirations under their preferred ownership and management arrangements.” (Cllr. Elizabeth Harsant, Leader and Housing Portfolio Holder, Ipswich Borough Council; written evidence, 22nd April 2005).

Brighton and South Gloucestershire councillors submitted council motions calling on the government to provide direct investment options.

Bristol City Council told us that to meet tenants’ choice of retention they have had to reduce expenditure.

“Clearly, with this decision being made in Bristol, we would welcome any change in housing finance that supports this fourth option.” (Cllr. Matthew Symonds, Executive Member for Housing, Bristol City Council; written evidence, 30th March 2005).

A delegation from Oxford told us huge tenant support for retention spurred the council into exploring ways to close the £28 million gap to meet Decent Homes.

### 3.5 Councils Transferred Already But Support Fourth Option

Several local authorities say they sold their homes or set up an ALMO because the ‘fourth option’ was not on offer. Five made it clear that had direct investment been available that would have been

## 3. WHAT LOCAL AUTHORITIES ARE DOING

their preferred solution: Gateshead, Nottingham, Bridgend, Amber Valley, and Gosport.

Gateshead told us “If a ‘fourth option’ had been available at the time it is something which the Council would have seriously considered... I informed the tenants at the time that an ALMO was the best option for Gateshead and that cavalry wouldn’t come over the hill... how wrong can you be.” (Cllr. Peter Mole, Cabinet member, Gateshead Council; written evidence, 14th April 2004).

“A further option – when the future of the housing stock was being considered this would have been welcomed.” (Jeremy Dickinson, Housing Strategy Officer, Amber Valley Borough Council; written evidence, 1st April 2004)

Gosport Borough Council said: “Had an effective prudential borrowing system been in place... then I have no doubt that this would have been the preferred solution of both residents and the Council.” (Cllr. Jill Wright, Chairman of the Housing Board, Gosport Borough Council; written evidence, 13th April 2004)

### 3.6 Councils Support Fourth Option but opted for Transfer/ALMO

Some councils told us they supported the fourth option, but because it didn’t become available in time they have chosen to try and push through ALMO or transfer instead. Those who initially sent us written evidence of support for the fourth option but are now pursuing ALMO include South Tyneside and Sutton; Sefton is now trying to sell off its stock, while Lambeth is pushing a mixture of transfer, ALMO and PFI.

Sefton Council Labour Group said “we believe that allowing tenants to choose from a greater range of options can only be a positive step forwards”. A joint delegation of tenants, union representatives and senior managers gave oral evidence:

“We are all here represented because UNISON, the staff, the councillors and ourselves all sit on one board just like this and none of us are happy.” (Cynthia Johnson, tenant Sefton Council; oral evidence 12th May 2004)

A housing director from Mole Valley summed up the painful situation councils find themselves in:

“I act as an independent chair of the housing options working group and it’s working very well, with council members and tenants. But we all recognise together that we find ourselves in a

really difficult situation, a damaging situation I think all round.” (David Searle, Director of Housing, Mole Valley Borough Council; oral evidence, 12th March 2005).

### 3.7 Councils Can Meet Decent Homes and Pursuing Transfer

A number of authorities expressed a positive enthusiasm for the government’s three options. We have looked at several cases where tenants are objecting because the authority can meet the government’s Decent Homes standard but is still insisting on transfer of its homes.

“Sedgefield following its options appraisal opted to go for LSVT, Large-Scale Voluntary Transfer. The problem with that decision is the arguments for stock transfer didn’t hold water. Because the current situation in Sedgefield is that we can meet the government’s Decent Homes Standards with the money that we’ve already got in place. Not only that, but the council has an extra £47 million in reserves, to improve the houses to a standard above the Decent Homes Standard.” (Pat McCourt, Amicus representative Sedgefield; oral evidence 8th March 2005).

Councils in this situation usually claim that they can meet the Decent Homes Standard but are unable to meet a higher standard set by ‘tenants’ aspirations’. In North East Lincolnshire and Sedgefield the difference between the two standards is improvements to garden paths and walls, and similar measures. The differences between these two ‘standards’ is rarely quantified with a clear and informed cost-benefit analysis before tenants are asked to give up their ‘secure’ tenancies and other benefits of remaining as council tenants.

### 3.8 Conclusion

From the evidence we reviewed it seems senior officers and elected members of an authority hold most of the cards and have a large degree of flexibility when it comes to deciding which option to recommend to their tenants.

Authorities lacking resources to adequately maintain and improve their homes face enormous difficulties to satisfy the needs of their tenants. Some councils approach this with a determination to juggle priorities and available resources, review what they charge to their HRA and General Fund, investigate prudential borrowing and support the campaign for additional investment. Others present the worst possible picture of the

The differences between these two ‘standards’ is rarely clearly quantified so that tenants can measure the additional benefits against the negative implications of the recommended option.

# 4. Why councils are unable to finance improvements

## SUMMARY

The present housing finance system discriminates against local authorities: it siphons off rental income and capital receipts, bribes councils with debt 'write-off' if they get rid of their homes and offers extra investment if authorities set up ALMOs or use PFI.

Changing any or all of these elements would help create a level playing field for council housing. It would dramatically change the options available to councils today and offer tenants the choice of remaining as council tenants and getting the improvements they need to their homes and estates.

The present housing finance system discriminates against local authorities, and councillors and tenants are increasingly aware of this. Specific complaints from a number of councils highlighted three main ways the current rules create an uneven playing field. Taken together these mean that the odds are stacked in favour of transfer and against local authorities continuing to own and manage their housing:

- Government siphons off rental income and capital receipts from councils but not from housing associations.

- Government writes off overhanging debt when councils transfer their stock but refuses to do so for those who want to retain it. They also make "dowry payments" to subsidise transfer if the stock has a negative valuation – this money is also withheld from councils wishing to retain.

- The fund of public money which councils can bid for if they set up an Arms Length Management Organisation to manage their stock is not available to those who want to retain management in-house.

- The biggest government imposition was Daylight Robbery which over the years took £13 billion out of HRAs. This drain is now ended but the failure to reinvest this sum has left council housing desperately short of the investment it needs.

Some evidence commented on the specific financial factors or regulations which made it difficult for the council concerned to undertake all the required improvements. Some local authorities preferred one mechanism over another as a means of achieving all the investment required, and these will be examined in following sections. Corby, Portsmouth, Liverpool and Aberdeenshire were among the Councils agreeing with Dudley, that the mechanism did not concern them as much as the result:

"Dudley Council... took the view that the debate on delivery mechanisms was largely academic, given that the real issue for councils was the amount of funding required to deliver the Decent Homes Standard and other tenant aspirations" (Cllr. Michael Evans, Lead Member for Housing, Dudley Metropolitan Borough Council; written evidence, 19/03/04)

### 4.1 Government siphoning off rental income and capital receipts

We heard that Oxford City Council loses £11.8 million of its tenants' rent contributions every

## 4. WHY COUNCILS ARE UNABLE TO FINANCE IMPROVEMENTS

year to the government. Corby Borough Council hands over £7 million a year.

“Corby loses approximately £7 million in rent rebate that they don’t get back at the moment. With that £7 million we’d do as good a job, or better, than any RSL in the country. There is no doubt about that....” (Ken Campbell, Corby Federation of TRA; oral evidence 08/03/05)

Portsmouth City Council projected forwards the effects of the government taking both rental income and capital receipts. They estimated more than £46 million would go from their tenants and residents to Government in the next five years – £9 million through negative subsidy from rents, and £36 million taken from their right-to-buy receipts.

The housing subsidy system is not simply a matter of pooling money so that the better-off councils help those in greatest need. Council housing generates a surplus, both in revenue and capital.

### Revenue Surplus Siphoned Off

One of the reasons this “negative subsidy” effect is so high is because the management and maintenance allowance is too low. A briefing for the Housing Quality Network in July 2003 calculated that allowances until 2011 only total allowances of £3.1 billion nationally up to 2011, compared to the need for more than £5 billion. (*Inside Housing*, 31st July 2003). In August 2003 the government proposed new arrangements which increased the overall M&M allocation by 6%. However, the formula was also changed, resulting in reductions for many with the greatest need. Councils with large numbers of houses got increases of more than 6% but for those with a large percentage of flats the allowance actually went down.

“Overall, the average London council tenant would lose out on £328 per home of their current share of the national management and maintenance allowances than they could have expected by 2006/07.

“When these proposals are combined with rent restructuring and the increase in the national allowance, it means that £59 less per tenants’ home will be available in three year’s time to provide tenant services compared to now. Individual boroughs will lose more – up to £686 per dwelling after inflation.” (London Tenants Face Service Reductions’ London Housing, September 2003).

Authorities with increased M&M allocation

“Corby loses approximately £7 million in rent rebate that they don’t get back at the moment. With that £7 million we’d do as good a job, or better, than any RSL in the country. There is no doubt about that....” (Ken Campbell, Corby Federation of TRA)

did not all include these increases into a recalculation of the financial basis for the options appraisal decision and are thus often still recommending transfer.

### Capital Receipts Surplus

Receipts from council housing ‘Right to Buy’ sales 1980-97 accumulated as ‘set-aside’ funds. 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, 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.

The proceeds of housing capital receipts set aside in 2001-2 were £1,248m (of which £976m came from Right to Buy receipts and £272m from transfer receipts), funding most of the £1,580m housing capital investment in that year. (ODPM ‘The Way Forward For Housing Capital Finance’, page 9 August 2002)

“In the Wycombe transfer bid of 2000 ... there was £30.4 million of set-aside receipts held in the district. This would be available for non-housing use if the transfer went through... in 2001 tenants in Aylesbury Vale found that their council held £30 million in RTB from 1980-97.” (Haringey Defend Council Housing, copy of written evidence submitted to the ODPM Select Committee, 04/12/03).

Since 1997 councils have been able to keep a proportion of their right-to-buy receipts.

“For London boroughs, which receive £600 million a year in capital receipts, an extra £450 million would immediately be released for investment in council homes.” (extract from ‘What London Tenants Really Want’, London Tenants Federation; written evidence, 21 April 2004).

### 4.2 Councils taking capital receipts out of housing

Tenants from Tower Hamlets told us that over the last ten years £100 million of usable capital receipts have been spent by the council on non-

## 4. WHY COUNCILS ARE UNABLE TO FINANCE IMPROVEMENTS

### 'Stock Option' decision by three neighbouring authorities

Local Authority	Number of Homes	Investment Needed For Decent Homes		Councils Own Resources		% of Tenants Prefer Retention	Council Decision
			Per Unit		Per Unit		
Darlington	6,152	£11.0m	£1,788	£34.6m	£5,624	95%	Retention
Durham	6,820	£14.4m	£2,111	£31.5m	£4,619	95%	Retention
Sedgefield	9,849	£25.5m	£2,589	£55.0m	£5,584	96%	Transfer

housing projects including IT and e-government, a new civic centre and sports stadium – while estates face a crisis of underinvestment and a controversial series of partial transfers.

Sedgefield Borough Council has stated “Since 1997 the Council have received usable Capital Receipts of £17,843,351 of which £3,581,491 has been invested in Council Housing, with an additional £2,769,063 invested in private sector housing.” (Freedom of Information Inquiry response, 25 May 2005). The council which can meet the Decent Homes standard with £47million to spare is telling tenants that their ‘tenants aspirational’ standard can only be met if they agree to their homes being sold to Sunderland Housing Group. If the council reinvested all its usable capital receipts this would be unnecessary.

Salisbury Council, which is to re-ballot tenants for the third time recommending stock transfer, does not use any of its RTB receipts for its own stock.

“The consultants have estimated that, over a 10-year period, using only 50% of the usable RTB receipts – assuming no further dramatic decline – would increase the investment available by £7.6m. It must be assumed that using 100% of the available receipts would double this amount, which would come close to meeting the “Salisbury Standard”. (Letter from Mark Wareham, UNISON Salisbury to Salisbury Council, 25 January 2005).

Since 1997, North Lincolnshire council has only put 27% of its usable capital receipts back into council housing. Hyndburn council, which received £1.8 million from right-to-buy sales over the period, put none of it back into council housing at all. Both authorities are now in the process of trying to transfer their homes.

“Most councils simply don't have the capacity to deal with such complexity and delays to deliver improvements which – in practically all cases – cover only a fraction of their housing stock.”  
John Perry,  
Chartered Institute  
of Housing

### 4.3 Councils raiding Housing Revenue Account to subsidise General Fund

Councils are legally required to ring-fence the Housing Revenue Account and are not allowed to use the General Fund or other budgets to subsidise council housing. But many councils subsidise their General Fund from the HRA and so take pressure off the politically sensitive level of council tax they have to levy.

“UNISON also understands that the HRA is currently used for the emergency maintenance of SDC owned roads.” Letter from Mark Wareham, UNISON Salisbury to Salisbury Council, 25 January 2005

North East Lincolnshire council's business plan identified Housing Revenue annual spending of £600,000 (later calculated by Housing Minister Yvette Cooper as £1,500,000 over three years) which would need to be charged to the General Fund if transfer took place. This could have supported additional expenditure on the stock or borrowing under the prudential framework.

### 4.4 Overhanging debt – difference that writing off / taking over debt for all councils would make

Debt write-off would be welcomed by a number of councils including Birmingham, who saw this as the favoured approach when they responded to the ODPM's consultation paper “The Way Forward for Housing Capital Finance”. Shetland Islands Council told us:

“The current housing debt stands at £54m, which for a stock of approximately 2,300 properties is a debt of massive proportions. The current housing debt is a blockage to affordable rents and so prevents this council from providing a sustainable council housing service into the future.... For

## 4. WHY COUNCILS ARE UNABLE TO FINANCE IMPROVEMENTS

these reasons we would welcome consideration of a 'fourth option' for funding council housing into the future. We would take this further and respectfully ask that any direct investment in council housing should be in the form of debt redemption." (Chris Medley, Head of Housing, Shetland Islands Council; written evidence, 24 March 2004).

Sefton Council estimated its overhanging debt, including the costs associated with transfer, would be £81.4 million if it pursued transfer. The amount needed to meet Decent Homes was only £50 million. A joint delegation of tenants, trade union representatives and senior managers considered this during the options appraisal process and asked why, if the government is prepared to write off a debt of £81.4 million, they couldn't just give Sefton Council £50 million to do the necessary work?

### 4.5 Support for an Investment Allowance

Authorities including Gedling, Bracknell Forest, North Cornwall and the London Borough of Wandsworth specifically welcomed the idea of an investment allowance in evidence to us.

"We would strongly support an 'investment allowance' as a fourth option as, in our particular circumstances, we are convinced our residents will ultimately support continued local authority management, evidenced by the appraisal, and such additional subsidy would only serve to strengthen the in-house position." (Cllr. Martin D Johnson, Cabinet Member for Housing, London Borough of Wandsworth; written evidence, 16 April 2004)

The Local Government Information Unit (LGIU), the Association for Public Service Excellence (APSE), the Centre for Public Services (CPS), and the trade unions UNISON, Amicus and UCATT also support this proposal.

"Amicus supports the case for the so-called 'fourth option'; the introduction of an Investment Allowance" (Written submission by Amicus to the Council Housing Group, 8 March 2005).

"UCATT would like to see the introduction of an Investment Allowance" (George Brumwell, General Secretary, UCATT; written evidence, 22 April 2004).

### 4.6 Public Funds Available For the Three Options

Government also spends public money subsidising its other two options – Arms Length Man-

agement Organisations (ALMOs) and the Private Finance Initiative (PFI). Councils setting up PFI schemes receive "credits" from government each year to pay to a private company, covering not only the interest and capital repayments for investment, but also the higher cost of private borrowing, and profits for the PFI consortium. PFI schemes take the investment "off balance sheet" but cost far more than directly investing in council homes. They are proving increasingly complicated, expensive and unpopular.

"Most councils simply don't have the capacity to deal with such complexity and delays to deliver improvements which – in practically all cases – cover only a fraction of their housing stock." (John Perry, Chartered Institute of Housing, *Society Guardian*, 3 March 2005)

If councils transfer the management of their homes to an ALMO, they are able to bid for funds to meet the Decent Homes Standard. The pot available nationally at present stands at £2.5 billion, and councils setting up ALMOs receive support in the form of an annual allowance to pay the interest and capital repayments of borrowing. Frank Dobson MP, a member of the group, said of the money on offer for the ALMO: "It isn't as if it makes a ha'porth of difference to public finances, or the public sector borrowing requirement, or anything of that sort. The fact is that if the money to do up the housing came through an ALMO, or if it comes to the council to do up the houses, it does not make a penny difference to the taxpayer." (Frank Dobson MP, quoted in written evidence from Camden Defend Council Housing, 10 February 2004).

Sefton Council estimated its overhanging debt, including the costs associated with transfer, would be £81.4 million if it pursued transfer. The amount needed to meet Decent Homes was only £50 million.

# 5. Post transfer / ALMO experience

## SUMMARY

RSL rents are consistently higher than Council rents. And though most transfers are accompanied by rent guarantees, the fastest-rising RSL rents are concentrated in transfer areas. The gathering pace of RSL group consolidation and mergers means tens of thousands of tenants no longer have the landlord they were offered at transfer. Promises to tenants at transfer become legally unenforceable; far from offering a new 'localism' RSL landlords are often not even based in the same town.

Claims that housing associations are more efficient and more accountable to tenants are debunked by ODPM and Housing Corporation research.

The ALMO story is now also unravelling, much as opponents originally predicted. Instead of management of homes reverting back to the council once the 5 year ALMO contract expires there are now proposals for councils to give up a majority shareholding in the ALMO companies.

The Islington experience shows how easily PFI can go wrong and how difficult it is for councils to hold a major PFI contractor to account.

And all three of the government's options threaten Direct Labour Organisations which provide proper jobs, training and a workforce committed to providing a public service.

So not only are stock transfer, ALMO and PFI more expensive options than councils carrying out the improvements direct but there is a long list of other reasons to reject privatisation and support direct investment.

## 5.1 Impact of transfer

### 5.1.1 Rent Rises

During transfer ballots, council tenants are offered a 'rent guarantee', usually for five years. The Public Accounts Committee says: 'Tenants voting for transfer may not realise that the capped period is so short.'

New tenants have no such guarantee and the cumulative impact on the average rent can be significant. In addition, once a home has been renovated or substantially improved new charges can be applied.

A number of areas have seen substantial rent rises, or rent guarantees have been broken. Basingstoke & Deane Borough Council housing transferred to Kingfisher housing association in 1995: "About a year ago I was nominated as one of the three council representatives on the board of Kingfisher housing association, since which time my already sceptical view of the 'benefits' of LSVT have been sadly reinforced. In the ten years since LSVT, rents have risen by at least 42%, considerably more than RPI, while service levels have been cut." (Cllr Ian Tilbury, Basingstoke & Deane, email correspondence, 30 March 2005).

The National Audit Office show that 17% of transfer associations break rent guarantees (see table). Canalside, a subsidiary of Metropolitan Housing Trust and Community Housing Association in Hackney, tried to wriggle out of rent guarantees by waiting until flats were empty to redesignate them. An initial proposal to market rent 70 properties was turned down by the Housing Corporation. Properties were then redesignated as 'key worker housing', with projected rent increases of £50 per week, and the Housing Corporation declined to intervene. (written evidence from Nick Strauss and Sheila Seabury, former tenant board members, Canalside Housing).

Fifteen of the 20 fastest-increasing housing association rents between 1997 and 2004 were in districts which have undergone large scale housing transfer (see graph).

After the 1995 transfer of 4,800 homes in Vale of the White Horse (west Berkshire), rents increased 47% between 1997 and 2004. In north west Lancashire 3,000 homes were transferred to Wyre housing association, which has seen an average RSL rent rise of 56% over the same period, far outstretching the average RSL

## 5. POST TRANSFER / ALMO EXPERIENCE

Average RSL rent in council areas following large scale housing transfer (£s)									
	1997	1998	1999	2000	2001	2002	2003	2004	Percent change 1997-04
Hart, Hampshire	47.62	50.29	58.40	58.38	60.48	63.40	66.01	68.10	43.01
Tunbridge Wells, Kent	50.70	56.63	61.90	64.10	65.48	68.26	69.84	72.54	43.07
Wychavon, Worcestershire	40.55	43.22	45.76	47.80	49.03	55.58	54.42	58.28	43.73
South Ribble, Lancashire	38.50	40.54	42.86	45.65	47.74	60.34	54.26	55.60	44.43
Stratford-on-Avon, Warwickshire	38.40	40.33	43.14	45.73	47.49	49.53	52.92	56.05	45.95
Vale of White Horse, West Berkshire	41.61	44.64	47.42	50.02	52.19	59.18	58.16	61.24	47.18
Wyre, Lancashire	35.82	38.54	41.86	44.84	47.03	50.45	52.92	56.11	56.65
England, RSL average	46.81	49.82	51.92	53.11	53.90	55.81	56.52	58.23	24.40

Figures from ODPM housing live table 704 'RSLs rent by district from 1997' [http://www.odpm.gov.uk/stellent/groups/odpm\\_housing/documents/page/odpm\\_house\\_609389.xls](http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_609389.xls)

rise in England of 24%.

The Government's new rent convergence policy now replaces the five-year rent guarantee. RSLs are now including new rent rules (intended to limit increases to inflation plus 0.5% a year) in their offer at the time of transfer. However, the rent formula does not cover service charges.

Tenants on the Columbia Estates, Tower Hamlets, due to ballot on transfer to Guinness Trust, sent us information comparing the service charges for similar flats:

1-bedroom flat, Dorset Estate Landlord: Tower Hamlets Council	
Rent	£59.73 per week
Service Charge	£2.94 per week
<b>Total</b>	<b>£62.67</b>
1-bedroom flat, Fulham Palace Rd Estate Landlord: Guinness Trust	
Rent	£74.11 per week
Service Charge	£20.18 per week
<b>Total</b>	<b>£94.29</b>

### 5.1.2 Security undermined

When tenants transfer to a Registered Social Landlord, they have to exchange their secure tenancy for an assured tenancy. Councils try to imply there will be no significant difference in tenants' rights after transfer. Even when they admit that an assured tenancy is not as secure as a secure tenancy, they claim that the transfer landlord will write additional rights into the new assured tenancy contract which will make it the equivalent of a secure tenancy. Our research has revealed that these claims are misleading.

Jan Luba QC summarises the meaning of a secure tenancy: "Most tenants of local authorities enjoy security of tenure as secure tenants, protected by arguably the most generous charter of rights available in the residential sector. That security is lost on transfer. The tenants will at best be assured tenants of the purchaser. Likewise the Statutory obligation on a council to charge only a reasonable rent has no application to a purchaser." (Large Scale Voluntary Transfer: not all honey and roses', Jan Luba QC, (2000) 4 L. & T. Rev. 6).

A recent pamphlet from Tower Hamlets Law

Centre summarises the differences in law between the two tenancies.

Of promises written into RSL tenancy agreements Tower Hamlets Law Centre say: “RSLs are likely to honour the agreements they have made. However, if an RSL wants to ignore the promises they have made in a tenancy agreement, and rely instead on the weaker rights set out in law, they may be able to do so. In a leading court case a judge found that a housing association were entitled to override the promise they had made to always give notice before issuing proceedings, because this was allowed by statute.” (‘Stock Transfer: Essential Reading Before You Choose’)

The court case they refer to is *North British Housing v Sheridan* [CA] 2000 H.L.R., in which the tenant had an assured tenancy agreement which expressly stated that the Housing Association would not use certain statutory provisions. However, the Housing Association ignored the tenancy and relied on these provisions. The Court of Appeal said the Housing Association was permitted to do this notwithstanding what the tenancy agreement said.

There is no guarantee that new tenants after transfer will be given these extra contractual rights. “This may lead to two classes of tenants living side by side on the same estate. Some RSLs do routinely use Ground 8 to evict tenants.”

In Sunderland following transfer a combination of widespread demolition and the introduction of an ‘excellent tenant’ scheme, has led to a climate of fear among tenants. (See below).

### 5.1.3 Loss of Localism

Like much of the private sector, in recent years large numbers of housing associations have merged and consolidated across ever-wider geographical boundaries. There have been 35 full scale mergers over the past two years, with many more becoming a subsidiary within a larger group (figures from RSL lobby group the National Housing Federation).

Following a large scale transfer in Fleet, Hampshire, Hart is now a subsidiary of Sentinel housing group alongside Oakfern housing association, a 4,000 strong LSVT based in Basingstoke.

One of the bigger RSLs, Circle 33, is set to merge with transfer RSL Anglian. Merger talks are underway between Liverpool-based Riverside and English Churches to create England’s

joint largest association with 52,000 properties, operating in 200 council areas. Indeed, the more forward-sounding and progressive the group name – be it People For Places, Genesis, Progress, Flagship or Signpost – the less any kind of ‘local’ identity features.

The effect of this is two-fold: tenants lose any semblance of local accountability, and the takeover RSL is under no legal obligation to keep promises made at the time of transfer: “the mortgagee exclusion clause... means that if the RSL gets into financial difficulties and as a result the funder takes control and transfers to another RSL, the “new” RSL is not bound by any of the promises made to the tenants.” (*Housing Today*, 21 January 2005)

### 5.1.4 Poor performance and Broken Promises

Government claims that housing associations are more efficient than councils at managing housing. However the Housing Corporation regulator has had to intervene in more than one in five large scale transfer associations. Of 168 set up since 1988, 36 have been placed under supervision. ‘Such action, which involves the appointment of external experts to the board of the association is only triggered by poor performance or serious management irregularities,’ (*The Guardian*, 25 May 2005)

Ministers’ claims that tenant satisfaction increases significantly after transfer are contradicted by Public Accounts Committee findings.

The PAC find only a 3% increase in tenants satisfied with the condition of home (81% from 78% before transfer). Only 85% of tenants considered that housing services were at least as good as before transfer – even after £millions have been spent by the new landlord. Satisfaction on rents remains static – but most stock transfer landlords are still within the five-year rent guarantee period after which rents are likely to rise. Satisfaction with quality of repairs is down (63% against 68%). (Improving Social Housing Through Transfer, Public Accounts Committee report, March 2003)

Tenants have very little redress if transfer RSLs break promises, because offer document promises are a contract between the RSL and the council, not with the individual tenant.

“To win tenants’ votes, promises are made to them in an offer document. But the question that tenants need to be asking is whether these promises are legally enforceable. After all, the

“The mortgagee exclusion clause... means that if the RSL gets into financial difficulties and as a result the funder takes control and transfers to another RSL, the “new” RSL is not bound by any of the promises made to the tenants.”

## 5. POST TRANSFER / ALMO EXPERIENCE

offer document is not a contract with individual tenants but with the tenants as a whole... the RSL, backed by the funder, will try to limit the RSL's obligations to "reasonable efforts" to keep the promises. And what reasonable efforts are, particularly for a charitable RSL, depends on the context at the time delivery is required." (*Housing Today*, 21 January 2005)

One year after Maidstone Housing Trust took over 6,400 Council properties, tenants report: "The work is taking two, three and four times as long as the tenants were led to expect, yet the results are shoddy and sometimes downright dangerous!" (Audrey Gardner, Maidstone tenant, 14 March 2005, by email).

Tenants on the Minerva Estate, which transferred to Tower Hamlets Community Housing Ltd, pointed to broken promises, and residents' wishes ignored: "We were promised a community centre... and refurbishment of the children's play areas (the money for it was ring-fenced) five years ago when we transferred. We are still awaiting work on that to start as they are trying to force us to have something else built that we don't want... [they] want to build a new area office... plus flats for shared ownership which we don't want built...they are already doing away with one children's playground and garages and replacing them with another 16 new properties." (Fred Hunt, Secretary, Minerva Estate TRA, Tower Hamlets; written evidence, 12 March 2005).

### 5.1.5 Tenants disempowered

The other 'unquantifiable' benefit put forward to justify breaking up council housing is increased tenant involvement. The evidence we examined did not support this view. The strong tradition of independent tenants organisation among council tenants is not replicated with RSLs.

Recent research for the Housing Corporation shows the role of tenant board members is "primarily symbolic, providing a fig leaf to cover the unpalatable fact that the real power lies elsewhere." Boards are "subject to processes of manipulation, screening and institutionalised pre-emption ... hapless and manipulated by chief executives and other executive directors." ('Changing Boards, Emerging Tensions', Liz Cairncross, Oxford Brookes University, Spring 2004).

This explodes claims that RSLs are more accountable because they have tenants on their



### Tower Hamlets Law Centre information sheet on stock transfer

board. The Audit Commission describes this as confusion arising from 'mis-selling' of the role of tenant board members: 'At the time of transfer, tenants are often led to believe that they will have an explicit role in representing the interest of their fellow tenants on the board. 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.' (Housing: Improving services through resident involvement, Audit Commission, June 2004)

Two tenant board members of Canalside Housing, Hackney, were dismissed from the board for speaking out against former council homes being reclassified as key-worker housing with increased rents:

"it became apparent that speaking for the tenants wasn't really what people were interested in at all. We were actually there to toe the line and if we didn't toe the line then we were out." (Sheila Seabury, former tenant board member of Canalside Housing, Hackney; oral evidence 8.3.05)

### 5.1.6 Homelessness

There is growing evidence that housing services for the homeless are being significantly downgraded post-transfer.

'43 per cent of [local] authorities reported difficulties in discharging their statutory housing duties' with post-1996 transfer RSLs, according to Shelter research. More recent research shows the situation getting worse:

"Latest figures show that 20.1% of allocations by large-scale voluntary transfer housing associations are to homeless families. This compares favourably to housing associations not involved in stock transfer (9.4%), but it is less than the 34% by local authorities..."

Rachel Newton, regional campaign officer for Shelter in North-west England, said: 'It is definitely a problem in the North-west. We have found that local authorities are often unable to find permanent housing for homeless households because they are excluded by housing associations, for example because of small amounts of rent arrears from a previous tenancy.'" (*Housing Today*, 29 April 2005).

### 5.1.7 Demolition

A growing number of housing privatisation schemes include mass demolition programmes. Sunderland (see below) is a stark example. We heard from tenants in Birmingham of the disas-

trous effects: “We’ve had 10,000 houses being taken away in the past two years – trickle transfer. No meetings, no consultation, nothing... The 10,000 people were bullied out of their houses, boarded up, bribed and bullied, and threatened with eviction to get out. People who were born and bred in the houses thrown out.” (Pat Morrin, Birmingham Defend Council Housing, oral evidence, 8 March 2005).

On the Clapham Park estate, Lambeth, half of the estate is to be demolished so that Metropolitan Housing Trust can expand its development operations, building 1500 flats for sale on the private market.

“The big problem with clearance... is that the intervention is a kind of gross intervention. They completely forget that they are totally smashing community interest, and the essential assets of an existing area.” (Professor Anne Power, ‘File on 4 – Urban Regeneration’, Radio 4, 8 March 2005).

**Sunderland : Case Study**

Sunderland city council transferred 36,000 council homes in 2001, and what has happened since exemplifies the very worst of problems with transfer RSLs.

Widespread demolition in the name of ‘regeneration’ has brought increased homelessness, and acute distress for elderly people forced out of their homes.

“Pennywell now is devastated. I lived through the war; and I’ve seen better war sites... It’s breaking my heart to go, because I’m leaving behind a place where I have worked for over forty years to try and do something for the people living there, and I feel as though I’ve failed. Because, when I look out of my window now, either back or front, it’s empty houses, boarded up.” (Margery Atkinson, 86 year old Sunderland resident; oral evidence, 12 February 2005).

The amount of affordable housing in the city is being massively reduced, while Emperor Properties, a profit-making subsidiary of Sunderland Housing Group (SHG), builds new homes for sale on the private market. Sunderland councillors reported that in the Doxford Park estate SHG are to knock down 800 houses and build 600 new homes, of which 40% will be for private sale. In the lead up to transfer, SHG claimed they would build 4,000 new affordable homes in five years. They say they have actually built 26.

A homeowner from Doxford Park told a Council investigation in January 2005: “home

**No improvement in tenant satisfaction**

Area of promise	Office’s research <sup>1</sup>	National Audit Office’s research <sup>2</sup>
Home improvements and other works	<ul style="list-style-type: none"> <li>• 81% of tenant satisfaction with the condition of homes (78% before transfer)</li> <li>• 81% tenant satisfaction with works undertaken (87% before transfer)</li> </ul>	<ul style="list-style-type: none"> <li>• RSLs said they had either met their promises on home improvements or were on schedule. On average, RSLs have improved 72% of their homes</li> </ul>
Rent increases	<ul style="list-style-type: none"> <li>• 77% tenant satisfaction that rents are value for money (77% before transfer)</li> </ul>	<ul style="list-style-type: none"> <li>• 83% of RSLs we surveyed said they had kept their rent increases within guideline figures</li> </ul>
Repairs and other housing services (for example, warden services)	<ul style="list-style-type: none"> <li>• 63% tenant satisfaction with the quality of the repairs service (68% before transfer)</li> <li>• 85% of tenants considered that housing services were at least as good as before transfer</li> </ul>	<ul style="list-style-type: none"> <li>• RSLs surveyed said they had met, exceeded or were on schedule to meet their promises on repairs</li> <li>• All RSLs we visited had met promises on housing services</li> <li>• RSLs are carrying out almost all repairs on time</li> </ul>

1. The Office’s research is based on the DTZ Pieda report (2000) and its Survey of English Housing.  
 2. The National Audit Office’s research comprised visits to 10 RSLs, a survey of 50 RSLs and analysis of Housing Corporation information.  
 (From ‘Improving Social Housing Through Transfer’, Public Accounts Committee, 2003)

“The big problem with clearance... is that the intervention is a kind of gross intervention. They completely forget that they are totally smashing community interest, and the essential assets of an existing area.” Professor Anne Power

owners felt they were given very little option in the development of their area, which led to much stress and anxiety.” The Council committee noted that, despite being invited, no-one from the Housing Group attended to answer questions.

Meanwhile Sunderland Housing Group has introduced an ‘excellent tenant’ scheme; only those who qualify can obtain a transfer to a new tenancy in the city. Since huge swathes of housing are going to be demolished, this will affect very large numbers of people. The definition of ‘excellent tenant’ appears draconian:

“you need to have no rent arrears for 12 months... no anti-social behaviour problems, the garden needs to be clean and tidy, and decoration to a ‘high standard’. Furnishings to a ‘high standard’... I know people who because they’ve got a frayed settee, and frayed curtains, and a washing basket on the stairs, they haven’t got ‘excellent tenancy’” (Cllr. Mike Tansey, Sunderland City Council; oral evidence, 12 February 2005).

Landlord management costs in Sunderland

## 5. POST TRANSFER / ALMO EXPERIENCE

have shot up. While homelessness grows, SHG has built itself a new headquarters called Emperor House. Former housing director Peter Walls has seen his salary double to over £140,000 since he became chief executive. His partner is now a director on £90,000 a year, his nephew is on £90,000 a year, and other members of his family are on very high salaries. For tenants:

“Rent has gone up about eight times the rate of inflation, service charges up 25% for people who’ve bought in the multi-storeys and maisonettes and there is an £18 a week charge for parking in the central areas. What we’ve experienced is frightening...

Now it’s too late for us in Sunderland to make any difference to what’s happened. But if anyone has any doubts about not going down the privatisation road, or the transfer of council housing stock, get on a bus and go into Sunderland.” (Cllr. Bryn Sidaway, Sunderland city council, oral evidence, 12 February 2005).

### 5.2 ALMO experience

The ALMO (Arms Length Management Organisation) option was established largely due to hostility from local authorities and tenants towards large scale transfer. They involve the local authority setting up a private company to manage council homes allowing them to bid for additional investment support.

ALMOs were originally promoted to tenants as a vehicle for meeting the government’s Decent Homes Standard target. Few tenants or councillors saw any intrinsic benefits from separating council’s management and strategic functions but many made a pragmatic decision to set up an ALMO. Where tenants supported the ALMO option they did so with specific reassurances that the ALMO would never be privatised, and if it failed the council would immediately take it back.

“Tenants in Sheffield voted overwhelmingly for the ALMO option because, I believe, it was an option which bought in the money but left the ownership of the properties still in the hands of the City Council.” (Councillor Chris Weldon, Cabinet Member for Neighbourhoods Sheffield, 24 May 2005).

But supporters of council housing have argued that ALMOs are a two-stage strategy to privatise council housing. One of the key unanswered questions that led to Camden tenants voting 77% No to ALMO was: “If the govern-

ment has extra money for councils who set up arms length companies why can’t they give it direct to the council if that’s what tenants want – unless, of course, privatisation is the end game?” (written evidence from Camden Defend Council Housing, March 2004).

With many of the early ALMO agreements due to finish in 2007/8, and the ‘decent homes’ target met, intensive lobbying is underway to create a new permanent status.

The National Federation of ALMOs has been lobbying government for increased powers including, significantly, the ability to borrow on the private market. In February 2004 the Housing Minister confirmed ALMOs would be able to bid for social housing grant alongside housing associations and private companies, enabling them to carry out new build development.

When government launched a review of ALMOs in September 2004 *Inside Housing* reported: “Arms-length management organisations could take over ownership of council homes by 2006 under radical new proposals drawn up by the Office of the Deputy Prime Minister” (3 September 2004). But transferring ownership of the homes into the ALMO would require a tenant ballot, and therefore attract opposition. The Chartered Institute of Housing looked at the option of the council selling the stock to the ALMO, but concluded “there was little support for such an approach”.

Instead a new proposal has been developed – councils keeping the stock, but giving up their 51% majority on the ALMO to take it into the private domain to raise private finance. The government would write off debt for those councils with ALMOs, and the council will have to hand over control of the Housing Revenue Account to the ALMO. The ALMO would be financially self-sufficient and able to borrow on the private market outside public sector borrowing controls, just like a housing association. The link between the council and the ALMO will be so tenuous as to become meaningless. The ALMO will be given a long-term (35 year) contract, with the banks having the right to step in if problems arise. (ALMOs: A New Future for Council Housing, published jointly by Housemark / NFA / CIH, April 2005).

This proposal doesn’t come cheap: “Radical plans aimed at transforming Arms Length Management Organisations (ALMOs) into private

“If the government has extra money for councils who set up arms length companies why can’t they give it direct to the council if that’s what tenants want – unless, of course, privatisation is the end game?”

sector entities able to borrow from banks and building societies will require partial or full Treasury write-offs of council's housing loans. The write-off bill could be as large as £5.64 billion." (*Social Housing*, May 2005).

### Leeds Case Study

Leeds transferred the management of its homes to six ALMOs two years ago.

"There used to be 38 housing offices, now there's 33... The assistant business manager for North East Homes, which is one of the ALMOs, says it is not an issue for consultation, it's a business decision and we will close the ability of tenants to pay their rent at the local housing office regardless of what they think." (Dick Bond, Leeds Amicus, oral evidence, 8 March 2005).

Evidence collected by organisations working for the homeless shows that waiting lists have increased under the ALMO.

It cost Leeds council nearly £2 million to persuade tenants to vote for ALMO. Almost immediately the salaries bill for senior managers was increased by £750,000 a year. A further £300,000 a year was spent on new head offices.

Five different companies now undertake housing work in Leeds. One contract was awarded to a company that does not have a direct workforce and relies on sub-contractors. Different working practices are applied by the different companies and there is inconsistency of practice throughout the area.

The ALMOs have orchestrated a huge demolition programme, amounting to 10,000 homes or one in six properties. They claim these homes are not the right type and are not viable. This reduces available housing and allows transfer of land to private developers in exchange for a mixture of tenures. Council homes will not be replaced under this programme.

### 5.3 PFI Disaster

The first housing PFI schemes are only recently established, but already disturbing evidence is emerging of: "sub-standard workmanship, bullying site managers, a lack of care for residents and their homes... and builders who left work incomplete, unsafe or unsatisfactory" (*Islington Tribune*, March 2005 )

A survey in January 2005 found 87% of tenants complained about damage by workmen, and two thirds were dissatisfied with poor security. The survey company said: "All stated to us

that if they had realised what they would have to go through during the course of work inside their homes, they would never have allowed the contractor to commence work." (*Islington Tribune*, 25 March 2005).

When private companies sign 30 year contracts for a major project, it is very difficult to hold them to any standard. Such reports make a mockery of the idea that councils will be able to monitor PFI contractors to ensure high standards of performance.

### 5.4 Loss of direct labour

One other casualty of stock transfers and ALMOs is the direct labour organisation.

DLOs have always been major employers within their local communities. Good employment conditions, combined with job security and pension rights, encourage the retention of skilled and efficient workers. The provision of apprenticeships, partnership-working and proper training encourages young people into the public sector and provides a unique social role via the support for wider investment and training into the construction industry as a whole.

"The loss of local authority housing departments will inevitably lead to the demise of the DLO, a fragmented workforce and a decline in public sector employment. Skilled maintenance workers have provided good value for money to local authorities and once they are gone they will be extremely difficult to replace." (John Allott, Amicus National Officer for Local Authorities, written evidence, 12 May 2005).

Many local authorities have great difficulties holding private contractors to account and often face substantial costs to get out of complicated legal contracts. In Liverpool the maintenance contract was given to Interserve, a national company providing maintenance servicing contracts. Following complaints about the company's performance the council spent £1 million to buy out the contract.

Tenants, particularly the elderly or vulnerable, really appreciate getting to know the trades people who visit their homes. There is also a real benefit of 'local knowledge' gained from working in the same buildings/area for a long period of time. These are both benefits that DLO employees can provide which contractors, who come and go, cannot.

"Radical plans aimed at transforming Arms Length Management Organisations (ALMOs) into private sector entities able to borrow from banks and building societies will require partial or full Treasury write-offs of council's housing loans. The write-off bill could be as large as £5.64 billion."

# 6. No proven benefits of separating housing strategy and management

## SUMMARY

The government has provided no evidence to demonstrate any benefit of separating housing strategy from management. Research by Shelter and by Heriott-Watt University identified disadvantages.

One fifth of post transfer RSLs have been placed under supervision by the Housing Corporation that regulates them.

Many councillors believe that separation will act against joined up thinking across services. And the ODPM Select Committee concluded “there is no clear positive correlation between a separation of the two tasks and excellence in either strategic management or stock management.”

There is no evidence of benefits from forcing councils to separate overall strategic housing responsibilities, with day to day management run by separate companies (RSL, ALMO or PFI consortium, etc). The ODPM Select Committee and the Chartered Institute of Housing find no evidence to support ministerial claims that this improves service performance.

“In its memorandum to this Committee, the ODPM reiterated the commitment to separating the strategic housing management from stock management by declaring that:

115. “To make best use of those resources the Government makes available, it will only provide additional funding to councils that separate their landlord and strategic functions. This provides a strong incentive to better performance, ensures a sharper focus on the two distinct housing functions; and guarantees that tenants have a greater role in the future management of their homes.”

126. “However, 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...The Audit Commission indicated that the issue is not as straightforward as the Government would have us believe... 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.

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.

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.” (ODPM Select Committee Report on Decent Homes, 7 May 2004).

A Heriott-Watt University study confirmed this scepticism, following research into the ef-

## 6. NO PROVEN BENEFITS OF SEPARATING HOUSING STRATEGY AND MANAGEMENT



fects 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).

Clive Betts MP, a member of the ODPM select committee, said the number of transfer RSLs under supervision showed “a worrying degree of incompetence from the housing association...It suggests that housing associations are no better managers than councils if they still get into trouble even with the extra resources at their disposal. “Despite repeated questions from members of the committee, ministers have not produced a shred of evidence that housing is any better managed by housing associations.” (*Guardian Unlimited*, 25 May, 2005).

Government has now conceded, under pressure from the lenders, that it will not make public ‘gap’ funding to assist transfer profitability conditional on an RSL’s performance rating, despite commitments to do so. (*Inside Housing*, 11 March 2005).

“As a councillor I still receive numerous complaints about housing issues, the only difference is now there is far less I can do to sort them out. Even ten years since LSVT took place I still get phone calls and letters from tenants asking if the ‘Council’ can fix this or that or provide their

**Tenants, elected members and council officers waiting to give evidence on 8 March 2005**

“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”

children with housing...” (Cllr Ian Tilbury, Basingstoke & Deane (by email), 30 March 2005).

“I as a Ward Councillor have tremendous problems dealing with case problem issues with housing associations. They don’t respond to councillors, they don’t think you’re important, so getting something done for a tenant on an RSL is very difficult. With my local authority it’s not a problem.” (Cllr Graham Harvey, Labour Group Leader and Spokesman on Housing, Portsmouth City Council, oral evidence, 12 May, 2004)

“The Chairman commented that Members who were not represented on the SHG Board often felt isolated and uninformed of the Housing Group’s programmes, policies and strategies.” (Minutes of Regeneration Review Committee meeting, Sunderland City Council, 25 January 2005).

# 7. Tenants denied real choice

## SUMMARY

### Blackmail – not choice

There is no evidence that tenants voluntarily opt to change landlord. ‘Yes’ votes are only obtained after councils put a one sided argument to tenants, promoting transfer as the only way to get repairs and improvements.

The process of promoting and setting up transfers wastes £430 per home (NAO Report, March 2003). This does not include the cost of council staff time trying to secure a ‘Yes’ vote.

The stock transfer and other ballots process is adversarial, but with all publicly-funded resources devoted to the pro-transfer campaign.

There is no ‘balanced debate’ and many tenants don’t hear the arguments against privatisation. Councils avoid and obstruct public meetings or debates, deploy council officers to take down any anti-transfer material and start ballots before the publicised date, so tenants are forced to vote before they hear or read alternative arguments. This is appalling practice undermining democracy and the reputation of local and national governments.

Real choice requires a ‘level playing field’.

## Introduction

Tenants repeatedly pose two questions:

- If government is committed to ensuring all council and RSL housing meets the decent homes standard by 2010 – what happens if tenants choose to stay with council housing?
- If public funding is available to support investment via Arms Length Management, Private Finance Initiatives or Stock Transfer, why can this funding not be made available for direct investment in existing council homes?

Ministers say they are in favour of ‘choice in public services’ but not, it appears, when it comes to council tenants.

We concur with the Public Administration Select Committee: “The evidence suggests to us that, while public attitudes towards choice are generally positive, few people are likely to name it as their first priority for public services.” (*Choice, Voice and Public Services*, March 2005, page 41).

The government claims council housing policy at local level should be ‘tenant led’ but there is no general evidence of council tenants calling for a change of landlord (and there is no opportunity for private or RSL tenants to choose to become council tenants – even after unpopular transfers).

All councils must carry out the mandatory “options appraisal” on the future of their council housing, identifying the resources they will need to meet the Decent Homes Standard and the resources available to them, examining the options, consulting tenants to find out their views, and then choosing a “preferred option”. If the option chosen is transfer, PFI or ALMO, the authority then needs to undertake a second consultation process, to show tenants support the proposal; if the chosen option is transfer this must include a ballot of all tenants.

Both processes are open to abuse. We heard evidence that the options appraisal process is flawed in a number of ways and that “consultations” leading to transfer or ALMO involve one-sided propaganda, tenants excluded from debate, an undemocratic ballot process, and even bullying and intimidation.

## Cost

An options appraisal typically costs around £500,000; to consult on and set up an ALMO £500,000 – £1 million, and to achieve stock transfer between £2 and £3 million. Tenants and elected councillors object to this council spend-

ing on glossy consultations carried out by highly paid consultants when it is obvious there is no popular support for privatisation. Taunton Deane need £800,000 to meet the Decent Homes Standard; instead the council are spending £500,000 balloting for stock transfer.

“In December 2001 the residents of the Aylesbury Estate in South London voted No to tenancy transfers by a huge majority of 73%. Out of a remarkably high 76% turnout, 1378 voted No, 507 voted Yes. Of all eligible to vote 55% voted No... Since 2001 the council has wasted thousands more pounds commissioning an army of highly paid consultants to reinterpret that vote.” (Alex Clark, tenant, Aylesbury Estate, London Borough of Southwark; oral evidence, 12 May 2004)

Kingston upon Hull Council formally objected to wasting tenants or council tax payers money on a consultation and, uniquely, managed to get the ODPM to foot the bill.

### 7.1 Options Appraisal Process Unbalanced

Housing finance is notoriously complicated. Many elected councillors and tenants feel unable to challenge the ‘advice’ and ‘facts’ that senior officers provide.

#### 7.1.1 How Options Described

Senior officers and elected politicians have considerable discretion. Where an authority wants to privatise its homes it can construct the appraisal or consultation to support that end. We examined a total of 36 tenant consultations carried out by local authorities as part of their options appraisal process, of whom 27 have chosen an option.

Of those who chose retention, 100% carried out a full survey of all tenants before making their decision. All of those included retention as an option on the survey. It was described in various ways, but 88% used a neutral description such as ‘stay with the council’, or ‘stock retention’.

Of those who have since chosen transfer or ALMO, only 70% carried out a full survey of all tenants. Some, such as Taunton Deane and Selby, made the decision with a small group. Of those who did a full survey, only 43% included retention as an option. Some authorities, such as Havering, Sedgemoor and Enfield only offered a choice between transfer and ALMO. Of those who did include retention as an option, only 67% described it in neutral terms. Berwick-on-Tweed asked its tenants whether they thought the council should pursue whatever option delivered the

Berwick-on-Tweed asked its tenants whether they thought the council should pursue whatever option delivered the highest level of service – they did not mention that this meant transfer!

highest level of service – they did not mention that this meant transfer!

#### Bias in the Options Appraisal Process

Councillors in Harlow informed us of various attempts to influence the options appraisal process. “We also had reasons to be suspicious that senior officers within the council, and civil servants supposedly advising the council on how to conduct the Housing Options process, were seeking to steer the process in favour of stock transfer.” The council published inaccurate material, including a claim that Harlow Council couldn’t meet the Decent Homes Standard by 2010 if it kept its stock. “Eleven thousand copies of this newspaper eventually had to be pulped after complaints about bias and inaccuracy were upheld.” (Cllr. Kevin Brooks, Leader, Harlow Labour Group; written evidence, 08 May 2004).

In North Tyneside, the former chair of the ITA Steering Group told us about a number of irregularities in the options process. Tenants complained to the Parliamentary Ombudsman about the conduct of the Community Housing Task Force and “Hilary Bartle is no longer in charge of the CHTF as a result of our complaint.”

“We have also discovered serious irregularities in the second Stock Condition survey, which was also redone because the Council had only done a 2% survey instead of the Government minimum recommendation of 10%... this is the subject of investigation by the Fraud Squad.” Finally they considered that not just one but two Independent Tenant Advisers (including TPAS) had broken the recommended Code of Practice for Local Authority Publicity. (Terry Harding, former Chair, North Tyneside ITA Steering Group, written evidence, 6 January 2005).

Northampton Council has put its options process on hold to investigate concerns about the conduct of its Independent Tenant Adviser, BHCS: “The Conservative-led council cancelled a move to full ballot of 12,600 homes for transfer at the very last moment, due to misgivings over the way a consultation with 1,000 tenants had been carried out. Only 30% supported switching their homes to a housing association... in a statement the council said there were “a number of errors” in the way the consultation was carried out by Birmingham Co-operative Housing Services (BCHS).” (*The Guardian*, 18 May 2005).

The Council said: “...I can confirm that we have invited the police to assess whether any

## 7. TENANTS DENIED REAL CHOICE

criminal activity has taken place, and that we are setting up a working group to fully investigate the matter” (Cllr David Palethorpe, Cabinet Member for Housing, Northampton Borough Council, press statement, 19 May 2005).

### 7.1.2 Councils not factoring into stock options all available income

Meeting the government’s standard usually requires a predicted level of revenue and capital funding over 30 years. Assessing available resources is inevitably part-speculation. Management and Maintenance and Major Repairs Allowances (the two major funding streams) or the number homes lost through ‘right to buy’ are not predictable beyond a few years. Stock condition surveys are an inexact science allowing much room for interpretation.

At South Derbyshire Councillors have rejected stock transfer despite officers’ advice, after a survey showed 86 per cent of tenants opposed transfer. Chair of housing Bob Southern said: “Our officers want us to transfer the housing stock, but we don’t agree with their figures. We are asking our officers to look at where money can be saved and we are confident that with good housekeeping we can ensure there will be no deficit in 2010.” (*Inside Housing*, 15 October 2004).

Assessing the viable options rests on core financial information. Rarely are tenants provided with the details or given the necessary training to understand housing finance. This leaves individual tenants – including members of the Steering Groups – heavily reliant on advice from senior officers likely to personally benefit from higher salaries and career opportunities if transfer or ALMO goes through. Councillors in a similar position might well be required to declare an interest and withdraw from the process.

We have found authorities where officers have not advised tenants or elected members of increases in the Management & Maintenance Allowance since their stock options appraisal was conducted, although these mean the council could use prudential borrowing or look at other options.

There are a range of measures available to councils who wish to maximise their available resources for council housing, but not all councils make the best use of these. They are:

1. Reinvesting all the available housing capital receipts back into council housing
2. Ensuring that only expenditure strictly re-

“Our officers want us to transfer the housing stock, but we don’t agree with their figures. We are asking our officers to look at where money can be saved and we are confident that with good housekeeping we can ensure there will be no deficit in 2010.”

lated to the management and maintenance of council housing is charged to the Housing Revenue Account and that other expenditure is properly charged to the authorities General Fund

3. Use of assets such as derelict land or commercial properties – these can either be sold or borrowed against to raise money for council housing;

4. Prudential borrowing to help raise all or part of the money needed;

5. Use of all possible supported borrowing expenditure (used to be known as Basic Credit Approvals) for council housing;

6. Lobbying the regional board for more funding;

7. Increasing revenue by improving turnaround time on void flats.

Council decisions to raid the Housing Revenue Account to keep council tax low, or to spend ‘usable capital receipts’ for non housing purposes (see 4.2 and 4.3) have a direct bearing on the ‘stock options’ but are rarely flagged up to tenants.

We investigated the options appraisals of 30 local authorities to discover whether they had considered prudential borrowing to help meet Decent Homes standards. Seven opted to use prudential borrowing: Bridgnorth, Darlington, Gedling, Leicester, Mid Suffolk, Runnymede and Woking. Three had not investigated it; one did not give a reason and six could meet Decent Homes out of existing resources. Thirteen found it was not a feasible option due to lack of revenue, of which five can meet Decent Homes.

### 7.1.3 ‘level playing field’ essential to choice

Real choice requires tenants being able to choose between all the options – not just the ones that suit government.

As Dennis Reed, chief executive of the Local Government Information Unit put it “Tenants deserve choice and security in meeting their housing needs. This means a genuine local choice based on a level playing field for raising investment between local authorities and other social landlords. Councils should be given equal funding preference and be allowed to borrow capital in the same way as housing associations.” (*The Guardian*, 2 February 2004).

Hal Pawson, senior research fellow at Edinburgh’s Heriot-Watt university, said it was “hard to contest” campaigners’ claims that tenants were being blackmailed into voting for new manage-

ment of their homes: “Ultimately, the ‘choice’ offered to the vast majority of tenants consists of no more than an opportunity to endorse or reject a single option, with rejection potentially incurring a heavy penalty in the form of debarred access to capital investment. This is, arguably, hardly a choice at all.” (*Guardian Unlimited*, 29 October 2004).

### 7.1.4 Councils Ignoring Tenants’ Views When Choosing Option

Some authorities ignore the clear view expressed by tenants’ consultation and submit their preferred option to the ODPM (South Northamptonshire, Sutton, Haringey, and Salisbury).

The London Borough of Sutton conducted a full survey of all tenants; 97% of tenants said being a council tenant was ‘important’ or ‘very important’ to them (85% ‘very important’). It was made clear to the tenants that the council could not meet the Decent Homes Standard with the option described as ‘stay as we are’, and tenants had a high level of understanding both of the Decent Homes Standard (95%) and of the options (80%). When asked to choose their preferred option:

“71.8% chose ‘stay as we are’, around 16.8% chose ‘Arms-length management’, 9.4% chose ‘stock transfer’, while less than 2% chose ‘Private Finance Initiative’ “ (Housing Option Appraisal, London Borough of Sutton, 14 February 2005).

Despite this, Sutton council chose ALMO as their preferred option.

In Salisbury the council are able to meet the Decent Homes Standard from existing resources, but offered tenants a higher ‘Salisbury Standard’ in a questionnaire:

“73% of tenants believe that ownership by the Council is very important to them and another 12% thought it quite important. Only 3.5% thought ownership by the Council was not important. These findings have been reinforced by the results from the tenants questionnaire sent out in November 04. This found that 70% of the respondents wanted to remain with the Council and only 30% wanted consideration of a stock transfer.” (Salisbury UNISON, Submission on Stock Options to Salisbury Council, 25 January 2005).

The survey showed more tenants preferred to have the Decent Homes Standard (43%) than the Salisbury Standard (35%). Despite this, Salisbury Council chose transfer as its preferred option.

It was “hard to contest” campaigners’ claims that tenants were being blackmailed into voting for new management of their homes: “Ultimately, the ‘choice’ offered to the vast majority of tenants consists of no more than an opportunity to endorse or reject a single option, with rejection potentially incurring a heavy penalty in the form of debarred access to capital investment. This is, arguably, hardly a choice at all.”

## 7.2 Transfer / ALMO Process

### 7.2.1 One Sided Propaganda

Ministers have repeatedly reaffirmed the importance of tenants getting all the information they need.

Keith Hill, then Housing Minister said: “The law is entirely clear, which is that tenants need to be presented with equal information about the pros and cons of the various options for which they are being consulted and that is absolutely the principle that we as government and we as ministers conform to... Certainly local authorities are under a requirement to act in that same kind of impartial presentation of information.” (London Tenants Federation conference, 27 November 2003).

But when Camden tenants sought Judicial Review against the London Borough of Camden for failing to provide a fair and balanced debate Justice Munby ruled there was “no legal obligation on Camden to do so”.

To uphold the principle of a ‘fair and balanced debate’ it is incumbent on Ministers to change the guidelines and specify a clear code of conduct guaranteeing tenants ‘equal information about the pros and cons of the various options’.

There is strong evidence of a deliberate attempt to use the resources of the council to manipulate the consultation process. Dennis Minnis, cabinet member for housing at the time of the Birmingham Council ballot in 2003 said: ‘They [Defend Council Housing] do not have the resources that we have in terms of going to tenants on the doorstep.’

At a conference on stock transfer, Kevin Dodd, former Wakefield Council head of housing and now chief executive of Wakefield and District Housing, said: ‘How can you sell the message objectively? Once you are into the process, you are marketing an ideal because you want a “yes” vote.’ (*Inside Housing*, 29 April 2005)

And Howard Farrand, former strategic city director with Coventry Council who was appointed chief executive of Coventry based Whitefriars Housing Group, said: ‘Like hell we were going to be neutral. Where would I go if we did not win?’

Mike Gelling, chair of tenants’ body TAROE believes many stock transfer consultations were not properly policed. (*Inside Housing*, 29 April 2005).

District Auditors have twice supported tenant complaints that their local authority has unlaw-

## 7. TENANTS DENIED REAL CHOICE

fully used public money to promote its objectives. Bath and North East Somerset Council was found to have issued one-sided pro-stock transfer campaign. Publicity material was ‘unbalanced, one-sided and misleading’ and the costs therefore ‘contrary to law’ (May 2003). Responding to the final judgement B&NES chief executive Alan Ward said: ‘given what I have seen in other councils up and down the country the same would most certainly have to be said of them’. (*Inside Housing*, 16 May 2003)

West Wiltshire Council was also found to have acted unlawfully. Eight pieces of publicity were unbalanced ‘and did not cover sufficiently the possible disadvantages of the transfer option’, wrote auditor Richard Lott in his audit and inspection annual letter. ‘Furthermore they were, or could be perceived to be in places, persuasive rather than informative’. (*Inside Housing*, 30 January 2004).

Individual tenants are not well placed to challenge local authorities on their legal responsibilities. The trend in recent years towards local authorities funding Tenants Federations or forums makes these bodies reluctant to bite the hand that feeds them.

### 7.2.2 Excluding Debate

Councils use their superior resources to unbalance the debate in other ways. We have received evidence of a variety of dirty tricks.

Tower Hamlets council has instructed housing workers to take down anti-transfer material (whilst leaving pro transfer material up). They have refused to act to allow tenants to use tenants halls or public halls to hold meetings against their proposals or to carry adverts for tenants’ conferences in the Council’s weekly paper. Tenants on the Clapham Park estate in Lambeth weren’t allowed to book local halls, which were heavily influenced or funded by transfer promoters the Clapham Park Project.

In Macclesfield, the local paper asked people visiting their website to register whether they were intending to vote YES or NO, but someone tried to rig the outcome:

“I have no idea who hijacked our poll; it could have been one person or several. What I know for sure is that we had the normal level of visitors but a totally ABNORMAL number of reloads (visitors logging off then back on again) and suddenly an 85% NO vote became a 55% YES vote. So the logging on and off was to enable the ‘visitor’

“How can you sell the message objectively? Once you are into the process, you are marketing an ideal because you want a “yes” vote.”

to vote over and over again.” (Vic Barlow, *Macclesfield & Wilmslow Express*, 20 March 2005)

### 7.2.3 Misrepresenting Condition of the Homes

Where councils argue there is no alternative to stock transfer, PFI or ALMO, tenants believe problems are deliberately exaggerated.

“Our Deputy Director of Housing produced a report ... that Sefton needed £12 million to meet the Decent Homes Standard, that we needed £15 million to meet the aspirations of the tenants.... Just months later, that £15 million to meet the aspirations rose to £200 million. And when we asked ‘Where the hell did that come from?’ they told us ‘HACAS Chapman Hendy – they’ve miscalculated the figures.... They didn’t include the cladding for the high-rise blocks.’ So we said, ‘We’ve got a report here, sent last month, which says £500,000 to clad a high-rise block. We’ve only got seven!’” (Paul Summers, Sefton UNISON; oral evidence, 8 March 2005)

In Tower Hamlets there is evidence that the council withholds work on estates where a ballot for stock transfer is planned in order to increase pressure on tenants. On the Myatts Field estate in Lambeth tenants told us the council is failing to tackle sewage backing up in some flats and is using this to persuade tenants to accept a major PFI scheme.

### 7.2.4 Bullying and Intimidation

We have received numbers of reports from tenants and elected councillors of deliberate bullying.

In Stroud individual councillors were threatened with the Standards Committee for opposing stock transfer in 2004. The council also formally wrote to the MP, David Drew, objecting to his involvement. Councillor Hilary Fowles, leader of the Labour group on Stroud District Council, told us: “It is telling that a small group of tenants on a tiny budget, all of whom were targeted in different ways by the Council, could run a small but effective campaign that resonated far more with tenants’ own wishes and which was successful. The Council need to acknowledge that there has been a democratic vote and must respect the tenants’ decision instead of just saying that they now need to spend £600,000 to repeat the LSVT ballot.”

“The Standards Board has been mentioned. I am worried about that, because I do go leafleting; and I am involved in other things within my com-

munity, and I would like to remain involved. So there's a lot at stake." (Cllr. Maureen Bowen, Stafford Borough Council; oral evidence, 12 February 2005)

In Tower Hamlets, we heard that the 'Ocean New Deal' plan proposes to use public resources to ensure: "housing partners and community leaders will also work to undermine the aims and integrity of those campaigning against the transfer". (Ocean New Deal Resident Consultation and communication Strategy 2004, 11 November 2004).

A tenant campaigning against transfer in Taunton Deane is excluded from meetings: "I could go, but I was not allowed to speak, and then when I went and didn't keep quiet, they said well you can stand outside. And then they stopped having public meetings altogether and started having little one-to-one drop-in sessions. So I took a couple of days off work and stood by the door so people had stuff as they were going in and coming out, then they tried to get the police onto me..." (Patricia Rowe, Taunton Deane Tenants Against Transfer; oral evidence, 8 March 2005).

Tenants' groups opposed to transfer found themselves the victim of pro-transfer councils: "I was chair of Clapham Park West Tenants Association for fourteen months... They appointed my vice-chair to the board of Clapham Park Homes in late October last year. And in late November they helped him, with 20 residents who'd never attended any meetings before... and they voted him in and me out. I wouldn't have minded so much but they refused to hold any meetings... So the vice-chair and four committee members held committee meetings at which he was ousted and I was asked to be reinstated. And we held a general meeting, we had to hold it in a pub, on Valentine's Day, and we got our quorum... but now Lambeth are refusing to recognise us... We had funds in our residents' association bank account; we had to use our own money to pay for leaflets ... I've been barred, personally barred, from a community resource which gave me access to free photocopying, a meeting room, which we did use, and a computer and internet." (Phillippa Stone, Chair, Clapham Park West TA, oral evidence, 8 March 2005).

"We had about 15 people on the steering group and we worked very hard to do what the council said that it was supposed to do, be inclusive, give information, share information, and bring people on board to make an informed choice about the

future of their homes.... We built our steering group up to fifty odd people ... we'd been told at every meeting that we could pull out of the process at any stage we wanted to, we didn't have to go to a ballot, we could decide to discontinue it if enough residents felt strongly enough. And the feedback we were consistently getting was that people wanted to stay with the council as their landlord... We voted to pull out of Housing Choice, out of the process, and stay with the council.... they responded by giving a reply from the Director of Housing who wrote a letter saying... this is it, as far as we're concerned, it's Housing Choice or nothing.... And they've told us now, that they don't recognise the steering group we had, as far as they're concerned there was no steering group on our estate, and they're going to come back onto our estate, set up another steering group which obviously will have to consist of people who will just do what the council say. My main problem with this is, there is no democracy in this whole process at all." (tenant, Tower Hamlets; oral evidence, 8 March 2005)

Tenants' efforts to ensure a fair and balanced debate by including anti-transfer material in meetings, stalls and open days is being prevented by senior council officers in Tower Hamlets and elsewhere.

Bullying is also applied to council housing workers to dissuade them from putting the case for council housing and campaigning against privatisation. Wrexham housing workers were told 35 of them would be made redundant if transfer was defeated. Tower Hamlets and Camden caretakers have been threatened with disciplinary action for refusing to take down tenants' anti privatisation posters. Sedgefield council suspended a craftworker for distributing campaign material on his way home, just inside working hours. Sefton council has suspended two branch officers and four housing stewards after a weekend protest outside a council 'transfer shop' in the town centre.

White collar housing workers are warned that anyone opposing the council's proposals would be considered not a 'good team player' and might not have a job with the new landlord.

### 7.2.5 Ballots

It would seem obvious that local authorities should be required to conduct a formal ballot if they are proposing major changes on something as important as how tenants' homes are managed

"Housing partners and community leaders will also work to undermine the aims and integrity of those campaigning against the transfer"

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or owned. The new Minister for Housing seemed to recognise this: ‘the matter is up to a vote of local tenants, and that is as it should be. Local tenants should have a vote. Local tenants should have a say in what they think should happen to their local social housing.’ (Under-Secretary of State Yvette Cooper, Hansard, 7 January 2004).

But government doesn’t require a ballot for ALMOs and PFI. Telephone or other polling exercises suffice. “‘You don’t have to have a ballot [for an ALMO]. They promised us a ballot, the Portfolio Leader stood up and said ‘I’ve always argued for a ballot, we will have a ballot.’ Within a week they were backsliding on that and they’re saying we perhaps don’t have to have a ballot...” (Phil Jones, Gloucester UNISON; oral evidence, 12 May 2005)

“In Southwark four years ago we rejected wholesale stock transfer... so they tried piecemeal attacks, and the Aylesbury Estate was one of them and they were defeated. And on the Haygate, which is the very big estate right by the Elephant which is a massive regeneration scheme, they decided they wouldn’t allow tenants to have a ballot because they knew what the result would be.” (Piers Corbyn, tenant, Southwark Defend Council Housing; oral evidence, 12 May 2004).

Even where councils do hold ballots they flout the rules of acceptable democratic practice.

In Tower Hamlets, North East Lincolnshire and elsewhere councils have called ballots early so that tenants vote before seeing leaflets putting the case against. In Islington the council rejected tenants’ calls for a ballot on an ALMO proposal. Then at one days notice ballot papers were sent out, ensuring no opposing material could be distributed to tenants before they voted. Despite these blatantly undemocratic tactics and a less than 21% turnout, this was accepted as evidence of tenant support. Leeds council called a ballot, without any advance notice, when they knew key campaigners were out of the city attending UNISON’s annual conference. Hackney Tenants Convention asked the council to delay its ALMO ballot to allow more consultation and debate but was ignored.

Ken Purchase, MP for Wolverhampton North East, said “In my borough, they’ve held a snap election on transfer into an ALMO. The publicity, the work that they’ve done, I understand – although there’s nobody to confirm this because somehow or other it’s not on the public record – has cost around £1 million. And this is to per-

suade 27,000 tenants that they would be better off taking a leap in the dark.

“The Electoral Reform Society has an arm called the Services, Electoral Services, and they’re supposed to look at the way in which the ballot is run, what’s on the ballot form, well! if they have a reputation at all I tell you it’s going down the drain pretty quickly in Wolverhampton. When I rang them the other day saying ‘why on earth did you not let people know that this snap election was being called?’ they said ‘Oh well, because the council asked us not to make it public’.”

On Clapham Park estate in Lambeth tenants were invited to the new landlord’s show flat to vote by placing their ballot paper in a ‘converted sports bag’ in front of staff from the Clapham Park Project, who were actively promoting the transfer. We received evidence that Clapham Park Project had teams on the estate day and night going door to door. Correspondence, released using a Freedom of Information inquiry, shows Lambeth Council helpfully asking the Electoral Reform Society: “[Clapham Park Project] wish to know your door knocking schedule... as they will also be on the Estate advising people to vote.” (email from Lambeth Council to ERS, 16 March 2005).

### 7.2.6 Conclusion

The Public Accounts Select Committee found that transfer does not lead to increased choice: “Transfers were intended to break up local authorities’ monopoly of social housing by giving tenants a choice of landlord. Whole stock transfers have been the primary transfer vehicle. In many cases, therefore, the transfer landlord has merely displaced the local authority landlord as the principal supplier, and hence tenants’ choice of landlord is not increased. ... It could be argued that the only difference achieved is the absence of the democratic participation of councillors.” (Improving Social Housing Through Transfer, 2002).

“The Electoral Reform Society has an arm called the Services, Electoral Services, and they’re supposed to look at the way in which the ballot is run, what’s on the ballot form, well! if they have a reputation at all I tell you it’s going down the drain pretty quickly in Wolverhampton. When I rang them the other day saying ‘why on earth did you not let people know that this snap election was being called?’ they said ‘Oh well, because the council asked us not to make it public’.”

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## SUMMARY

For most tenants the main issue is lack of repairs and improvement and no one can see why councils can't be allowed to do the necessary work.

Millions have been spent on one-sided pro privatisation campaigns. Any meaningful democratic process is gerrymandered by an appalling list of practices that would be unacceptable in any other context.

Privatisation is costly and uneconomic. Conversely the financial and social case for direct investment in council housing is overwhelming. The 'fourth option' is financially viable – and makes sense.

An 'investment allowance' would offer tenants real choice and enable local authorities to carry on providing the service that most tenants want.

Where authorities are failing to provide first class services then a constructive approach focused on helping councils raise their standards by promoting best practice via a 'Continual Improvement Task Force' is the way forward.

There is no widespread support for current policy in relation to council housing. Only the £19 billion backlog of repairs and improvements caused by years of disinvestment, privatisation and break-up of council housing gives privatisation a hearing among tenants.

Apart from one or two isolated examples there is no popular call from council tenants for a change of landlord. This is not because council tenants think their local authority is a perfect landlord, but out of a confidence in a system that has provided decent, affordable, secure and accountable housing over generations. Faced with the alternative, tenants conclude that remaining as council tenants is a better option.

The main issue for most is lack of repairs and improvements and no one can see why councils can't be allowed to do the necessary work.

Ministers have proudly claimed success in 136 whole stock transfers since 1988. They also cite 49 ALMOs set up since 2002. It is perhaps more remarkable that after so much bullying and arm twisting there have been so few. As the government's July 2005 deadline for councils in England to announce their 'stock options' choice approaches it seems nearly half of all local authorities will still retain their homes. So far only one Welsh authority has sold its homes along with a handful in Scotland.

In nearly every case tenants have explicitly said that they would rather remain as council tenants and have only accepted a privatisation option reluctantly. A new industry of consultants and ODPM Community Housing Task Force advisors has been employed to help local authorities bully and cajole tenants into reaching this decision.

Millions have been spent on one-sided pro-privatisation campaigns pushing glossy brochures and videos through tenants' doors promoting a choice between all dreams being fulfilled if there is a yes vote or 'total meltdown' and 'rot in hell' if tenants dare to say no. In many cases tenants aren't even aware that there are coherent arguments against stock transfer, PFI or ALMOs.

The process is often a farce. There is no requirement to ballot on ALMOs or PFI so a telephone survey or focus group satisfies the tick in the box requirement to consult tenants. With

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stock transfers councils use public resources to promote a one-sided campaign. They employ tactics including changing the date of the ballot, instructing council staff to selectively take down anti privatisation material on estates and refusing to hire out local community halls for meetings, and refuse to supply lists of council addresses to campaigners, while providing the new would-be landlord with details of who hasn't voted so they can knock up individual tenants during the ballot.

Councillors and senior council officers are left in no doubt by regional government offices and ODPM that opposition to government policy will blot their copybook. With so much local authority funding now tied to how councils score against government targets and policies, the threat is clear and serious.

Ministers have claimed that their three options bring improvements through separating housing strategy from housing management and by improving tenant involvement and satisfaction.

But government has offered no evidence to support the benefits of separation of roles. Heriott-Watt University and Shelter found exactly the opposite from their research and the latest admissions from the Housing Corporation on the number of post transfer RSLs placed under supervision refutes assertions made by Ministers.

In fact many elected members and senior officers at the sharp end of providing local authority services oppose separating functions precisely because they believe it will create competing interests and act against joined up thinking and cross service co-ordination. Several local authorities made the point that if they lose their housing it puts in jeopardy the whole future of the authority:

“Bolsover is not a metropolitan authority and has limited areas of operation. If it loses its housing, there will be hardly anything left. When the Tories were in power, many other things were taken away, but if housing goes, what does a small urban district council such as Bolsover function for? It will have the refuse collection and that is about it. That is the danger we face.” (Dennis Skinner MP, speaking at an adjournment debate on council housing 30 June 2004)

On tenant satisfaction the Public Accounts Committee, using research carried out by the



On average tenants are only 3% more satisfied with the 'condition of homes' – and 6% less satisfied with the 'works undertaken'. Tenants are actually less satisfied with the quality of the repairs service after transfer; and 15% of tenants considered that housing services generally had got worse. 17% of housing associations surveyed by the National Audit Office had already exceeded guidelines on rent increases.

National Audit Office, identified some contradictory results – none of which supports the government's upbeat claims. On average tenants are only 3% more satisfied with the 'condition of homes' – and 6% less satisfied with the 'works undertaken'. Tenants are actually less satisfied with the quality of the repairs service after transfer; and 15% of tenants considered that housing services generally had got worse. 17% of housing associations surveyed by the National Audit Office had already exceeded guidelines on rent increases.

The ODPM Select Committee concluded "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."

The government's final word is that their three options lever in private finance that simply can't be afforded by the public sector. But again the evidence does not stack up.

Improvements carried out by RSLs after stock transfer are funded by the private sector and count as 'off balance sheet' in terms of Treasury accounting rules. But the cost to the public purse is £1300 per home higher than if

local authorities did the work themselves according to the Public Account Select Committee.

PFI is recognised to be a more expensive way of financing investment – if it even gets off the ground. Of eight housing PFI schemes bidding in round 1 (six years ago) only four are up and running. Camden Council wasted £1.6million working up a PFI scheme which was then turned down by the Treasury for being too expensive.

ALMOs' additional funding is 'on balance sheet' and no different in terms of either cash or accountancy rules than if the money was given direct to the local authority.

So much for the case for privatisation.

Fundamental to the case for the 'fourth option' is a clear-cut financial argument. Council housing is cheaper to build, manage and maintain than the alternatives because it gets preferential rates of borrowing, isn't paying super-inflated salaries to senior managers (or VAT to the Treasury). And, contrary to popular belief, council housing can pay its own way if all the money that properly belongs to it is ring fenced and reinvested.

More than three million council homes in Britain provide vital secure, affordable and accountable housing for over eight million people.

Investment in directly-managed council housing would make more effective use of available funds.

Council housing generates surpluses. Government has taken a total of £13 billion from HRA (through negative subsidy) since 1990. And each year the Treasury continues to take more than £1.5 billion from the total HRA.

To address the remaining investment backlog of around £12 billion over six years would require an annual revenue stream of £0.75 billion a year for 30 years.

The historic disinvestment of capital receipts has created both a reserve and a justification for supporting this revenue stream.

The annual negative subsidy of £1.5 billion and £0.55 billion profit from Right to Buy more than covers this level of investment.

The 'fourth option' is financially viable – and makes sense.

In practice the 'investment allowance' would enable councils to take advantage of the new prudential borrowing powers by providing a

We suggest government should provide support for these authorities to help them raise standards. This could take the form of a new ODPM 'Continual Improvement Task Force' bringing together best practice and excellence and seconding experienced council officers from authorities who have successfully tackled housing repairs, voids and other problems to help those in difficulties.

revenue stream that would support borrowing of a capital sum to clear the backlog of repairs and improvements. The Treasury has strongly insisted that additional public investment has to be tied to good performance. ODPM Ministers use this argument to insist that only 'good' or 'excellent' councils can apply for additional ALMO funding. But if councils have already achieved 'good' or 'excellent' status why force them to break up their existing housing departments and set up a new private company?

This leaves authorities that have not achieved 'good' performing status. We suggest government should provide support for these authorities to help them raise standards. This could take the form of a new ODPM 'Continual Improvement Task Force' bringing together best practice and excellence and seconding experienced council officers from authorities who have successfully tackled housing repairs, voids and other problems to help those in difficulties.

Councils could be allowed to access additional resources and carry out the improvements by a process of small steps as they improve their performance in each area of operation.

This would be a constructive resolution to the current stand-off. Significant numbers of tenants and councils are refusing to accept one of the government's three privatisation options. Unless they concede the 'fourth option' government risks failing to achieve the restated manifesto commitment that "By 2010 we will ensure that all social tenants benefit from a decent, warm home with modern facilities".

The government's position is increasingly isolated and untenable. The ODPM Select Committee argued "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... 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." ('Decent Homes', ODPM Housing, Planning, Local Government and the Regions Committee, May 2004)

Such a change in policy is essential if the government is to avoid further criticism of denying council tenants 'choice in public serv-

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ices'. It is not acceptable to say that where tenants have rejected privatisation councils should 're-ballot until they vote yes' (as Keith Hill, a previous Minister of Housing, told Camden, Stroud and other councils). Dame Jane Roberts, Leader of Camden Council said after the overwhelming local No vote against ALMO "if choice is the fourth principle of public service reform how can you possibly ignore the choice that tenants have made?"

The obvious beneficiaries of a change in policy would be existing council tenants. But if councils are allowed to improve their homes and build new homes then council housing could once again help contribute to tackling the escalating housing crisis causing increasing misery for millions. This in part explains support for the campaign from the TUC and a growing number of trade unions.

Sceptics might argue that government policy is set in stone – their mind is made up. We hope that Ministers and their advisors will be more pragmatic and constructive. For every negative statement made by Ministers there have been positive ones.

In the past many 'experts' argued councils would never win a new 'right to borrow' as an important step towards constructing a level playing field for council housing. Then Stephen Byers, as Secretary of State, made an important statement at the Labour Party conference in 2001 promising to introduce legislation allowing councils to borrow "as an alternative to going into the private sector". What eventually followed, after several more hiccups, was the new prudential borrowing rights introduced in the Local Government Act (2003).

Deputy Prime Minister John Prescott told the Labour Party conference in 2004 "Public financing of housing doesn't treat local authorities on a level playing field and I want to see that changed and I promised to do that and look at an enquiry into it." He told delegates that he had been "near agreement" in private talks with senior councillors, leading trade unionists and others.

It was widely reported that he subsequently withdrew that commitment and told local authorities to get on with choosing from the three options on the table. But we know that the basis of this "agreement" included acceptance that all councils who are good performers should have access to the extra money available

to ALMOs – without the requirement that they set up a private company. This would go some way to squaring the circle. With our proposed 'Continual Improvement Task Force' and using best practice to raise standards we believe this is a formula which satisfies Treasury conditions for additional public investment tied to improvements in performance.

We can achieve the goal of the decent homes standard, end the attrition against councillors and council tenants and contribute to addressing the housing crisis.

# 9. Recommendations

To make choice a reality for tenants government has to provide a level playing field between the different options available and guarantee a 'fair and balanced debate' before tenants make a decision by a formal ballot.

The government should:

1. Provide a level playing field for council housing giving local authorities the same rights as RSLs to borrow against stock and rental income;
2. Write off historic debt or take direct control of maintaining the cost of the debt and remove this element from the housing subsidy system altogether, making housing finance fairer and much simpler;
3. Ring fence the national Housing Revenue Account and ensure that, as a principle, all council tenants' rents are spent on council homes;
4. Increase the management and maintenance allowance and the major repairs allowance to enable councils to maintain their stock;
5. Ring fence all right to buy receipts to be used to improve existing and build new council housing – stop councils from using them for any other purpose. Allow councils to use as much as they need to meet the Decent Homes Standard, pool any excess;
6. Release the remaining reserved capital receipts and allow these to be used as (in 5) above;
7. Create an investment allowance as a revenue stream to allow councils still in investment need to make use of prudential borrowing as outlined BY the ODPM 'The Way Forward For Housing Capital Finance' 2002;
8. Encourage improved performance and best practice by setting up a 'Continual Improvement Task Force' at the ODPM to encourage short term secondment of officers with an excellent record in a particular area of housing management or strategy to authorities who need help to improve their performance;
9. Produce guidelines for local authorities and a clear code of practice that insists on a fair and balanced debate so that tenants hear both sides of the argument including:
  - a. The right of tenants to choose between all of the options and for these options to be factually presented (not 'more investment' v 'stay as you are');
  - b. Any proposal/process to change from one option to another should be tenant led;
  - c. Public access to all the relevant information (financial information, stock conditions reports, address lists of all those entitled to vote);
  - d. Equal access to meeting halls and other facilities to allow the fullest possible debate;
  - e. Tenants are given one clear month's advance notice of when the ballot will start and finish and this timescale will be strictly adhered to;
  - f. Tenants receive material putting both sides of the debate and a commitment that council staff will not be instructed to selectively take down material on estates opposing the proposal;
  - g. A financial limit on the overall cost of consultation to ensure the maximum resources are spent on improving tenants' homes.

# APPENDIX

## List of evidence

### EVIDENCE FROM DIFFERENT AREAS

#### **Aberdeenshire**

Colin Mackenzie, Director of Housing, Aberdeenshire Council; written evidence, 25.03.04

#### **Adur**

David Pannell, Head of Housing Management Services, Adur DC, written evidence, 15.04.05

#### **Amber Valley**

Jeremy Dickinson, Housing Strategy Officer, Amber Valley BC; written evidence, 01.04.04

#### **Basingstoke & Deane**

Cllr Ian Tilbury, Basingstoke & Deane, email correspondence, 30.03.05

#### **Birmingham**

Pat Morrin, Birmingham Defend Council Housing, oral evidence, 08.03.05  
Birmingham City Council, response to ODPM consultation paper, "The Way Forward for Housing Capital Finance", 2002

#### **Bolsover**

Mr. W. Lumley, Chief Executive, Bolsover District Council; written evidence, 19/04/04  
Cllr. Brian Hudless, Cabinet member for Housing, Bolsover District Council; oral evidence 08.03.05

#### **Bracknell Forest**

Tom Hogan, Assistant Director, Housing, Bracknell Forest Council; written evidence, 26.03.04

#### **Bridgend**

Cllr. Margie Ing, Cabinet Member for Housing, Bridgend CBC, written evidence, 28.04.04

#### **Bridgnorth**

David Parish, Director of Operational Services, Bridgnorth DC, written evidence 13/04/05  
Letter from Bridgnorth council responding to Freedom of Information request, May 2005

#### **Brighton**

Copy of Council motion 10th March 2005

#### **Bristol**

Cllr. Matthew Symonds, Executive Member for Housing, Bristol City Council written evidence 30/03/05

#### **Camden**

Camden Defend Council Housing, written evidence 12th May 2004  
R (Beale and Carty) v. London Borough of Camden, 2004  
Housing Strategy 2005-2010 (Draft), London Borough of Camden, May 2005

#### **Corby**

Corby Council; written evidence, April 2004  
Ken Campbell, Corby Federation of TRAs; oral evidence 08/03/05

#### **Crawley**

Email from Martin Ballard, Crawley Defend Council Housing, 26th May 2005

#### **Darlington**

Housing Options Appraisal, Report to Darlington Council, 22.07.04

#### **Dudley**

Cllr. Michael Evans, Lead Member for Housing, Dudley MBC; written evidence, 19/03/04

#### **Durham**

Stock Options Appraisal, Report to Cabinet, Durham City Council, 09.05.05

#### **Gateshead**

Cllr. Peter Mole, Cabinet member, Gateshead Council; written evidence, 14th April 2004

#### **Gedling**

Cllr. A. Allen Clarke, Housing Portfolio Holder, Gedling BC; written evidence, 24/03/04  
Letter from Gedling council responding to Freedom of Information request, May 2005

#### **Gloucester**

Phil Jones, Gloucester UNISON; oral evidence, 12th May 2005

#### **Gosport**

Cllr. Jill Wright, Chairman of the Housing Board, Gosport BC; written evidence, 13.04.04

#### **Hackney**

Correspondence between Nick Strauss and Sheila Seabury, former tenant board members, Canalside Housing and the Housing Corporation, July 2002 – February 2003.  
Sheila Seabury, former tenant board member, Canalside Housing, oral evidence, 08.03.05

#### **Isles of Scilly**

Ian Hamilton, Housing Officer, Council of the Isles of Scilly written evidence 02/11/04

#### **Haringey**

Haringey Defend Council Housing, copy of written evidence submitted to the ODPM Select Committee, 04/12/03

#### **Harlow**

Cllr. Kevin Brooks, Leader, Harlow Labour Group; Written Evidence, 08/05/04

#### **Hyndburn**

Letter from Hyndburn council responding to Freedom of Information request, May 2005

#### **Ipswich**

Cllr. Elizabeth Harsant, Leader and Housing Portfolio Holder, Ipswich BC; written evidence, 22.04.05

#### **Kingston upon Hull**

Cllr. Steven J. Bayes, Portfolio Holder: Housing, Kingston upon Hull CC; written evidence, 05/04/04

#### **Lambeth**

London Borough of Lambeth, written evidence, April 2004  
Phillippa Stone, Chair, Clapham Park West TA, oral evidence, 8 March 2005  
Email correspondence relating to the stock transfer of Clapham Park between the London Borough of Lambeth, the Clapham Park Project and the Electoral Reform Society, January – March 2005.  
Copy of letter from Sebastian Rojas, resident of Clapham Park to the Electoral Reform Society, April 14th 2005.  
Email from the Defend Council Housing campaign in Clapham Park, April 4th 2005.

#### **Leeds**

Dick Bond, Leeds Amicus, oral evidence, 8th March 2005

#### **Leicester**

Cllr. Andy Metcalfe, Cabinet Lead for Housing, Leicester CC; written evidence, 15.03.04  
Letter from Leicester council responding to Freedom of Information request, May 2005

#### **Lewes**

Cllr. Marina Pepper, Exec Member for Housing, Lewes BC; oral evidence, 08.03.05

#### **Liverpool**

Cllr. Flo Clucas, Executive Member for Housing, Liverpool CC; written evidence, 01.04.04

#### **Macclesfield**

Email from Vic Barlow, Macclesfield & Wilmslow Express ([www.barlowsbeef.co.uk](http://www.barlowsbeef.co.uk)), 20.03.05

#### **Maidstone**

Audrey Gardner, Maidstone tenant, written evidence, 14 March 2005

#### **Melton**

Cllr. Byron Rhodes, Melton BC; oral evidence, 08.03.05

#### **Mid Suffolk**

Letter from Mid Suffolk council responding to Freedom of Information request, May 2005

**Mole Valley**

David Searle, Director of Housing, Mole Valley Borough Council; oral evidence, 08.03.05

**Newcastle City Council**

Cllr. Ruth Robson, Cabinet Member for Housing, Newcastle City Council; written evidence, 01.04.04

**Northampton**

'Housing Options Appraisal Investigation', press release, Northampton Borough Council, 19th May, 2005

**North Cornwall**

Cllr. Graham Facks-Martin, Chair, Community Services Cttee, North Cornwall DC; written evidence, 17/3/04

**North Lincolnshire**

Letter from North Lincs council responding to Freedom of Information request, May 2005

**North Tyneside**

Terry Harding, former Chair, North Tyneside ITA Steering Group; written evidence, 06.01.05  
Terry Harding, former Chair, North Tyneside ITA Steering Group; oral evidence 12.02.05

**Nottingham**

Nottingham City Council, written evidence, April 04

**Oxford**

Cllr. Rick Muir, Oxford City Council, oral evidence, 12/02/05  
Emma Goodall, Branch Secretary, Oxford UNISON; oral evidence, 12.02.05

**Portsmouth**

Cllr. Gerald Vernon-Jackson, Exec Member for Housing, Portsmouth CC; written evidence, 01/04/04

Cllr Graham Harvey, Labour Group Leader and Spokesman on Housing, Portsmouth CC, oral evidence, 12/05/04

**Runnymede**

Letter from Runnymede council responding to Freedom of Information request, May 2005

**Salisbury**

Salisbury UNISON, Submission on Stock Options to Salisbury Council, 25th January 2005  
Housing Stock Options Appraisal, Report to Cabinet, Salisbury Council, 02.03.05

**Sedgefield**

Pat McCourt, Amicus representative Sedgefield; oral evidence 08.03.05  
Letter from Sedgefield BC responding to Freedom of Information request, 25.05.05

Stock Options Appraisal Study, Sedgefield BC  
**Sefton**

Cllr. S.C. Whitby, Housing Cabinet Member, Sefton Council; written evidence, 08/04/04  
Cllr. Darren Hardy, Labour Spokesperson for Housing, Sefton Labour Group; written evidence, 29/04/04

Cynthia Johnson, Sefton Decent Homes Commission; oral evidence 12th May 2004  
Paul Summers, Sefton UNISON; oral evidence, 8 March 2005

**Sheffield**

Cllr Chris Weldon, Cabinet Member for Neighbourhoods Sheffield; quoted in written evidence from Amicus, 24/05/05

**Shetland Islands**

Chris Medley, Head of Housing, Shetland Islands Council; written evidence, 24/03/04

**South Gloucestershire**

Cllr. Maggie Tyrell, Executive Member for Housing, South Gloucestershire Council; written evidence 14/10/04

**South Tyneside**

Cllr. Peter Boyack, Lead Member, Neighbourhood Services, South Tyneside Council; written evidence, 26/04/04

**Southwark**

Alex Clark, tenant, Aylesbury Estate, London Borough of Southwark; oral evidence, 12.05.04  
Mary Phillips, tenant East Dulwich Estate, Southwark; oral evidence, 12.05.04  
Piers Corbyn, tenant, Southwark Defend Council Housing; oral evidence, 12.05.04

**Stafford**

Cllr. Maureen Bowen, Stafford Borough Council; oral evidence, 12.02.05

**Stroud**

Cllr Hilary Fowles, leader of the Labour group, Stroud District Council; written evidence  
Alison Hustwick, Stroud Tenants & Residents Forum, oral evidence, 12.05.04

**Sunderland**

Cllr. Mike Tansey, Sunderland City Council; oral evidence 12.02.05  
Cllr. Bryn Sidaway, Sunderland city council, oral evidence 12.02.05  
Margery Atkinson, 86 year old Sunderland resident; oral evidence 12.02.05  
Minutes of Regeneration Review Committee meeting, Sunderland City Council, 25/01/05

**Sutton**

Cllr. Roger Thistle, Lead Councillor for Housing, London Borough of Sutton; written evidence, 26/04/04

Housing Option Appraisal, London Borough of Sutton, 14.02.05

**Taunton Deane**

Patricia Rowe, Taunton Deane Tenants Against Transfer; oral evidence, 08.03.05

**Tendring**

Cllr. Delia Aldis, Tendring District Council; oral evidence, 12.02.05

**Tower Hamlets**

Email correspondence from Columbia Estates Defend Council Housing, various dates March – May 2005.

Newsletter, Columbia Estates Defend Council Housing, March 2005

Fred Hunt, Secretary, Minerva Estate TRA, Tower Hamlets; written evidence, 12/03/05  
Ocean New Deal Resident Consultation and communication Strategy 2004, 11.11.04

Tower Hamlets Against Transfer, oral evidence, 12.05.04

Tower Hamlets Against Transfer, oral evidence, 08.03.05

**Wandsworth**

Cllr. Martin D Johnson, Cabinet Member for Housing, London Borough of Wandsworth; written evidence, 16/04/04

**Woking**

Letter from Woking council responding to Freedom of Information request, May 2005

**REPORTS and government papers**

'Quality and Choice: A Decent Home for All', Green Paper, 2000

'The Way Forward For Housing Capital Finance', ODPM, August 2002

'Improving Social Housing Through Transfer', National Audit Office, March 2003

'Improving Social Housing Through Transfer', Public Accounts Committee, July 2003

'The Case for the 4th Option for Council Housing and a Critique of Arms Length Management Organisations', Centre for Public Services, 2003

'Decent Homes', ODPM Housing, Planning, Local Government and the Regions Committee, May 2004

'Changing Boards, Emerging Tensions,' Liz Cairncross, Oxford Brookes University, Paper

## APPENDIX: LIST OF EVIDENCE RECEIVED

presented to the Housing Studies Association Conference, Spring 2004

'Housing: Improving services through resident involvement', Audit Commission, June 2004

'Stock Transfer: Essential Reading Before You Choose', Tower Hamlets Law Centre

'ALMOs: A New Future for Council Housing', published jointly by Housemark / the National Federation of ALMOs / Chartered Institute of Housing, April 2005

ODPM housing live table 704 'RSLs rent by district from 1997'

'Choice and Voice in Public Services', Public Administration Select Committee, 2005

Survey of English Housing 2003-04, ODPM, Jan 2005

Parliamentary Answers 17.06.04, 6.12.04, 8.3.05

### MISCELLANEOUS

Local Government Association, press statement, 7 May 2004

Local Government Information Unit, oral evidence, 12.05.04

GMB, written evidence, May 2004

Scottish Trades Union Congress, written evidence, May 2004

T&G South East & East Anglia, written evidence, May 2004

John Allott, Amicus National Officer for Local Authorities, written evidence 12 May 2005

Association of Public Service Excellence, oral evidence, 12.05.04

'What London Tenants Really Want', London Tenants Federation; written evidence 21.04.04

Amicus the Union, written evidence, 8th March 2005

George Brumwell, General Secretary, UCATT; written evidence, 22/04/04

'MPs Council House Group Enquiry: A Response from UNISON' written evidence, May 2004

Scottish Tenants Organisation, written evidence, May 2004

Chris Holmes, written evidence, May 2004

Keith Hill, oral evidence given to the ODPM Select Committee 28 Jan 2004

Letter from Keith Hill to Austin Mitchell MP, 17 May 2004

Keith Hill, speaking to a conference of the London Tenants Federation, 27.11.03

Dennis Skinner MP, speaking at an

adjournment debate on council housing 30 June 2004

Yvette Cooper, Under-Secretary of State, Hansard, 7 January 2004

### PRESS REPORTS

'Large Scale Voluntary Transfer: not all honey and roses', Jan Luba QC, (2000)4 L.& T.Rev. 6

'Council "produced unlawful material" ', Inside Housing, 16th May 2003

'M&M spending "must rise" to tackle repairs backlog', Inside Housing, 31st July 2003

'London Tenants Face Service Reductions', London Housing, September 2003

'Transfer literature "was biased" ', Inside Housing, 30 January 2004

'No Choice', Guardian Unlimited, 2 February 2004

'ALMOs now on a level playing field', Inside Housing, 27th Feb 2004

'ALMO ownership by 2006', Inside Housing, 3rd Sept 2004

'Hill gives councils hope of independent future', Inside Housing 8th October 2004

'Council ignores transfer advice and keeps hold of its stock', Inside Housing, 15 October 2004

'Tenants 'blackmailed' into housing transfers', Guardian Unlimited, 29 October 2004

'Power to the People? Well, Not Exactly', Housing Today, 21st January 2005

'Heavyweight plan to halt rebellion', (Newcastle) Journal Feb 11 2005

'Limited Choice', Guardian Unlimited, 03 March 2005

Professor Anne Power, speaking on 'File on 4 - Urban Regeneration', Radio 4, 8 March 2005

'Performance now no bar to release of gap funding', Inside Housing, 11 March 2005

'Terry and Mary's Last Stand', Sunderland Today, 18th March 2005

'File Reveals PFI homes repairs fury', Islington Tribune, 25 March 2005

'Stock transfer chiefs fuel vote debate', Inside Housing, 29 April 2005

'Homeless kept out of stock transfer homes', Housing Today, 29.04.05

'Row erupts over council homes sell-off', Guardian Unlimited, 18th May 2005

'One in Five Transfer Landlords Needs Supervision', Guardian Unlimited, 25 May 2005

Sue Regan, Shelter Policy Director, quoted in

'Priorities shift to shared ownership', Inside Housing, 26th May 2005

'Decent Homes Standard: The Case for New Delivery Options', Richard Parker, head of Housing PPP at PricewaterhouseCoopers, article in Social Housing May 2005

'ALMOs Seek Funding Freedom', Social Housing, May 2005

## Support our motion in Parliament

Early Day Motions (EDMs) are a means by which MPs can collectively express their views on a particular issue.

EDM 48 'Future of Council Housing' has been tabled by members of the House of Commons Council Housing group. It carries over the same wording from EDM 193 of the same name in the last Parliament.

That this House supports the proposal from the Office of the Deputy Prime Minister Select Committee for an investment allowance to create a level playing field for council housing and enable local authorities to finance borrowing under the prudential framework to meet the Decent Homes Standard as an alternative to the Government's three current options of stock transfer, private finance initiative and arm's length management organisations; shares the concerns expressed in the critical reports by the Public Accounts Committee and the National Audit Office on the cost-effectiveness of stock transfer; believes that a fourth option, allowing councils to improve their own stock, can be funded by re-investing all the income from tenants' rents, capital receipts and savings on expensive set-up costs; notes the broad consensus of support from tenants, the Local Government Association and local authorities, the TUC and trade unions for the fourth option; welcomes the recognition by the Deputy Prime Minister on 26th September that 'public financing of housing doesn't treat local authorities on a level playing field and I want to see that changed and I promised to do that and look at an inquiry into it'; and urges him to stand by this promise so that tenants can have a real choice, councils can compete on a level playing field and the public housing stock can be repaired, refurbished and expanded to make its contribution to the growing need for public rented housing, instead of wasting millions to give it away.

Ask your MP to support this motion, join the House of Commons Council Housing group and support forthcoming adjournment debates in the House on the 'fourth option' for council housing.

'Bevan's policy was to restrict severely private house-building, allowing only one private house for every four built by local authorities, to order local authorities to requisition empty houses and derequisition those it had taken over as offices, to toughen rent controls, put first priority on repairs to unoccupied war-damaged dwellings, and charge local authorities with the task of building, either through direct labour organisations or on contract with private builders. He persuaded Dalton not only to treble the subsidy for council housing and extend it from forty to sixty years, but to shift the balance so that three-quarters of the cost rather than two-thirds came from the Exchequer, and only a quarter from the rates.'

**Nicholas Timmins 'The Five Giants – A biography of the Welfare State' Fontana 1996**

'Tenants have to fill in a ballot form, but there's only one candidate on the list. This sounds more like a medieval dictatorship than democracy'.

**Gordon Brown, 1996**

'Do we believe as a nation that the problem in our public services is years of under-investment and that the solution is sustained investment matched with reform? Or do we believe the problem is that the Thatcherite revolution was never completed and that the solution is to cut back on investment, cut taxes and then get people to purchase their own services?' [Those who favour the second at present:] 'confine themselves to denigrating everything about the public services – running them down, saying the services are lousy – so that people feel it's all hopeless, nothing works, that any investment is just wasted money...It is denigrating for a purpose: to argue that the public services aren't worth saving...'  
'...I favour building up public services rather than pushing people to go private.'

**Tony Blair, 25 January 2002**

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

**John Prescott, 26 September 2004**

"By 2010 we will ensure that all social tenants benefit from a decent, warm home with modern facilities."

**Labour Party Manifesto 2005**

To obtain additional printed copies of this report or further information on the work of the House of Commons Council Housing group contact:

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The report and additional evidence, background and reference material used in its production is available at: [www.support4councilhousing.org.uk](http://www.support4councilhousing.org.uk)

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